

**UPPER MACUNGIE TOWNSHIP**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended December 31, 2015*



*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

**UPPER MACUNGIE TOWNSHIP**  
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YEAR ENDED DECEMBER 31, 2015

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of Supervisors  
Upper Macungie Township  
Breinigsville, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Upper Macungie Township as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Upper Macungie Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Supervisors  
Upper Macungie Township  
Breinigsville, Pennsylvania

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Upper Macungie Township, Pennsylvania, as of December 31, 2015, 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.

### ***Emphasis of Matter***

For the year ended December 31, 2015, Upper Macungie Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

As discussed in Note I to the financial statements, the December 31, 2014 government-wide financial statements have been restated to record items in accordance with generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 19, budgetary comparison information on pages 56 and 57 and pension plan information on pages 58 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Supervisors  
Upper Macungie Township  
Breinigsville, Pennsylvania

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Macungie Township's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such 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.

A handwritten signature in black ink that reads "Maillie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania  
October 5, 2016



**UPPER MACUNGIE TOWNSHIP**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2015

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This discussion and analysis of Upper Macungie Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2015. 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, which begin on page 20.

**FINANCIAL HIGHLIGHTS**

- Prior to the 2015 audit, the Township had not recorded capital assets in governmental activities and, accordingly, had not recorded depreciation expense on those assets. This significant matter caused the 2014 audit to have an adverse opinion. In 2015, the Township contracted with American Appraisal to perform an asset valuation of all of the Township assets and infrastructure. The additional value of these assets totaled a net of \$42,220,470. Based on this value and cash, investments, and other assets, Upper Macungie Township exceeded its liabilities at the close of the most recent fiscal year by \$82,968,827 (representing its net position). Of this amount, \$31,516,108 (or its unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 20 and 21) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 22. For governmental activities, these 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 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.

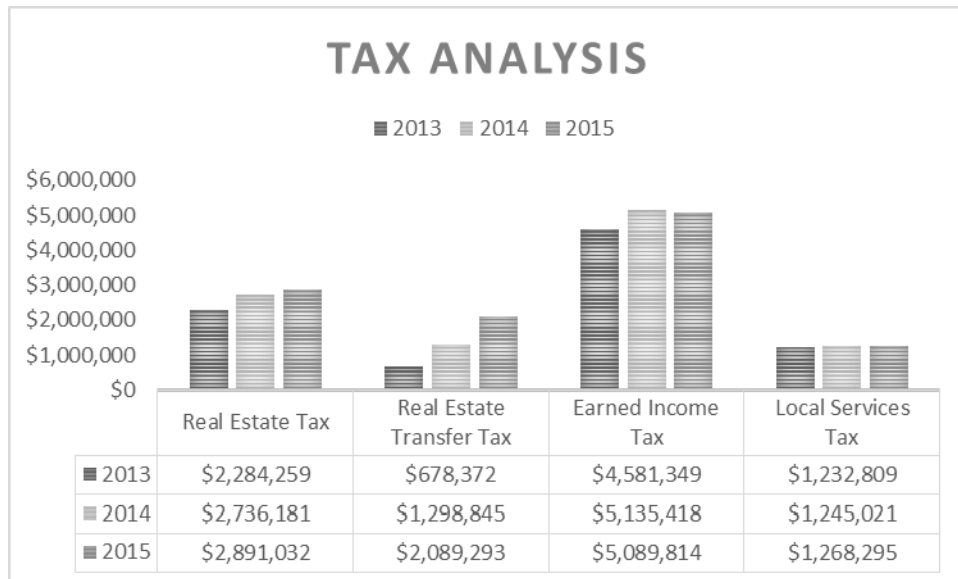
The entity-wide statements report information about the Township as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

**UPPER MACUNGIE TOWNSHIP**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2015**

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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 liabilities, 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 to additional nonfinancial factors, such as changes in the Township’s property tax base and the adequacy of Township services.

It is estimated that the Township has about 15% of its land remaining for commercial or residential development, which could take decades to occur.



The graph above provides an overview of the various taxes collected, which relate to the financial health of the Township. The continued growth of both real estate tax and real estate transfer tax is an indicator of continued growth both residential as well commercial in the Township. Earned income tax (EIT) and local services tax (LST) provide data regarding our residents and employees that work within the Township boundaries.

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 is passed on to residents in the form of a user fee. These fees have remained the same for the past two years, which can be seen on Table 1 of the next page.

**UPPER MACUNGIE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2015**

**Table 1 - Sewer and Refuse Rates**  
**Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>SEWER</b>		
RESIDENTIAL		
Base rate (annually)	\$ 356.00	\$ 356.00
Per gallon additional use over 27,000 gallons per quarter	4.18	4.18
COMMERCIAL		
Base rate (monthly)	105.09	105.09
Per 1,000 gallon additional	4.90	4.90
BOD (per pound)	0.47	0.47
TSS (per pound)	0.43	0.43
TKN (per pound)	0.69	0.69
FOG (per pound)	0.52	0.52
<b>REFUSE</b>		
RESIDENTIAL		
Annually	\$ 288.00	\$ 288.00
Under age 65	258.00	258.00
Age 65 and Over		
Quarterly		
Under age 65	72.00	72.00
Age 65 and Over	64.50	64.50

**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.

**UPPER MACUNGIE TOWNSHIP**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2015

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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. The Township's Governmental Funds include the General Fund, Capital Reserve Fund, Street Light Fund, Fire Protection Fund, Fire Alarm Fund, Stormwater Maintenance Fund, Medical Expense Fund, Highway Aid Fund, Volunteer Fire Relief Aid Fund, Recreation Capital Fund, Capital Equipment 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 Propriety Funds. The Township's two Propriety Funds are the Sewer Fund and Refuse and Recycling Fund.
- **Fiduciary Funds** - The Township is the trustee, or fiduciary, for the Non-Uniformed Employees' Pension Plan and escrow funds. All of 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.

**UPPER MACUNGIE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2015**

**ENTITY-WIDE FINANCIAL ANALYSIS OF THE TOWNSHIP**

The total net position for the Township's primary government activities, both governmental and business-type, was \$82,968,827 at December 31, 2015. Governmental activities totaled \$59,974,846 and business type activities \$22,993,981. The overall net increase in net position from 2104 to 2015 increased \$11,050,747. Governmental activities increase \$4,376,691 and business-type activities \$6,674,056. Our analysis focuses on the net position (Table 2) and changes in net Position (Table 3) of the Township's governmental and business-type activities.

**Table 2 - Statement of Net Position**  
**Years Ended December 31, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>ASSETS</b>						
Current and other assets	\$ 18,428,359	\$ 15,402,517	\$ 15,320,232	\$ 9,057,385	\$ 33,748,591	\$ 24,459,902
Capital and related assets	42,220,470	43,284,958	8,202,451	8,453,778	50,422,921	51,738,736
<b>TOTAL ASSETS</b>	<b>60,648,829</b>	<b>58,687,475</b>	<b>23,522,683</b>	<b>17,511,163</b>	<b>84,171,512</b>	<b>76,198,638</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	876,977	-	52,754	-	929,731	-
<b>LIABILITIES</b>						
Long-term liabilities	-	2,794,600	81,939	87,844	81,939	2,882,444
Other liabilities	788,800	294,720	455,378	1,103,394	1,244,178	1,398,114
<b>TOTAL LIABILITIES</b>	<b>788,800</b>	<b>3,089,320</b>	<b>537,317</b>	<b>1,191,238</b>	<b>1,326,117</b>	<b>4,280,558</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	762,160	-	44,139	-	806,299	-
<b>FUND BALANCES/NET POSITION</b>						
Net investment in capital assets	42,220,470	43,284,958	8,202,451	8,453,778	50,422,921	51,738,736
Restricted	1,029,798	790,200	-	-	1,029,798	790,200
Unrestricted	16,724,578	11,522,997	14,791,530	7,866,147	31,516,108	19,389,144
<b>TOTAL FUND BALANCES/NET POSITION</b>	<b>\$ 59,974,846</b>	<b>\$ 55,598,155</b>	<b>\$ 22,993,981</b>	<b>\$ 16,319,925</b>	<b>\$ 82,968,827</b>	<b>\$ 71,918,080</b>

**UPPER MACUNGIE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2015**

**Table 3 - Changes in Net Position**  
**Years Ended December 31, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 3,551,757	\$ 4,432,788	\$ 9,335,043	\$ 7,585,436	\$ 12,886,800	\$ 12,018,224
Operating grants and contributions	899,961	1,592,034	145,243	-	1,045,204	1,592,034
General revenues						
Real estate taxes	2,891,032	2,736,181	-	-	2,891,032	2,736,181
Real estate transfer taxes	2,089,293	1,298,845	-	-	2,089,293	1,298,845
Earned income taxes	5,089,814	5,135,418	-	-	5,089,814	5,135,418
LST taxes	1,268,295	1,245,021	-	-	1,268,295	1,245,021
Grants and contributions, non-program	177,161	-	-	-	177,161	-
Investment income	27,200	382,478	21,214	16,506	48,414	398,984
Rents and royalties	376,566	-	-	-	376,566	-
Other revenues	26,101	130,155	-	-	26,101	130,155
Gain on sale of assets	161,700	-	-	-	161,700	-
Transfers	284,000	-	(284,000)	-	-	-
<b>TOTAL REVENUES</b>	<b>16,842,880</b>	<b>16,952,920</b>	<b>9,217,500</b>	<b>7,601,942</b>	<b>26,060,380</b>	<b>24,554,862</b>
<b>EXPENSES</b>						
Current						
General government	2,444,059	3,399,139	-	-	2,444,059	3,399,139
Public safety	3,587,559	6,327,243	-	-	3,587,559	6,327,243
Public works						
Highways and streets	2,992,751	2,442,449	-	-	2,992,751	2,442,449
Sanitation	-	1,970,377	-	-	-	1,970,377
Culture and recreation	932,393	881,253	-	-	932,393	881,253
Miscellaneous expenses	240,081	-	-	-	240,081	-
Sewer	-	-	3,100,682	5,772,518	3,100,682	5,772,518
Sewer capital reserve	-	-	13,784	-	13,784	-
Refuse	-	-	1,675,485	-	1,675,485	-
<b>TOTAL EXPENSES</b>	<b>10,196,843</b>	<b>15,020,461</b>	<b>4,789,951</b>	<b>5,772,518</b>	<b>14,986,794</b>	<b>20,792,979</b>
<b>INCREASE IN NET POSITION</b>	<b>\$ 6,646,037</b>	<b>\$ 1,932,459</b>	<b>\$ 4,427,549</b>	<b>\$ 1,829,424</b>	<b>\$ 11,073,586</b>	<b>\$ 3,761,883</b>

**Governmental Activities**

The net increase during 2015 from the Township's governmental activities of \$6,646,037 accounts for 60% of the total increase in net position of the Township is shown in Table 2.

