



**LOWER MACUNGIE TOWNSHIP,
LEHIGH COUNTY, PENNSYLVANIA**

FINANCIAL REPORT

DECEMBER 31, 2009



Reinsel Kuntz Leshner^{LLP}

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Commissioners
Lower Macungie Township
Lehigh County, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lower Macungie Township, Lehigh County, Pennsylvania, as of and for the year ended December 31, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lower Macungie Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund and the aggregate remaining fund information of Lower Macungie Township, Lehigh County, Pennsylvania, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



The Management's Discussion and Analysis and other required supplementary information on Pages 3-16 and Pages 53-56 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Reinsel Kuntz Lesher LLP

Wyomissing, Pennsylvania
June 7, 2010

LOWER MACUNGIE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Lower Macungie Township's (the "Township") financial performance provides an overview of the Township's financial activities for the year ended December 31, 2009. Please read it in conjunction with the Township's financial statements that begin on page 17 and the accompanying notes to those statements. Responsibility for both the accuracy of the presented data and the thoroughness of the presentation rests with the Township. We believe that the data, as presented herein, is accurate in all material aspects and presented in a manner designed to fairly set forth the financial position and results of operations of the Township as measured by the financial activity of its various funds. We believe that all disclosures necessary to enable the reader to gain the maximum understanding of the Township's financial affairs have been included.

PROFILE OF LOWER MACUNGIE TOWNSHIP

The Township is a Township of the First Class, organized under the laws of the Commonwealth of Pennsylvania, incorporated in 1832 and governed by a Board of Commissioners consisting of five members. The Board is empowered with legislative functions that include enacting ordinances and resolutions, adopting a budget, levying taxes, providing for appropriations, and making appointments for various advisory boards and commissions.

FINANCIAL HIGHLIGHTS

- The net assets (assets minus liabilities) of the Township as of December 31, 2009 were \$ 65,272,424. Of this amount, \$ 53,821,066 represents governmental net assets and \$ 11,451,358 represents business-type net assets. Of the net asset balance, \$ 10,684,061 is unrestricted and is available to meet the Township's ongoing obligations in accordance with the Township's policies.
- The Township's net assets increased by \$ 10,194,617 (18%) in 2009, which includes \$ 9,642,674 of contributed assets. The governmental net assets increased by \$ 8,549,664 and the business-type net assets increased by \$ 1,644,953.
- The General Fund, the Township's primary operating fund, reported a decrease in fund balance in the amount of \$ 241,204 or 3% in 2009. As of December 31, 2009, unreserved fund balance for the General Fund was \$ 8,393,746 or 112% of total general fund expenditures, excluding transfers out, for the year ended December 31, 2009.
- The Township's total assets at December 31, 2009 and 2008 were \$ 73,436,026 and \$ 59,399,034, respectively. Of these amounts, governmental activity assets at December 31, 2009 and 2008 were \$ 61,380,478 or 84% and \$ 48,752,157 or 82%, and business-type activity assets were \$ 12,055,548 or 16% and \$ 10,646,877 or 18%, respectively. Trust and Agency Fund assets were \$ 4,749,570 and \$ 4,944,798 at December 31, 2009 and 2008, respectively.