**UPPER MACUNGIE TOWNSHIP**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2015

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The costs of all governmental activities for 2015 was \$10,196,843. As shown in the Statement of Activities on page 21, the amount the Township's taxpayers ultimately financed for these activities through Township taxes was \$11,338,434, 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 \$3,551,757, or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions in the amount of \$899,961. Other income totaling \$1,052,728 is broken down as follows: Pennsylvania State Police facility rental - \$333,684; land, cell tower and building rentals - \$42,882; interest earnings - \$27,200; gain on sales of assets - \$161,700; other revenue - \$26,101; and transfers due from proprietary funds - \$284,000.

Total revenue for governmental activities in 2015, was \$16,842,880. 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 \$14,890,191 or 88.4% of total revenues. Additionally, operating grants and contributions, non-program grants and contributions, investment income, gain on sales of assets and other sources amount to \$1,952,689 or 11.6%.

Comparative revenue totals for 2015 versus 2014 reflect a small decrease of \$110,040 or -0.65%.

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 \$790,448 or 60.9% in 2015. Purchased property for 2015 within the Township totaled \$158.1 MM more than 2014.
- Real estate tax, a tax of 0.64 mills assessed on taxable properties both residential and commercial, increased \$154,851 or by 5.7% compared to 2014 as a result of increased interim taxes collected and an increase in the tax base as a result of new construction.
- Earned income tax, which is collected from any Township resident at the rate of 1.0% of their wage and is divided equally between the Township and Parkland School District, decreased slightly by \$45,604 or -0.89%.
- Rentals increased slightly by amounts received monthly payments from Verizon for the cellular tower located next to the rear parking lot at 8330 Schantz Road.
- Charges for services in 2015 totaled \$3,551,757 compared to \$4,432,788 in 2014. Initially this seems like a decrease of \$881,031. However, as a result of moving sanitation from governmental activities to a business-type activity, charges for services actually increased \$980,673.

Total expenses for all governmental activities in 2015 totaled \$10,196,843, which was less than 2014 expenses by \$4,823,618. General government expenses of \$2,444,059 were lower than expenses incurred in 2014 by \$4,823,618. As mentioned above, this difference is inflated due to the moving of sanitation from the general activities to a business-type activity in 2015. By removing this cost of \$1,970,377 in 2014, the difference in costs from 2015 to 2014 was \$2,853,241.

**UPPER MACUNGIE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2015**

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**Business-Type Activities**

Total revenue in 2015 from the Township's business-type activities for both the Sewer and Refuse and Recycling Funds was \$9,217,500 as compared to 2014, which totaled \$7,601,942 plus the additional revenue of \$2,096,939 in 2014 from sanitation bringing 2014 revenue to \$9,698,881. Based on these numbers, revenue decreased \$481,381 from 2014 to 2015.

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

Most of the activities are reported in Governmental Funds. Governmental Funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. Governmental Funds of the Township include the General Fund and Capital Reserve Fund. Additionally, Special Revenue Funds include the Township's Street Light Fund, Fire Protection Fund, Fire Alarm Fund, Stormwater Maintenance Fund, Medical Expense Fund, Highway Aid Fund and the Volunteer Fire Relief Aid Fund. Three other funds exist under Capital Projects Funds which include the Recreation Capital Fund, Capital Equipment Fund and Traffic Improvement Fund. Most of the Township's activity occurs in the General Fund.

On page 22 of this report, the Township's Governmental Funds reported combined ending balances of \$17,470,040. The unassigned balance totals \$9,221,785, which represents funds available for spending at the Township's discretion. The remainder of the fund balances is segregated into four categories. Nonspendable, Restricted for, Committed to and Assigned to. The following table 4 provides definitions of each of these categories.

<b>Table 4 - Components of Fund Balance for Governmental Funds</b>	
Fund Balance Categories:	
Nonspendable fund balance (inherently nonspendable)	a) Portion of net resources that cannot be spent because of their form b) Portion of net resources that cannot be spent because they must be maintained intact
Restricted fund balance (externally enforceable limitation on use)	a) Limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments b) Limitations imposed by law through constitutional provisions or enabling legislation
Committed fund balance (self-imposed limitations set in place prior to the end of the period)	a) Limitation imposed at the highest level of decision making that requires formal action at the same level to remove
Assigned fund balance (limitation resulting from intended use)	a) Intended use established by highest level of decision making b) Intended use established by body designated for that purpose c) Intended use established by official designated for that purpose
Unassigned fund balance (residual net resources)	a) Total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance b) Excess of nonspendable, restricted and committed fund balance over total fund balance



**UPPER MACUNGIE TOWNSHIP**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2015

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The following information can be followed in more detail on page 22, and in the Supplementary Information Section on pages 66 and 68.

**General Fund**

The General Fund is the chief operating fund of the Township. As of December 31, 2015, the total fund balance of the General Fund was \$10,128,679. The assets that comprise the fund balance for the General Fund are predominately held in bank accounts as cash and cash equivalents. The General Fund has an unassigned fund balance of \$9,291,210.

**Capital Reserve Fund**

The Capital Reserve Fund is used to account for financial resources planned for use in the acquisition of capital equipment and capital improvements for the Township. The Capital Reserve Fund has a committed fund balance of \$3,160,761.

**Street Light Fund**

A special revenue fund called the Street Light Fund is used by the Township 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 Street Lighting Fund has a negative restricted fund balance of \$69,425 at year end 2015.

**Fire Protection Fund**

This special revenue fund accounts for the fire hydrant tax assessed to each property owner that has their residence situate within 300 feet of a public fire hydrant. The outflow for expenses are paid to Lehigh County Authority for the maintenance and water flow for each hydrant. The Fire Protection Fund has a restricted fund balance of \$73,786.

**Stormwater Maintenance Fund**

This fund is earmarked to account for the revenue and costs associated with run-off stormwater mandates as promulgated under the Federal and Commonwealth Departments of Environmental Protection. Current revenue is derived from developer contributions. The Stormwater Maintenance Fund has an assigned fund balance of \$317,727.

**Medical Expense Fund**

This fund has been established to account for the Township's administrative health care costs associated with the Affordable Health Care Act. Revenue flow is provided by any dividend return from the Township's health insurance pool. The Medical Expense Fund has an assigned fund balance of \$360,779.

**Highway Aid Fund**

The Township's Highway Aids Fund is used to separately account for both revenue received from the Commonwealth of Pennsylvania in the form of liquid fuels allocations and the expenses associated with road improvements, snow removal and capital purchases for the Public Works Department. The Highway Aid Fund has a restricted fund balance of \$894,491 as of December 31, 2015.

**UPPER MACUNGIE TOWNSHIP**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2015

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**Volunteer Fire Relief Aid Fund**

This fund is used as a conduit to record the receipt of state aid for our three volunteer fire companies and the subsequent disbursement of all funds to the same. No balance is shown as of year-end 2015.

**Recreation Capital Fund**

This fund provides an accounting of capital enhancements, structures and land improvements to the Township's ten parks. Revenue is generated by developer fees and grant funds. Expenses include equipment purchases directly associated with park and recreation maintenance and development, recreation project costs including engineering and in-house or contracted services. The Recreation Capital Fund has a restricted fund balance of \$1,647,019.

**Capital Equipment Fund**

The establishment of this fund was done to segregate monies set aside to purchase various capital items for each department in the general fund. Revenue is provided directly by various funds within the Township. The Capital Equipment Fund has an assigned fund balance of \$1,104,093.

**Traffic Improvement Fund**

Revenue for this fund accrues from various escrow accounts that have been partially funded by both developers and through state grants for traffic improvements. The Traffic Improvement Fund has a restricted ending fund balance of \$408,190.

**Fiduciary Fund**

The Fiduciary Fund is used to segregate the assets and account for the earnings, expenses and retirement payments of the Township's Non-Uniformed Employees' Defined Benefit Pension Plan and to also segregate the assets and accounting for builders and developers escrow funds.

**Proprietary Funds**

The Township's Proprietary Funds are the Sewer Fund, Sewer Capital Reserve Fund and Refuse Fund and are accounted for as business-type activities.

The unrestricted net position portions of both the Sewer, Sewer Capital Reserve and Refuse Funds are \$5,858,101, \$6,644,159 and \$2,289,270 respectively.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The statement comparing the Township's budget and actual results can be found in the Required Supplementary Information section of this document on page 56. The Board of Supervisors of the Township annual adopts the budget for all funds. No amendments may be made without the approval of the governing body.

**UPPER MACUNGIE TOWNSHIP**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2015

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The 2015 General Fund budget was passed December 22, 2014 with a net balance of \$203,200. This amount was reflective after consideration for all revenue, expenses and other uses including asset sale proceeds, interfund transfers and out.

**Revenue**

Revenue for the 2015 General Fund Budget was approved at a total funding amount of \$11,931,600. This amount is comparable to 2014's General Fund Budget of \$11,196,300. Revenue items of mention are listed below.

- Taxes including real estate, real estate transfer, earned income and local services totaled \$8,501,700 (71.3%) of all budgeted revenue and provided the majority of funding for the General Fund. In 2014, the Township budgeted a total of \$8,022,200 for these revenue items.
- Charges for services including permits, inspections and developer fees totaled \$991,700 (8.3%) of all budgeted revenue as compared to \$851,000 in 2014.
- Intergovernmental revenue sources, which included pension state aid, public utility tax, retail liquor license fees and police grant programs accounted for \$362,000 of 2015's budget. Last year's budget (2014), this line item totaled \$1,495,500.
- Interest, rents and royalties for 2015 totaled \$386,900 based on the expected bank earnings on cash accounts, rental of Township land and buildings, PA State Police building rental and cell tower royalties.
- Fines and forfeits totaled \$171,000 based on expected receipts collected by local magisterial offices as well as Lehigh and Berks County Courts. In 2014, these revenues were budget at \$181,800.

**Expenditures**

Approved expenses for the General Fund 2015 budget were \$11,456,900. Various expenses associated with the 2015 budget will be discussed below.

- General government administration costs were \$3,800,500 or 33.2% of budget, including supervisor, financial, clerical, management, accounting, legal and engineering expenses. The amount budgeted for 2014 was \$3,870,900.
- Public safety expenses were \$5,238,700 or 45.7% of budget for police fire and code enforcement. In 2014, the budgeted amount was \$4,796,800.
- Public works expenses were \$1,594,500 or 13.9% of budget, which includes highway and streets maintenance. The amount of \$1,657,500 was budgeted in 2014.
- Culture and recreation expenses were \$642,900, which includes park maintenance, administration of recreational activities and functions. \$839,300 was budgeted in 2014.

**UPPER MACUNGIE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2015**

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**BUDGET COMPARISON**

Actual revenue for the year exceeded budgeted revenue by \$1,551,421 and actual expenses for the year were less than budgeted by \$726,735, resulting in a net positive difference of \$2,278,156. Some of the major factors contributing to this difference will be explained below.

**Revenue**

- Earned income tax collection through the Township's tax collection agency, Berkheimer and Associates, totaled \$5,228,927, which exceeded budget by \$1,028,927 or 24.5%.
- Real estate transfer taxes, collected by the County of Lehigh, exceeded budget by \$1,282,026 or 184.7% on a total amount of \$1,976,026.
- Local services taxes collected by the Parkland School District on behalf of the Township, totaled \$1,268,295 and was \$68,295 or 5.7% over budget.
- Real estate taxes for collected in 2015 totaled \$2,415,815 and were spot-on with budget of \$2,407,700.
- Charges for services including permits, inspections and developer fees exceeded budget by \$369,216 or 37.2% on total revenue of \$1,360,916. Growth in the Township is happening at an astonishing pace. One area to corroborate this is to compare permit fee revenue to expected (budgeted) revenue. The next table 5 depicts this comparison.

	<u>2015 Budget</u>	<u>Actual</u>	<u>Difference</u>	<u>Permits</u>	<u>Permits</u>
Building Permits	\$ 408,000	\$ 627,642	\$ 219,642	\$ 530	\$ 475
Mechanical Permits	6,600	53,519	46,919	52	40
Electrical Permits	100,000	166,538	66,538	91	73
Sprinkler Permits	3,300	19,166	15,866	39	21
Plumbing Permits	86,000	62,810	(23,190)	44	30
	<u>\$ 603,900</u>	<u>\$ 929,675</u>	<u>\$ 325,775</u>	<u>\$ 756</u>	<u>\$ 639</u>

**Expenditures**

- Wages and salaries for all departments totaled \$4,496,952 or 10.5% more than what was budgeted for 2015. Police wages and overtime accounted for 76.4% of the overage.
- Fringe benefits for all departments totaled \$2,435,311, which was \$230,489 or 8.6% less than was budgeted. Health, life and disability insurance was \$236,837 under budget. Employer deferred compensation contribution totaled \$50,712, which was under budget by \$11,888 or 19.0%. The remaining benefits of workers' compensation insurance, employers FICA and employer's pension contributions for both the uniform and non-uniform plans totaled \$1,432,336 or just 1.4% over budget.

**UPPER MACUNGIE TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2015**

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- The Township's insurance policies expenses for 2015, excluding workers' compensation, were \$143,045, which was below budget by 28.7% or \$57,655.
- Audit and actuarial fees incurred in 2015 exceeded budget by \$38,865. Of this amount, \$35,390 additional was spent on the 2014 audit, which was the first full audit for the Township.
- Total fuel (gasoline and diesel) costs of \$222,400 were budgeted for the Township in 2015. Actual use totaled \$133,374 or a savings of 40.0%.
- Salting, cindering and plowing costs for 2015 totaled \$250,309, which exceeded budget by \$76,309 or 43.9% due to ice and small snow storm events.

**CAPITAL ASSETS**

Upper Macungie Township's investment in capital assets for both its governmental and business-type activities as of December 31, 2015 and 2014, totaled \$50,422,921 and \$51,738,736 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 6).

**Table 6 - Capital Assets**  
**Years Ended December 31, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 10,018,064	\$ 10,018,064	\$ -	\$ -	\$ 10,018,064	\$ 10,018,064
Buildings	10,178,764	10,223,236	-	-	10,178,764	10,223,236
Improvements other than buildings	2,545,863	2,794,743	-	-	2,545,863	2,794,743
Infrastructure	14,908,391	15,276,318	7,446,004	7,560,135	22,354,395	22,836,453
Construction in progress	48,867	-	-	-	48,867	-
Machinery, equipment and vehicles	4,520,521	4,972,597	756,447	893,643	5,276,968	5,866,240
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 42,220,470</b>	<b>\$ 43,284,958</b>	<b>\$ 8,202,451</b>	<b>\$ 8,453,778</b>	<b>\$ 50,422,921</b>	<b>\$ 51,738,736</b>

**UPPER MACUNGIE TOWNSHIP**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2015

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**FINANCIAL MANAGEMENT**

Upper Macungie Township's financial report is designed to provide its citizens 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 395-4892, ext. 115 or [bkoller@uppermac.org](mailto:bkoller@uppermac.org).

**UPPER MACUNGIE TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Upper Macungie Township Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,236,498	\$ 8,588,352	\$ 22,824,850	\$ 2,265,492
Investments	2,773,936	5,380,786	8,154,722	-
Taxes receivable, net	298,120	-	298,120	-
Due from escrow	816,149	-	816,149	-
Accounts receivable, net	49,206	1,189,501	1,238,707	-
Internal balances	(45,700)	45,700	-	-
Due from component unit	-	111,528	111,528	-
Net pension asset	154,048	-	154,048	-
Prepaid items	146,102	4,365	150,467	-
Capital assets, net	42,220,470	8,202,451	50,422,921	3,353
<b>TOTAL ASSETS</b>	<b>60,648,829</b>	<b>23,522,683</b>	<b>84,171,512</b>	<b>2,268,845</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - pension activity	876,977	52,754	929,731	-
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	788,800	455,378	1,244,178	-
Due to primary government	-	-	-	111,528
Long-term liabilities				
Net pension liability	-	81,939	81,939	-
<b>TOTAL LIABILITIES</b>	<b>788,800</b>	<b>537,317</b>	<b>1,326,117</b>	<b>111,528</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pension activity	762,160	44,139	806,299	-
<b>NET POSITION</b>				
Net investment in capital assets	42,220,470	8,202,451	50,422,921	3,353
Restricted	1,029,798	-	1,029,798	-
Unrestricted	16,724,578	14,791,530	31,516,108	2,153,964
<b>TOTAL NET POSITION</b>	<b>\$ 59,974,846</b>	<b>\$ 22,993,981</b>	<b>\$ 82,968,827</b>	<b>\$ 2,157,317</b>

See accompanying notes to the basic financial statements.

# UPPER MACUNGIE TOWNSHIP

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental activities				
General government	\$ 2,444,059	\$ 216,956	\$ 172,146	\$ -
Public safety	3,587,559	1,833,391	78,874	-
Public works				
Sanitation	-	-	-	-
Highways and streets	2,992,751	-	648,941	-
Culture and recreation	932,393	1,501,410	-	-
Miscellaneous expenses	240,081	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>10,196,843</u>	<u>3,551,757</u>	<u>899,961</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Sewer Fund	3,100,682	7,598,785	-	-
Sewer Capital Reserve Fund	13,784	-	-	-
Refuse Fund	1,675,485	1,721,298	145,243	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>4,789,951</u>	<u>9,320,083</u>	<u>145,243</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 14,986,794</u>	<u>\$ 12,871,840</u>	<u>\$ 1,045,204</u>	<u>\$ -</u>
<b>COMPONENT UNIT</b>				
Upper Macungie Township Authority	<u>\$ 432,631</u>	<u>\$ 317,499</u>	<u>\$ -</u>	<u>\$ -</u>
<b>GENERAL REVENUES</b>				
Taxes				
Real estate taxes				
Real estate transfer taxes				
Earned income taxes				
Local services taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Rents and royalties				
Miscellaneous				
Gain on sale of asset				
TRANSFERS				
TOTAL GENERAL REVENUES				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR, restated				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.



Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Primary Government		Component Unit
	Business-Type Activities	Totals	Upper Macungie Township Authority
\$ (2,054,957)	\$ -	\$ (2,054,957)	\$ -
(1,675,294)	-	(1,675,294)	-
-	-	-	-
(2,343,810)	-	(2,343,810)	-
569,017	-	569,017	-
(240,081)	-	(240,081)	-
<u>(5,745,125)</u>	<u>-</u>	<u>(5,745,125)</u>	<u>-</u>
-	4,498,103	4,498,103	-
-	(13,784)	(13,784)	-
<u>-</u>	<u>191,056</u>	<u>191,056</u>	<u>-</u>
-	4,675,375	4,675,375	-
<u>(5,745,125)</u>	<u>4,675,375</u>	<u>(1,069,750)</u>	<u>-</u>
-	-	-	(115,132)
2,891,032	-	2,891,032	-
2,089,293	-	2,089,293	-
5,089,814	-	5,089,814	-
1,268,295	-	1,268,295	-
177,161	-	177,161	-
27,200	36,174	63,374	2,080
376,566	-	376,566	-
26,101	-	26,101	-
161,700	-	161,700	-
284,000	(284,000)	-	-
<u>12,391,162</u>	<u>(247,826)</u>	<u>12,143,336</u>	<u>2,080</u>
6,646,037	4,427,549	11,073,586	(113,052)
<u>53,328,809</u>	<u>18,566,432</u>	<u>71,895,241</u>	<u>2,270,369</u>
<u>\$ 59,974,846</u>	<u>\$ 22,993,981</u>	<u>\$ 82,968,827</u>	<u>\$ 2,157,317</u>

# UPPER MACUNGIE TOWNSHIP

## BALANCE SHEET

### GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,829,484	\$ 380,495	\$ 5,026,519	\$ 14,236,498
Investments	-	2,773,936	-	2,773,936
Taxes receivable, net	294,068	-	4,052	298,120
Due from escrow	816,149	-	-	816,149
Other receivables	42,876	6,330	-	49,206
Prepaid expenses	146,102	-	-	146,102
	<u>10,128,679</u>	<u>3,160,761</u>	<u>5,030,571</u>	<u>18,320,011</u>
<b>TOTAL ASSETS</b>				
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	\$ 675,896	\$ -	\$ 112,904	\$ 788,800
Due to other funds	-	-	45,700	45,700
<b>TOTAL LIABILITIES</b>	<u>675,896</u>	<u>-</u>	<u>158,604</u>	<u>834,500</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues, property taxes	15,471	-	-	15,471
<b>FUND BALANCES</b>				
Nonspendable, prepaid expenses	146,102	-	-	146,102
Restricted for				
Road and street improvements	-	-	894,491	894,491
Fire protection	-	-	135,307	135,307
Committed to				
Capital projects	-	3,160,761	-	3,160,761
Assigned to				
Fire protection	-	-	73,786	73,786
Stormwater	-	-	317,727	317,727
Recreation activities	-	-	1,647,019	1,647,019
Road and street improvements	-	-	408,190	408,190
Employee benefits	-	-	360,779	360,779
Capital purchases	-	-	1,104,093	1,104,093
Unassigned	9,291,210	-	(69,425)	9,221,785
<b>TOTAL FUND BALANCES</b>	<u>9,437,312</u>	<u>3,160,761</u>	<u>4,871,967</u>	<u>17,470,040</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
	<u>\$ 10,128,679</u>	<u>\$ 3,160,761</u>	<u>\$ 5,030,571</u>	<u>\$ 18,320,011</u>

See accompanying notes to the basic financial statements.

# UPPER MACUNGIE TOWNSHIP

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2015

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 17,470,040
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	10,018,064
Construction in progress	48,867
Depreciable capital assets, net	32,153,539
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the Governmental Funds.</p>	
	114,817
<p>Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	
	15,471
<p>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.</p>	
	<u>154,048</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 59,974,846</u>

*See accompanying notes to the basic financial statements.*

**UPPER MACUNGIE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2015**

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 10,883,395	\$ -	\$ 439,568	\$ 11,322,963
Fines and forfeits	207,223	-	37,826	245,049
Licenses and permits	8,327	-	-	8,327
Intergovernmental	406,113	-	891,390	1,297,503
Charges for services	1,360,916	-	1,585,887	2,946,803
Interest, rents, and royalties	381,352	21,048	1,366	403,766
Refund of prior year expenditures	209,594	-	166,161	375,755
Miscellaneous	26,101	-	-	26,101
<b>TOTAL REVENUES</b>	<b>13,483,021</b>	<b>21,048</b>	<b>3,122,198</b>	<b>16,626,267</b>
<b>EXPENDITURES</b>				
Current				
General government	2,338,562	13,964	8,330	2,360,856
Public safety	5,946,526	-	450,070	6,396,596
Public works	1,622,363	-	954,871	2,577,234
Culture and recreation	582,633	-	282,978	865,611
Miscellaneous	240,081	-	-	240,081
<b>TOTAL EXPENDITURES</b>	<b>10,730,165</b>	<b>13,964</b>	<b>1,696,249</b>	<b>12,440,378</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>2,752,856</b>	<b>7,084</b>	<b>1,425,949</b>	<b>4,185,889</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	161,700	-	-	161,700
Interfund transfers in	184,000	-	400,000	584,000
Interfund transfers out	(300,000)	-	-	(300,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>45,700</b>	<b>-</b>	<b>400,000</b>	<b>445,700</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,798,556</b>	<b>7,084</b>	<b>1,825,949</b>	<b>4,631,589</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>6,638,756</b>	<b>3,153,677</b>	<b>3,046,018</b>	<b>12,838,451</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 9,437,312</b>	<b>\$ 3,160,761</b>	<b>\$ 4,871,967</b>	<b>\$ 17,470,040</b>

*See accompanying notes to the basic financial statements.*

## UPPER MACUNGIE TOWNSHIP

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2015

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL \$ 4,631,589

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 depreciation (\$2,183,855) exceeds capital outlays (\$1,119,367) in the current period.

(1,064,488)

Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds.

15,471

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:

Pension expense

3,063,465

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 6,646,037

*See accompanying notes to the basic financial statements.*

**UPPER MACUNGIE TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2015**

	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Sewer Capital Reserve Fund</u>	<u>Totals</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 5,060,431	\$ 2,318,463	\$ 1,209,458	\$ 8,588,352
Investments	-	-	5,380,786	5,380,786
Accounts receivable, net	1,181,286	-	-	1,181,286
Accrued interest	-	-	8,215	8,215
Due from other funds	-	-	45,700	45,700
Due from component unit	111,528	-	-	111,528
Prepaid expenses	4,365	-	-	4,365
<b>TOTAL CURRENT ASSETS</b>	<u>6,357,610</u>	<u>2,318,463</u>	<u>6,644,159</u>	<u>15,320,232</u>
<b>CAPITAL ASSETS</b>				
Utility system	14,473,518	-	-	14,473,518
Equipment and furniture	2,470,437	-	-	2,470,437
Accumulated depreciation	(8,741,504)	-	-	(8,741,504)
<b>TOTAL CAPITAL ASSETS</b>	<u>8,202,451</u>	<u>-</u>	<u>-</u>	<u>8,202,451</u>
<b>TOTAL ASSETS</b>	<u>14,560,061</u>	<u>2,318,463</u>	<u>6,644,159</u>	<u>23,522,683</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - pension activity	38,790	13,964	-	52,754
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and other liabilities	445,595	9,783	-	455,378
<b>NONCURRENT LIABILITIES</b>				
Net pension liability	60,249	21,690	-	81,939
<b>TOTAL LIABILITIES</b>	<u>505,844</u>	<u>31,473</u>	<u>-</u>	<u>537,317</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pension activity	32,455	11,684	-	44,139
<b>NET POSITION</b>				
Investment in capital assets	8,202,451	-	-	8,202,451
Unrestricted	5,858,101	2,289,270	6,644,159	14,791,530
<b>TOTAL NET POSITION</b>	<u>\$ 14,060,552</u>	<u>\$ 2,289,270</u>	<u>\$ 6,644,159</u>	<u>\$ 22,993,981</u>

See accompanying notes to the basic financial statements.

**UPPER MACUNGIE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Sewer Capital Reserve Fund</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 7,484,467	\$ 1,723,218	\$ -	\$ 9,207,685
Other operating revenue	114,318	-	-	114,318
Intergovernmental	-	145,243	-	145,243
<b>TOTAL OPERATING REVENUES</b>	<u>7,598,785</u>	<u>1,868,461</u>	<u>-</u>	<u>9,467,246</u>
<b>OPERATING EXPENSES</b>				
Administration	29,941	-	13,784	43,725
Salaries and wages	636,338	175,554	-	811,892
Treatment expense	1,369,220	-	-	1,369,220
Contracted services	304,532	1,402,979	-	1,707,511
Fuel and utilities	57,953	-	-	57,953
Repairs and maintenance	109,411	33,910	-	143,321
Insurance expense	23,035	40,424	-	63,459
Supplies expense	19,645	22,618	-	42,263
Miscellaneous	11,002	1,920	-	12,922
Depreciation	539,605	-	-	539,605
<b>TOTAL OPERATING EXPENSES</b>	<u>3,100,682</u>	<u>1,677,405</u>	<u>13,784</u>	<u>4,791,871</u>
<b>OPERATING INCOME (LOSS)</b>	4,498,103	191,056	(13,784)	4,675,375
<b>NONOPERATING REVENUES</b>				
Interest and investment revenue	4,895	14,960	16,319	36,174
<b>INCOME BEFORE TRANSFERS</b>	4,502,998	206,016	2,535	4,711,549
<b>TRANSFERS</b>	<u>(6,785,624)</u>	<u>(140,000)</u>	<u>6,641,624</u>	<u>(284,000)</u>
<b>CHANGE IN NET POSITION</b>	(2,282,626)	66,016	6,644,159	4,427,549
<b>NET POSITION AT BEGINNING OF YEAR, restated</b>	<u>16,343,178</u>	<u>2,223,254</u>	<u>-</u>	<u>18,566,432</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 14,060,552</u>	<u>\$ 2,289,270</u>	<u>\$ 6,644,159</u>	<u>\$ 22,993,981</u>