- The Township's total liabilities at December 31, 2009 and 2008 were \$ 8,163,602 and \$ 4,321,227, respectively. Of these amounts, governmental activity liabilities were \$ 7,559,412 or 93% and \$ 3,480,755 or 81% (including general obligation bonds payable of \$ 5,890,082 and \$ 2,375,000 at December 31, 2009 and 2008, respectively), and business-type activity liabilities were \$ 604,190 or 7% and \$ 840,472 or 19% at December 31, 2009 and 2008, respectively. Trust and Agency Fund liabilities were \$ 1,072,941 and \$ 1,655,855 at December 31, 2009 and 2008, respectively.
- Revenue for the years ended 2009 and 2008 years totaled \$ 24,322,508 and \$ 20,029,083, respectively. The major sources of revenue for the Township for the year ended 2009 were earned income taxes totaling \$ 4,578,151, real estate transfer taxes totaling \$ 858,417, sewage and solid waste charges of \$ 2,721,745 and \$ 2,548,978, respectively, and \$ 9,642,674 of contributed assets. The major sources of revenue for the Township for the year ended 2008 were earned income taxes totaling \$ 4,940,000, real estate transfer taxes totaling \$ 976,496, sewage and solid waste charges of \$ 2,159,206 and \$ 2,308,450, respectively, and \$ 5,856,020 of contributed capital.
- Expenditures for the 2009 year totaled \$ 14,127,891. The major expenditures for the year were as follows: highway and streets of \$ 1,613,586, sewer collection and treatment of \$ 3,085,126, solid waste of \$ 2,233,811, and culture and recreation of \$ 1,497,676. Expenditures for the 2008 year totaled \$ 12,235,321. The major expenditures for the year were as follows: highway and streets of \$ 1,521,534, sewer collection and treatment of \$ 2,332,535, solid waste of \$ 2,186,190, and culture and recreation of \$ 1,302,628.
- The Township's long-term liabilities outstanding at December 31, 2009 were \$ 6,135,987, an increase of \$ 3,520,298 over the year 2008. Of the amount outstanding, the Township's governmental liabilities were \$ 6,128,891 and the business-type liabilities were \$ 7,096. In 2009, the Township issued \$ 6,065,000 of general obligation bonds to currently refund the remaining outstanding general obligation bonds, series of 2001, and for the construction of a fire station and other capital projects.

OVERVIEW OF THE FINANCIAL REPORT

The Township's financial statements are composed of the Management's Discussion and Analysis (MD&A) and the basic financial statements. The MD&A provides analysis and overview of the Township's financial activities. The basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes other supplementary information as listed in the table of contents.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances in a manner similar to the private-sector business. The statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The government-wide financial statements include two statements: a statement of net assets and a statement of activities. Fiduciary activities, whose resources are not available to finance Township programs, are excluded from these statements.

The Statement of Net Assets presents the Township's total assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the current year. All revenues and expenses are reported in this statement regardless of the timing of cash flows. The focus of this statement is on the net cost of providing various services to the citizens of the Township.

Both of these government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general administration, revenue and tax collection, public safety, public works, development and inspections, traffic control, recreation, and trash and recycling collection. The business-type activities of the Township include sanitary sewer and solid waste operations.

The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund Financial Statements

The Township's fund financial statements are groupings of related self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. A fund is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial statements are prepared using the economic resources measurement focus, reporting all inflows, outflows, and balances affecting the Township's net assets. All of the funds of the Township can be divided into three categories as follows:

- **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. This information is useful in evaluating the Township's near-term financing decisions.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains five individual governmental funds: general, highway aid, developer fee, capital projects and debt service funds. The Township elects to present all funds as major funds. Information on these funds is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances.

The governmental fund financial statements can be found on pages 19-24 of this report.

- **Proprietary Funds**

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for the sanitary sewer and solid waste operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitary sewer and solid waste fund, both of which are considered to be major funds of the Township.

The proprietary fund financial statements can be found on pages 25-28 of this report.

- **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the activities of the Township. The economic resources measurement focus and the accrual basis of accounting are used for fiduciary funds.

The Township fiduciary funds include a pension trust fund and an agency fund. Fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets.

The fiduciary fund financial statements can be found on pages 29 and 30 of this report.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

The notes to the financial statements can be found on pages 31-53 of this report.

Other Supplementary Information

The management's discussion and analysis (pages 3-16) and the budgetary comparison schedules (pages 54-57) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements and notes (referred to as the "basic financial statements").

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$ 65,272,424 at December 31, 2009, an increase of \$ 10,194,617 over year 2008.

The following table reflects the condensed comparative statement of net assets:

Lower Macungie Township						
Net Assets						
December 31, 2009 and 2008						
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other noncurrent assets	\$ 10,934,786	\$ 11,257,237	\$ 2,453,320	\$ 2,546,105	\$ 13,388,106	\$ 13,803,342
Capital assets	<u>50,445,692</u>	<u>37,494,920</u>	<u>9,602,228</u>	<u>8,100,772</u>	<u>60,047,920</u>	<u>45,595,692</u>
Total assets	<u>61,380,478</u>	<u>48,752,157</u>	<u>12,055,548</u>	<u>10,646,877</u>	<u>73,436,026</u>	<u>59,399,034</u>
Liabilities:						
Other liabilities	1,763,159	1,064,648	598,868	840,472	2,362,027	1,905,120
Long-term liabilities	<u>5,796,253</u>	<u>2,416,107</u>	<u>5,322</u>	<u>-</u>	<u>5,801,575</u>	<u>2,416,107</u>
Total liabilities	<u>7,559,412</u>	<u>3,480,755</u>	<u>604,190</u>	<u>840,472</u>	<u>8,163,602</u>	<u>4,321,227</u>
Net assets:						
Invested in capital assets, net of related debt	44,555,610	35,119,920	9,602,228	8,100,772	54,157,838	43,220,692
Restricted net assets	430,525	905,872	-	-	430,525	905,872
Unrestricted	<u>8,834,931</u>	<u>9,245,610</u>	<u>1,849,130</u>	<u>1,705,633</u>	<u>10,684,061</u>	<u>10,951,243</u>
Total net assets	<u>\$ 53,821,066</u>	<u>\$ 45,271,402</u>	<u>\$ 11,451,358</u>	<u>\$ 9,806,405</u>	<u>\$ 65,272,424</u>	<u>\$ 55,077,807</u>

For more detailed information, see the Statement of Net Assets (page 17).

The largest portion of the Township's net assets, \$ 54,157,838 or 83%, represents investment in capital assets, less any related outstanding debt used to acquire those assets. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. This portion of net assets increased by \$ 10,937,146 or 25% over the prior year.

Net assets are shown as restricted if they can only be used for a specified purpose. Net assets of \$ 430,525 are restricted at December 31, 2009. Restricted net assets decreased by \$ 475,347 or 52% from the prior year.

The remaining portion of net assets, \$ 10,684,061 or 16% of total net assets, represents an additional component of total net assets. This balance reflects the unrestricted financial position of the Township and may be used to meet the Township's ongoing obligations to citizens and creditors.

The following table reflects the condensed comparative statement of changes in net assets:

**Lower Macungie Township
Changes in Net Assets
Year Ended December 31, 2009 and 2008**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Charges for services	\$ 1,132,015	\$ 1,525,012	\$ 5,270,723	\$ 4,539,656	\$ 6,402,738	\$ 6,064,668
Operating grants and contributions	902,089	1,014,318	-	65,333	902,089	1,079,651
Capital grants and contributions	9,305,997	3,560,727	1,685,027	2,723,446	10,991,024	6,284,173
Earned income tax	4,578,151	4,940,000	-	-	4,578,151	4,940,000
Real estate transfer tax	858,417	976,496	-	-	858,417	976,496
Taxes levied for specific purposes	231,118	143,044	-	-	231,118	143,044
Interest income	113,751	175,929	8,140	51,629	121,891	227,558
Rental income	237,080	284,477	-	-	237,080	284,477
Miscellaneous	-	26,941	-	2,075	-	29,016
Total revenue	<u>17,358,618</u>	<u>12,646,944</u>	<u>6,963,890</u>	<u>7,382,139</u>	<u>24,322,508</u>	<u>20,029,083</u>
General government	1,608,538	1,392,195	-	-	1,608,538	1,392,195
Public safety	924,262	999,429	-	-	924,262	999,429
Public works - sanitation	55,170	64,452	-	-	55,170	64,452
Public works - highways and streets	1,613,586	1,521,534	-	-	1,613,586	1,521,534
Culture and recreation	1,497,676	1,302,628	-	-	1,497,676	1,302,628
Interest on long-term debt	177,767	108,270	-	-	177,767	108,270
Unallocated depreciation and amortization	1,490,502	1,250,798	-	-	1,490,502	1,250,798
Other	1,441,453	1,077,290	-	-	1,441,453	1,077,290
Sanitary sewer	-	-	3,085,126	2,332,535	3,085,126	2,332,535
Solid waste	-	-	2,233,811	2,186,190	2,233,811	2,186,190
Total expenses	<u>8,808,954</u>	<u>7,716,596</u>	<u>5,318,937</u>	<u>4,518,725</u>	<u>14,127,891</u>	<u>12,235,321</u>
Increase in net assets before transfers	8,549,664	4,930,348	1,644,953	2,863,414	10,194,617	7,793,762
Transfers	-	(16,900)	-	16,900	-	-
Change in net assets	8,549,664	4,913,448	1,644,953	2,880,314	10,194,617	7,793,762
Net assets, beginning of year	<u>45,271,402</u>	<u>40,357,954</u>	<u>9,806,405</u>	<u>6,926,091</u>	<u>55,077,807</u>	<u>47,284,045</u>
Net assets, end of year	<u>\$ 53,821,066</u>	<u>\$ 45,271,402</u>	<u>\$ 11,451,358</u>	<u>\$ 9,806,405</u>	<u>\$ 65,272,424</u>	<u>\$ 55,077,807</u>