*See accompanying notes to the basic financial statements.*

**UPPER MACUNGIE TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Sewer Capital Reserve Fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 7,335,223	\$ 1,909,184	\$ (53,915)	\$ 9,190,492
Payments to employees	(647,015)	(179,397)	-	(826,412)
Payments to suppliers	<u>(2,586,903)</u>	<u>(1,613,563)</u>	<u>(13,784)</u>	<u>(4,214,250)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>4,101,305</u>	<u>116,224</u>	<u>(67,699)</u>	<u>4,149,830</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition, construction and improvements of capital assets	(288,278)	-	-	(288,278)
Proceeds from grant	-	145,243	-	145,243
Transfers (to) from other funds	<u>(6,785,624)</u>	<u>(140,000)</u>	<u>6,641,624</u>	<u>(284,000)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(7,073,902)</u>	<u>5,243</u>	<u>6,641,624</u>	<u>(427,035)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale of investments	1,479,339	-	-	1,479,339
Purchase of investments	-	-	(5,380,786)	(5,380,786)
Earnings on investments	<u>4,895</u>	<u>14,960</u>	<u>16,319</u>	<u>36,174</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,484,234</u>	<u>14,960</u>	<u>(5,364,467)</u>	<u>(3,865,273)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,488,363)	136,427	1,209,458	(142,478)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,548,794</u>	<u>2,182,036</u>	<u>-</u>	<u>8,730,830</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,060,431</u>	<u>\$ 2,318,463</u>	<u>\$ 1,209,458</u>	<u>\$ 8,588,352</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 4,498,103	\$ 191,056	\$ (13,784)	\$ 4,675,375
Proceeds from grant	-	(145,243)	-	(145,243)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	539,605	-	-	539,605
Pension expense	(10,677)	(3,843)	-	(14,520)
(Increase) decrease in				
Accounts receivable	(152,034)	185,966	-	33,932
Interest receivable	-	-	(8,215)	(8,215)
Due from component unit	(111,528)	-	-	(111,528)
Prepaid expenses	(4,365)	-	-	(4,365)
Due from other funds	-	-	(45,700)	(45,700)
Decrease in accounts payable and other liabilities	<u>(657,799)</u>	<u>(111,712)</u>	<u>-</u>	<u>(769,511)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 4,101,305</u>	<u>\$ 116,224</u>	<u>\$ (67,699)</u>	<u>\$ 4,149,830</u>

See accompanying notes to the basic financial statements.



**UPPER MACUNGIE TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2015**

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	Pension Trust Fund	Escrow Fund
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ <u>180,482</u>	\$ <u>1,056,823</u>
Investments		
Equities	3,464,989	-
Fixed income	<u>2,272,708</u>	<u>-</u>
<b>TOTAL INVESTMENTS</b>	<u>5,737,697</u>	<u>-</u>
Accounts receivable	<u>17,234</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>5,935,413</u>	<u>\$ 1,056,823</u>
<b>LIABILITIES</b>		
Accounts payable	-	\$ 240,674
Due to General Fund	<u>-</u>	<u>816,149</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>\$ 1,056,823</u>
<b>NET POSITION</b>		
Held in trust for benefits	<u>\$ 5,935,413</u>	

*See accompanying notes to the basic financial statements.*

**UPPER MACUNGIE TOWNSHIP**

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2015

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	Pension Trust Fund
	<u>                    </u>
ADDITIONS	
Contributions	
Employer	\$ <u>380,731</u>
Investment earnings	
Net increase in fair value of investments	(146,236)
Interest	62,141
Dividends	80,058
Investment activity expense	<u>(33,762)</u>
TOTAL INVESTMENT EARNINGS	<u>(37,799)</u>
TOTAL ADDITIONS	342,932
DEDUCTIONS	
Benefits	<u>356,284</u>
CHANGE IN NET POSITION	(13,352)
NET POSITION AT BEGINNING OF YEAR	<u>5,948,765</u>
NET POSITION AT END OF YEAR	<u>\$ <u>5,935,413</u></u>

See accompanying notes to the basic financial statements.

**UPPER MACUNGIE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Upper Macungie Township (the "Township") complies with generally accepted accounting principles (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.

**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's component unit is the Upper Macungie Township Authority (the "Authority"). The Authority has been reported as a discretely presented component unit in a separate column in the financial statement to emphasize that it is legally separate from the Township.

**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 Agency 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.

**UPPER MACUNGIE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

***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 two major Governmental Funds are each presented in a single column on the Governmental Fund financial statements. Nonmajor funds are aggregated and presented in a single column (Other Governmental Funds). 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 *Capital Reserve Fund* is used to account for financial resources to be used for the acquisition of capital equipment and capital improvements in the governmental activities.

The Other Governmental Funds of the Township are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

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.
- The *Sewer Capital Reserve Fund* is used to account for financial resources to be used for the acquisition of capital equipment and capital improvements in the sewage collection system.

**UPPER MACUNGIE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Additionally, the Township reports the following Fiduciary Funds to account for assets held by the Township in a trustee capacity:

- The *Pension Trust Fund* is used to account for financial resources restricted for retirement benefits of the non-uniformed employees participating under the Township's defined benefit pension plan.

The plan's financial statements are prepared using 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 used to account for financial resources held by the Township on a purely custodial basis. Assets in the Escrow Fund equal liabilities.

**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 and the Capital Reserve Fund. All other Governmental Funds are grouped together and presented in a separate column as Other Governmental Funds. They include the Highway Aid Fund, the Recreation Fund, the Stormwater Fund and the Impact Fees Fund.

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 revenue when received in cash because they generally are not measurable until actually received.

**UPPER MACUNGIE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Expenditure Recognition - The measurement focus of Governmental Funds accounting is on 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.

**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. The Township's only Proprietary Fund is an Enterprise Fund.

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. The principal operating revenues of the Township's Enterprise Funds is user fees. Operating expenses for the Township's Enterprise 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.

**Fiduciary Funds**

Trust and Agency Funds - Trust and Agency 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. These include Pension and Agency Funds. The Pension Funds account for the activities of the Non-Uniformed Pension Fund. Pension Funds are accounted for in essentially the same manner as Proprietary Funds since the measurement of the economic resources is critical. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The Agency Fund accounts for the escrow accounts held by the Township.

**UPPER MACUNGIE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 generally accepted accounting principles. 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 fiscal year-end as dictated by law.

The budget is controlled by the finance officer at the revenue and expenditure 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.

**UPPER MACUNGIE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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**

The Township has adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The statement establishes fair value standards for investments held by governmental entities, except for certain money market investments, as defined, which are recorded at amortized cost. The statement also establishes reporting standards for investment income.

**Transactions Between Funds**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**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.



**UPPER MACUNGIE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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>
Buildings 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, and differences between expected and actual experience of the pension plan.

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 two items that qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, which arises only under a modified accrual basis of accounting, is reported only 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 amount become available. In addition, the deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of difference between expected and actual experience of the pension plan.

**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.

**UPPER MACUNGIE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance**

The Township has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - 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 Balance*** - 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 Balance*** - 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 balance as of December 31, 2015.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Township Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes but does 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.

**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.

**UPPER MACUNGIE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE B - TAXES**

For 2015, tax was levied on the assessed value of real estate at a total of 0.64 mills.

The taxable assessed valuation of property as of January 1, 2015, was \$3,747,939,700.

The real estate tax collection calendar is as follows:

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

Other taxes levied in 2015, are as follows:

Real estate transfer tax .....	1% of sale price
Earned income tax .....	1% of gross income
LST tax.....	\$52 per person

**NOTE C - 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 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, 2015, the carrying amount of the Township's deposits was \$23,881,698 and the bank balance was \$24,531,338. Of the bank balance, \$500,000 was covered by federal depository insurance, \$24,031,338 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Township's name.

At December 31, 2015, the carrying amount of the Upper Macungie Township Authority's deposits was \$2,265,492, and the bank balance was \$2,265,492. Of the bank balance, \$250,000 was covered by federal depository insurance, \$2,015,492 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Township's name.

**UPPER MACUNGIE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE C - DEPOSITS AND INVESTMENTS (Continued)**

**Investments**

As of December 31, 2015, the Township's Governmental Funds had the following investments and maturities:

	<u>Fair Value</u>	<u>Maturities</u>		
		<u>0 to 5 Years</u>	<u>5 to 10 Years</u>	<u>More Than 10 Years</u>
U.S. Treasury notes	\$ 1,414,133	\$ 1,414,133	\$ -	\$ -
Federal Home Loan Mortgage Corporation (FHLMC)	644,579	644,579	-	-
Federal National Mortgage Association (FNMA)	715,224	715,224	-	-
	<u>\$ 2,773,936</u>	<u>\$ 2,773,936</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2015, the Township's Proprietary Fund had the following investments and maturities:

	<u>Fair Value</u>	<u>Maturities</u>		
		<u>0 to 5 Years</u>	<u>5 to 10 Years</u>	<u>More Than 10 Years</u>
U.S. Treasury notes	\$ 2,708,156	\$ 2,708,156	\$ -	\$ -
Certificates of Deposit	240,000	240,000	-	-
Federal Home Loan Mortgage Corporation (FHLMC)	1,086,028	1,086,028	-	-
Federal National Mortgage Association (FNMA)	1,346,602	1,346,602	-	-
	<u>\$ 5,380,786</u>	<u>\$ 5,380,786</u>	<u>\$ -</u>	<u>\$ -</u>

**UPPER MACUNGIE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE C - DEPOSITS AND INVESTMENTS (Continued)**

As of December 31, 2015, the Township's Non-Uniformed Employees' Pension Plan had the following investments and maturities:

	Fair Value	Maturities		
		0 to 5 Years	5 to 10 Years	More Than 10 Years
U.S. Treasury notes	\$ 480,635	\$ 210,771	\$ 118,196	\$ 151,668
Domestic common stock	2,270,013	2,270,013	-	-
Mutual funds	1,194,973	1,194,973	-	-
Federal Home Loan Mortgage Corporation (FHLMC)	156,043	85,071	70,972	-
Federal National Mortgage Association (FNMA)	168,383	168,383	-	-
Mortgage-backed securities	733,625	-	16,654	716,971
Corporate bonds	734,025	198,934	535,091	-
	<u>\$ 5,737,697</u>	<u>\$ 4,128,145</u>	<u>\$ 740,913</u>	<u>\$ 868,639</u>

**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.

**Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. When making investments, the Township can combine monies from more than one fund under the Township's control for the purpose of a single investment and join with other political subdivisions in the purchase of a single investment. Fiduciary Funds are not limited to specific investments except as established by Township resolution.

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

**NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The balance of short-term interfund receivables/payables at December 31, 2015, was as follows:

	Receivable Fund	Payable Fund
General Fund	\$ 816,149	\$ -
Escrow Fund	-	816,149
	<u>\$ 816,149</u>	<u>\$ 816,149</u>

Interfund balances between the General and Escrow Funds arise when returns of escrow are paid from the General Fund and are not reimbursed prior to year-end.

**UPPER MACUNGIE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)**

Interfund transfers at December 31, 2015, are as follows:

	Transfers In	Transfers Out
	<u>          </u>	<u>          </u>
General Fund	\$ 184,000	\$ 300,000
Capital Equipment Fund	400,000	-
Sewer Fund	-	6,785,624
Refuse Fund	-	140,000
Sewer Capital ReserveFund	<u>6,641,624</u>	<u>-</u>
	<u>\$ 7,225,624</u>	<u>\$ 7,225,624</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.

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015, was as follows:

	Restated Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 10,018,064	\$ -	\$ -	\$ 10,018,064
Construction in progress	<u>-</u>	<u>48,867</u>	<u>-</u>	<u>48,867</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>10,018,064</u>	<u>48,867</u>	<u>-</u>	<u>10,066,931</u>
Capital assets being depreciated				
Land improvements	5,350,600	-	-	5,350,600
Buildings and improvements	12,434,606	204,000	-	12,638,606
Machinery, equipment and vehicles	10,469,137	307,500	-	10,776,637
Infrastructure	<u>36,649,779</u>	<u>559,000</u>	<u>-</u>	<u>37,208,779</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>64,904,122</u>	<u>1,070,500</u>	<u>-</u>	<u>65,974,622</u>
Accumulated depreciation				
Land improvements	(2,555,857)	(248,880)	-	(2,804,737)
Buildings and improvements	(2,211,370)	(248,472)	-	(2,459,842)
Machinery, equipment and vehicles	(5,496,540)	(759,576)	-	(6,256,116)
Infrastructure	<u>(21,373,461)</u>	<u>(926,927)</u>	<u>-</u>	<u>(22,300,388)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(31,637,228)</u>	<u>(2,183,855)</u>	<u>-</u>	<u>(33,821,083)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>33,266,894</u>	<u>(1,113,355)</u>	<u>-</u>	<u>32,153,539</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 43,284,958</u>	<u>\$ (1,064,488)</u>	<u>\$ -</u>	<u>\$ 42,220,470</u>

**UPPER MACUNGIE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE E - CAPITAL ASSETS (Continued)**

	Balance January 1, 2015	Increases	Decreases	Balance December 31, 2015
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Sewer collection system infrastructure	\$ 14,301,240	\$ 172,278	\$ -	\$ 14,473,518
Machinery and equipment	516,524	-	-	516,524
Vehicles	1,586,803	116,000	-	1,702,803
Office equipment and furniture	251,110	-	-	251,110
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>16,655,677</u>	<u>288,278</u>	<u>-</u>	<u>16,943,955</u>
Accumulated depreciation				
Sewer collection system infrastructure	(6,741,105)	(286,409)	-	(7,027,514)
Machinery and equipment	(355,765)	(48,321)	-	(404,086)
Vehicles	(980,476)	(182,263)	-	(1,162,739)
Office equipment and furniture	(124,553)	(22,612)	-	(147,165)
TOTAL ACCUMULATED DEPRECIATION	<u>(8,201,899)</u>	<u>(539,605)</u>	<u>-</u>	<u>(8,741,504)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>8,453,778</u>	<u>(251,327)</u>	<u>-</u>	<u>8,202,451</u>
 BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	 <u>\$ 8,453,778</u>	 <u>\$ (251,327)</u>	 <u>\$ -</u>	 <u>\$ 8,202,451</u>

Depreciation expense was charged to governmental functions as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	
General government	\$ 39,560
Public safety	171,658
Public works	1,378,548
Culture and recreation	<u>594,089</u>
 TOTAL GOVERNMENTAL ACTIVITIES	 <u>\$ 2,183,855</u>

**NOTE F - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**

**Summary of Significant Accounting Policies**

**Method Used to Value Investments** - Non-Uniformed 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 Non-Uniformed Employees' Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time employees.

**UPPER MACUNGIE TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

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**NOTE F - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
**(Continued)**

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

**Plan Membership** - At December 31, 2015, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	23
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	<u>34</u>
	<u><u>65</u></u>

**Benefits Provided** - The Non-Uniformed 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 Non-Uniformed Employees' Pension Plan are established by Township ordinances.

**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 Non-Uniformed 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 Non-Uniformed Employees' Pension Plan.



**UPPER MACUNGIE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE F - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
**(Continued)**

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 \$380,731 to the plan for the year 2015. Township and Commonwealth contributions in 2015 were \$219,977 and \$160,754, respectively.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services are charged to the Non-Uniformed 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, 2015:

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

**Concentrations** - The plan places no limit on the amount that may be invested in any one issuer. At December 31, 2015, the Plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position.

**UPPER MACUNGIE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE F - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
**(Continued)**

**Rate of Return** - For the year ended December 31, 2015, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -0.13%. 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 liability of the Township at December 31, 2015, were as follows:

Total pension liability	\$ 6,537,901
Plan fiduciary net position	<u>(5,935,413)</u>
NET PENSION LIABILITY	<u>\$ 602,488</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>90.78%</u>

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	5.0% average annual increase
Investment rate of return	7.5%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table.

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, 2015 (see the plan's investment policy) are summarized in the following table:

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

**UPPER MACUNGIE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE F - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
**(Continued)**

**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 the Net Position (Asset) Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
BALANCES AT DECEMBER 31, 2014	\$ 6,594,677	\$ 5,948,765	\$ 645,912
Changes for the year			
Service cost	196,069	-	196,069
Interest	468,561	-	468,561
Differences between expected and actual experience	(365,122)	-	(365,122)
Contributions			
Employer	-	380,731	(380,731)
Net investment income	-	(37,799)	37,799
Benefit payments	(356,284)	(356,284)	-
Net changes	<u>(56,776)</u>	<u>(13,352)</u>	<u>(43,424)</u>
BALANCES AT DECEMBER 31, 2015	<u>\$ 6,537,901</u>	<u>\$ 5,935,413</u>	<u>\$ 602,488</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 lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
	<u>(6.5%)</u>	<u>Rate (7.5%)</u>	<u>(8.5%)</u>
Net pension liability (asset)	\$ <u>1,355,779</u>	\$ <u>602,488</u>	\$ <u>(43,221)</u>

**UPPER MACUNGIE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE F - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION PLAN)**  
**(Continued)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** - For the year ended December 31, 2015, the Township recognized pension expense of \$102,128 for the Non-Uniformed Employees' Pension Plan. At December 31, 2015, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 324,553
Net difference between projected and actual earnings on pension plan investments	<u>387,898</u>	<u>-</u>
	<u>\$ 387,898</u>	<u>\$ 324,553</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:

<u>Year Ending December 31,</u>	
2016	\$ 56,405
2017	56,405
2018	56,405
2019	56,405
2020	(40,569)
Thereafter	(121,708)

**NOTE G - 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.

**UPPER MACUNGIE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by GASB for aggregate PMRS investments are included in PMRS's separately issued CAFR.

**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 Pennsylvania Municipal Retirement System (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 (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office.

**Plan Membership**

Membership of the Plan consisted of the following at December 31, 2015:

Inactive plan members or beneficiaries currently receiving benefits	9
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>27</u>
	<u><u>38</u></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 52 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 50% of Final Monthly Average Salary at date of disablement regardless of age or service. Covered employees are required by statute to contribute 5% of their compensation to the plan. 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.

**UPPER MACUNGIE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

**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 5% 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 \$491,460 to the Plan for the year 2015. Township and Commonwealth contributions in 2015 were \$279,735 and \$211,725, respectively.

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 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, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Large cap equities	25.0%
Small cap equities	15.0%
Int'l developed markets equities	15.0%
Int'l emerging markets equities	10.0%
Fixed income	15.0%
Real estate	12.5%
Timberland	7.5%
	<u>100%</u>

**UPPER MACUNGIE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

Investments are reported at fair value. The fair value is the quoted market price. The plan's fair value of investments as of December 31, 2014, was \$8,209,004. 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, 2014, none of the plan's individual investments exceeded 5% of the total portfolio.

**Rate of Return** - For the year ended December 31, 2014, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 5.2%. 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	\$ 7,534,406
Plan fiduciary net position	<u>(8,209,004)</u>
NET PENSION (ASSET) LIABILITY	<u>\$ (674,598)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>108.95%</u>

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation .....	3%
Salary increases.....	Age related scale with merit and inflation component
Investment rate of return .....	5.5%

Mortality rates were based on the RP-2000 Mortality Tables for males or females, as appropriate.

The actuarial assumptions used in the December 31, 2014 valuation were based on the PMRS Experience Study for the period covering January 1, 2005 through December 31, 2008, as well as subsequent Board approved changes including the decrease in the regular interest to 5.50% for the January 1, 2013 valuation.

**UPPER MACUNGIE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

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, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap equities	8.70%
Small cap equities	8.40%
Int'l developed markets equities	4.60%
Int'l emerging markets equities	8.10%
Fixed income	-1.00%
Real estate	6.70%

**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:

- 1.) Retiree Plan liability as a percentage of total Plan liability,
- 2.) Active Plan participant liability as a percentage of total Plan liability,
- 3.) Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates,
- 4.) PMRS System Long-Term Expected Rate of Return, and
- 5.) PMRS administrative expenses.



**UPPER MACUNGIE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

***Changes in the Net Pension Liability***

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) (a)-(b) <u>(a)-(b)</u>
BALANCES AT DECEMBER 31, 2013	\$ 4,556,835	\$ 2,320,303	\$ 2,236,532
Changes for the year			
Service cost	393,631	-	393,631
Interest	348,892	-	348,892
Differences between expected and actual experience	(588,800)	-	(588,800)
Contributions			
Employer	-	1,368,386	(1,368,386)
Member	-	95,575	(95,575)
Net investment income	-	120,496	(120,496)
Transfers	2,982,990	4,471,787	(1,488,797)
Benefit payments	(159,142)	(159,142)	-
Administrative expense	-	(8,401)	8,401
Net changes	<u>2,977,571</u>	<u>5,888,701</u>	<u>(2,911,130)</u>
BALANCES AT DECEMBER 31, 2014	\$ <u>7,534,406</u>	\$ <u>8,209,004</u>	\$ <u>(674,598)</u>

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension (asset) liability of the Borough, calculated using the discount rate of 5.5%, as well as what the Borough's net pension would be if it were calculated using a discount rate that is one percentage point lower (4.5%) or one percentage point higher (6.5%) than the current rate:

	1% Decrease <u>(4.5%)</u>	Current Discount Rate (5.5%) <u>Rate (5.5%)</u>	1% Increase <u>(6.5%)</u>
Net pension liability (asset)	\$ <u>636,401</u>	\$ <u>(674,598)</u>	\$ <u>(1,737,727)</u>

**UPPER MACUNGIE TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE G - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** - For the year ended December 31, 2015, the Township recognized pension revenues of \$114,034 for the Police Pension Plan. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 481,746
Net difference between projected and actual earnings on pension plan investments	50,373	-
Contributions subsequent to the measurement date	<u>491,460</u>	<u>-</u>
	<u>\$ 541,833</u>	<u>\$ 481,746</u>

\$491,460 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, 2015.

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:

<u>Year Ending December 31,</u>	
2016	\$ (36,736)
2017	(36,736)
2018	(36,736)
2019	(53,527)

**NOTE H - 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.

**UPPER MACUNGIE TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE I - PRIOR PERIOD ADJUSTMENT**

The Township implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 27*, effective January 1, 2015.

The objective of GASB Statement No. 68 is to improve accounting and financial reporting of state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record any unfunded liability of their pension plans.

For the business-type activities, the Township has treated the beginning of year net pension liabilities of \$64,591 and \$23,253 for the sewer fund and refuse fund, respectively, as having been recognized in the period incurred. Accordingly, the Township has adjusted the beginning net position for the sewer fund from \$16,407,769 to \$16,343,178 and for the refuse fund from \$2,246,507 to \$2,223,254.

For the government-wide governmental activities, the Township has treated the beginning of year net pension liability of \$2,794,600 as having been recognized in the period incurred. Accordingly, the Township has adjusted beginning net position for the governmental activities from \$15,107,797 to \$12,313,197.

In addition, during 2015, the Township completed an appraisal of its capital assets. Based on the results of the appraisal, the Township has made a prior period adjustment to increase the beginning balance of capital assets on the government-wide statements. The net adjustment was an increase of \$43,284,958 to both assets and net position.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**UPPER MACUNGIE TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 8,501,700	\$ 8,501,700	\$ 10,883,395	\$ 2,381,695
Fines and forfeits	171,000	171,000	207,223	36,223
Licenses and permits	2,200	2,200	8,327	6,127
Intergovernmental	362,000	362,000	406,113	44,113
Charges for services	991,700	991,700	1,360,916	369,216
Interest, rents, and royalties	386,900	386,900	381,352	(5,548)
Refund of prior year expenditures	66,000	66,000	209,594	143,594
Contributions	1,450,000	1,450,000	-	(1,450,000)
Miscellaneous	100	100	26,101	26,001
<b>TOTAL REVENUES</b>	<b>11,931,600</b>	<b>11,931,600</b>	<b>13,483,021</b>	<b>1,551,421</b>
<b>EXPENDITURES</b>				
General government	3,800,500	3,800,500	2,338,562	1,461,938
Public safety	5,238,700	5,238,700	5,946,526	(707,826)
Public works	1,594,500	1,594,500	1,622,363	(27,863)
Culture and recreation	642,900	642,900	582,633	60,267
Miscellaneous	180,300	180,300	240,081	(59,781)
<b>TOTAL EXPENDITURES</b>	<b>11,456,900</b>	<b>11,456,900</b>	<b>10,730,165</b>	<b>726,735</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>474,700</b>	<b>474,700</b>	<b>2,752,856</b>	<b>2,278,156</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	73,000	73,000	161,700	88,700
Interfund transfers in	40,000	40,000	184,000	144,000
Interfund transfers out	(384,500)	(384,500)	(300,000)	84,500
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(271,500)</b>	<b>(271,500)</b>	<b>45,700</b>	<b>317,200</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>203,200</b>	<b>203,200</b>	<b>2,798,556</b>	<b>2,595,356</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>6,638,756</b>	<b>6,638,756</b>	<b>6,638,756</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 6,841,956</b>	<b>\$ 6,841,956</b>	<b>\$ 9,437,312</b>	<b>\$ 2,595,356</b>

See accompanying notes to the budgetary comparison schedule.

**UPPER MACUNGIE TOWNSHIP**  
NOTES TO THE BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2015

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**NOTE A - BUDGETARY POLICY**

The Board of Supervisors annually adopts the budget for the General Fund of the Township. Management may not amend the budget without the approval of the governing body. Uncommitted appropriations lapse at year-end. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2015, expenditures exceeded appropriations in the following General Fund department levels (the legal level of budgetary control):

Public safety	\$	707,826
Public works		27,863
Miscellaneous		<u>59,781</u>
	\$	<u><u>795,470</u></u>

These excess expenditures were funded by available fund balance in the General Fund.

**UPPER MACUNGIE TOWNSHIP**  
**SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED EMPLOYEES'**  
**PENSION PLAN LIABILITY AND RELATED RATIOS**  
**LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 196,069	\$ 246,293
Interest	468,561	468,884
Changes for experience	(365,122)	-
Benefit payments	<u>(356,284)</u>	<u>(251,980)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	(56,776)	463,197
Total pension liability, beginning	<u>6,594,677</u>	<u>6,131,480</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u><u>\$ 6,537,901</u></u>	<u><u>\$ 6,594,677</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions, employer	\$ 380,731	\$ 382,494
Net investment income (loss)	(37,799)	331,039
Benefit payments, including refunds of member contributions	<u>(356,284)</u>	<u>(251,980)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(13,352)	461,553
Plan fiduciary net position, beginning	<u>5,948,765</u>	<u>5,487,212</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u><u>\$ 5,935,413</u></u>	<u><u>\$ 5,948,765</u></u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u><u>\$ 602,488</u></u>	<u><u>\$ 645,912</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>90.78%</u>	<u>90.21%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,973,790</u>	<u>\$ 1,811,476</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	<u>30.52%</u>	<u>35.66%</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 for only 2014 and 2015.

**UPPER MACUNGIE TOWNSHIP**  
**SCHEDULE OF NON-UNIFORMED EMPLOYEES' PENSION PLAN**  
**CONTRIBUTIONS**  
**LAST TWO FISCAL YEARS**

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	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 380,731	\$ 382,494
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>380,731</u>	<u>382,494</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,973,790</u>	<u>\$ 1,811,476</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>19.29%</u>	<u>21.12%</u>

**NOTES TO SCHEDULE**

Valuation date January 1, 2013

Actuarially determined contribution rates are calculated by January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	Market value
Inflation	3.00%
Salary increases	5% annual increase
Investment rate of return	7.5%
Retirement age	Normal retirement age
Mortality	RP-2000 Mortality Table

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 for only 2014 and 2015.



**UPPER MACUNGIE TOWNSHIP**  
SCHEDULE OF NON-UNIFORMED EMPLOYEES' PENSION PLAN  
INVESTMENT RETURNS  
LAST TWO FISCAL YEARS

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	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-0.13%</u>	<u>6.79%</u>

**UPPER MACUNGIE TOWNSHIP**  
**SCHEDULE OF CHANGES IN THE NET POLICE**  
**PENSION PLAN LIABILITY AND RELATED RATIOS**  
**YEAR ENDED DECEMBER 31, 2015**

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TOTAL PENSION LIABILITY	
Service cost	\$ 393,631
Interest	348,892
Differences between expected and actual experience	(588,800)
Transfers	2,982,990
Benefit payments	<u>(159,142)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	2,977,571
Total pension liability, beginning	<u>4,556,835</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 7,534,406</u>
PLAN FIDUCIARY NET POSITION	
Contributions	
Employer	\$ 1,368,386
Member	95,575
Net investment income	120,496
Transfers	4,471,787
Benefit payments, including refunds of member contributions	(159,142)
Administrative expense	<u>(8,401)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	5,888,701
Plan fiduciary net position, beginning	<u>2,320,303</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 8,209,004</u>
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	<u>\$ (674,598)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>108.95%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,880,292</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	<u>-35.88%</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 for only 2014.

**UPPER MACUNGIE TOWNSHIP**  
**SCHEDULE OF POLICE PENSION PLAN**  
**CONTRIBUTIONS**  
**YEAR ENDED DECEMBER 31, 2015**

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ACTUARIALLY DETERMINED CONTRIBUTION	\$ 403,119
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>1,368,386</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (965,267)</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,880,292</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>72.78%</u>

**NOTES TO SCHEDULE**

Valuation date: January 1, 2013

Actuarially determined contribution rates are calculated by January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	N/A
Asset valuation method	Market value
Inflation	3%
Salary increases	Age related scale with merit and inflation component
Investment rate of return	5.50%
Retirement age	Age 60 or 55 with 20 years' service
COLA increases	3.0% for those eligible
Mortality	RP 2000 Mortality Tables

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 for only 2014.

**UPPER MACUNGIE TOWNSHIP**  
SCHEDULE OF POLICE PENSION PLAN  
INVESTMENT RETURNS  
YEAR ENDED DECEMBER 31, 2015

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ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF  
INVESTMENT EXPENSE

5.20%

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 for only 2014.

## **SUPPLEMENTARY INFORMATION SECTION**

**UPPER MACUNGIE TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2015**

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,819,425	\$ 3,207,094	\$ 5,026,519
Taxes receivable	<u>4,052</u>	<u>-</u>	<u>4,052</u>
TOTAL ASSETS	<u>\$ 1,823,477</u>	<u>\$ 3,207,094</u>	<u>\$ 5,030,571</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 110,812	\$ 2,092	\$ 112,904
Due to other funds	<u>-</u>	<u>45,700</u>	<u>45,700</u>
TOTAL LIABILITIES	<u>110,812</u>	<u>47,792</u>	<u>158,604</u>
<b>FUND BALANCES</b>			
Restricted for			
Road and street improvements	894,491	-	894,491
Fire protection	135,307	-	135,307
Assigned to			
Fire protection	73,786	-	73,786
Stormwater	317,727	-	317,727
Recreation activities	-	1,647,019	1,647,019
Road and street improvements	-	408,190	408,190
Employee benefits	360,779	-	360,779
Capital purchases	-	1,104,093	1,104,093
Unassigned	<u>(69,425)</u>	<u>-</u>	<u>(69,425)</u>
TOTAL FUND BALANCES	<u>1,712,665</u>	<u>3,159,302</u>	<u>4,871,967</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,823,477</u>	<u>\$ 3,207,094</u>	<u>\$ 5,030,571</u>

# UPPER MACUNGIE TOWNSHIP

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
REVENUES			
Taxes	\$ 439,568	\$ -	\$ 439,568
Fees and fines	37,826	-	37,826
Intergovernmental	880,390	11,000	891,390
Charges for services	-	1,585,887	1,585,887
Investment earnings	1,317	49	1,366
Refund of prior year expenditures	166,161	-	166,161
	<u>1,525,262</u>	<u>1,596,936</u>	<u>3,122,198</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	8,330	-	8,330
Public safety	401,837	48,233	450,070
Public works	709,970	244,901	954,871
Culture and recreation	-	282,978	282,978
TOTAL EXPENDITURES	<u>1,120,137</u>	<u>576,112</u>	<u>1,696,249</u>
EXCESS OF REVENUES OVER EXPENDITURES	405,125	1,020,824	1,425,949
OTHER FINANCING SOURCES			
Interfund transfers in	-	400,000	400,000
NET CHANGE IN FUND BALANCES	405,125	1,420,824	1,825,949
FUND BALANCES AT BEGINNING OF YEAR	<u>1,307,540</u>	<u>1,738,478</u>	<u>3,046,018</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,712,665</u>	<u>\$ 3,159,302</u>	<u>\$ 4,871,967</u>

**UPPER MACUNGIE TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2015**

	Special Revenue Funds				
	Street Light Fund	Fire Protection Fund	Fire Alarm Fund	Stormwater Maintenance Fund	Medical Expense Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 172,642	\$ 73,786	\$ 317,727	\$ 360,779
Taxes receivable	1,857	2,195	-	-	-
<b>TOTAL ASSETS</b>	<b>1,857</b>	<b>174,837</b>	<b>73,786</b>	<b>317,727</b>	<b>360,779</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	71,282	39,530	-	-	-
<b>FUND BALANCES</b>					
Restricted for					
Road and street improvements	-	-	-	-	-
Fire protection	-	135,307	-	-	-
Assigned to					
Fire protection	-	-	73,786	-	-
Stormwater	-	-	-	317,727	-
Employee benefits	-	-	-	-	360,779
Unassigned	(69,425)	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ (69,425)</b>	<b>\$ 135,307</b>	<b>\$ 73,786</b>	<b>\$ 317,727</b>	<b>\$ 360,779</b>



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Highway Aid Fund	Volunteer Fire Relief Aid Fund	Total Special Revenue Funds
\$ 894,491	\$ -	\$ 1,819,425
<u>-</u>	<u>-</u>	<u>4,052</u>
<u>894,491</u>	<u>-</u>	<u>1,823,477</u>
<u>-</u>	<u>-</u>	<u>110,812</u>
894,491	-	894,491
-	-	135,307
-	-	73,786
-	-	317,727
-	-	360,779
<u>-</u>	<u>-</u>	<u>(69,425)</u>
<u>\$ 894,491</u>	<u>\$ -</u>	<u>\$ 1,712,665</u>

# UPPER MACUNGIE TOWNSHIP

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL SPECIAL REVENUE FUNDS YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds				
	Street Light Fund	Fire Protection Fund	Fire Alarm Fund	Stormwater Maintenance Fund	Medical Expense Fund
<b>REVENUES</b>					
Taxes	\$ 107,869	\$ 331,699	\$ -	\$ -	\$ -
Fees and fines	-	-	37,826	-	-
Intergovernmental	-	-	-	-	-
Investment earnings	-	-	23	159	-
Refund of prior year expenditures	-	-	-	-	166,161
<b>TOTAL REVENUES</b>	<b>107,869</b>	<b>331,699</b>	<b>37,849</b>	<b>159</b>	<b>166,161</b>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	8,330
Public safety	-	157,279	-	-	-
Public works	177,294	-	-	-	-
Culture and recreation	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>177,294</b>	<b>157,279</b>	<b>-</b>	<b>-</b>	<b>8,330</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(69,425)</b>	<b>174,420</b>	<b>37,849</b>	<b>159</b>	<b>157,831</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>-</b>	<b>(39,113)</b>	<b>35,937</b>	<b>317,568</b>	<b>202,948</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ (69,425)</b>	<b>\$ 135,307</b>	<b>\$ 73,786</b>	<b>\$ 317,727</b>	<b>\$ 360,779</b>

Highway Aid Fund	Volunteer Fire Relief Aid Fund	Total Special Revenue Funds
\$ -	\$ -	\$ 439,568
-	-	37,826
635,832	244,558	880,390
1,135	-	1,317
-	-	166,161
<u>636,967</u>	<u>244,558</u>	<u>1,525,262</u>
-	-	8,330
-	244,558	401,837
532,676	-	709,970
-	-	-
<u>532,676</u>	<u>244,558</u>	<u>1,120,137</u>
104,291	-	405,125
<u>790,200</u>	<u>-</u>	<u>1,307,540</u>
<u>\$ 894,491</u>	<u>\$ -</u>	<u>\$ 1,712,665</u>

**UPPER MACUNGIE TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL CAPITAL PROJECTS FUNDS**  
**DECEMBER 31, 2015**

	Capital Projects Funds			Total Capital Projects Funds
	Recreation Capital Fund	Capital Equipment Fund	Traffic Improvement Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,647,019	\$ 1,149,793	\$ 410,282	\$ 3,207,094
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	-	-	2,092	2,092
Due to other funds	-	45,700	-	45,700
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>45,700</u>	<u>2,092</u>	<u>47,792</u>
<b>FUND BALANCES</b>				
Assigned to				
Recreation activities	1,647,019	-	-	1,647,019
Road and street improvements	-	-	408,190	408,190
Capital purchases	-	1,104,093	-	1,104,093
<b>TOTAL FUND BALANCES</b>	<u>\$ 1,647,019</u>	<u>\$ 1,104,093</u>	<u>\$ 408,190</u>	<u>\$ 3,159,302</u>

# UPPER MACUNGIE TOWNSHIP

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL CAPITAL PROJECTS FUNDS YEAR ENDED DECEMBER 31, 2015

	Capital Projects Funds			Total Capital Projects Funds
	Recreation Capital Fund	Capital Equipment Fund	Traffic Improvement Fund	
<b>REVENUES</b>				
Intergovernmental	\$ 11,000	\$ -	\$ -	\$ 11,000
Charges for services	1,422,090	-	163,797	1,585,887
Investment earnings	-	-	49	49
<b>TOTAL REVENUES</b>	<u>1,433,090</u>	<u>-</u>	<u>163,846</u>	<u>1,596,936</u>
<b>EXPENDITURES</b>				
Current				
Public safety	-	48,233	-	48,233
Public works	-	242,809	2,092	244,901
Culture and recreation	282,978	-	-	282,978
<b>TOTAL EXPENDITURES</b>	<u>282,978</u>	<u>291,042</u>	<u>2,092</u>	<u>576,112</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,150,112	(291,042)	161,754	1,020,824
<b>OTHER FINANCING SOURCES</b>				
Interfund transfers in	-	400,000	-	400,000
<b>NET CHANGE IN FUND BALANCES</b>	1,150,112	108,958	161,754	1,420,824
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>496,907</u>	<u>995,135</u>	<u>246,436</u>	<u>1,738,478</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 1,647,019</u>	<u>\$ 1,104,093</u>	<u>\$ 408,190</u>	<u>\$ 3,159,302</u>