For more detailed information, see the Statement of Activities (page 18).

Governmental Activities

Governmental activities increased the Township's net assets by \$ 8,549,664, which accounts for a 19% increase in governmental activities net assets in 2009. Governmental activities are represented by the following funds: General, Highway Aid, Developer Fee, Capital Projects and Debt Service.

For the year ended December 31, 2009, revenues from governmental activities totaled \$ 17,358,618, an increase of \$ 4,711,674 or 37% compared to the year 2008. Tax revenues of \$ 5,667,686, comprised of earned income tax, real estate transfer tax and taxes levied for special purposes, represent 33% of revenues. The Township's earned income tax is the primary revenue source, generating \$ 4,578,151 for 2009, a decrease of \$ 361,849 from 2008. This decrease is attributable to the economic downturn that has led to an increase in unemployment rates. The real estate transfer tax generated \$ 858,417 in 2009, a decrease of \$ 118,079 from 2008. This decrease is related to a slow down in the housing market that has led to a decrease in real estate sales. Taxes levied for special purposes generated revenues of \$ 231,118 in 2009, an increase of \$ 88,074 from 2008. This increase is attributable to additional housing developments remitting payments for streetlight taxes.

Charges for services revenue of \$1,132,015 represented 6% of the total governmental activities revenue in 2009, a decrease of \$ 392,997 or 26% from the year 2008. The decrease is primarily attributable to a timing difference in the recognition of franchise fee revenue and a decline in commercial building permit revenue.

Operating grants and contributions revenue of \$ 902,089 represented 5% of the total governmental activities revenue in 2009, a decrease of \$ 112,229 or 11% from the year 2008. The Township received \$ 524,535 in state contributions for liquid fuels, \$ 206,007 in state-aid for volunteer firefighters, and \$ 171,547 in other state grants in 2009.

Capital grants and contributions revenue of \$ 9,305,997 represented 54% of the total governmental activities revenue in 2009, an increase of \$ 5,745,270 or 161% from the year 2008. In 2009, the Township received \$ 775,368 in flood mitigation grants, \$ 4,928,095 in infrastructure dedications, \$ 69,178 in recycling grants, and \$ 2,865,000 in recreation land contributions. The increase in revenue in 2009 is attributable to increases in dedicated infrastructure and recreation land contributions.

The remaining year 2009 revenue is comprised of interest income of \$ 113,751 and rental income of \$ 237,080. Interest income decreased \$ 62,178 or 35% as compared to the prior year. The decrease is attributable to lower interest yields on cash and investments. Rental income decreased \$ 47,397 or 17% as compared to the prior year. The decrease is attributable to timing of revenue recognition in the prior year for certain leased property and the nonrenewal of a lease on another parcel of property.

For the year ended December 31, 2009, expenses represented by governmental activities include: general government, public safety, public works, culture and recreation, interest on long-term debt, and other expenses. Expenses for governmental activities totaled \$ 8,808,954, an increase of \$ 1,092,358 or 14% as compared to the year 2008.

General government expense accounted for \$ 1,608,538 or 18% of total governmental activities expense and is used to support services for the general administrative operations of the Township. These costs increased \$ 216,343 or 15% as compared to the prior year. Costs include \$ 688,145 for salaries, \$ 174,101 for legal fees, \$ 219,713 for engineering services, and \$ 107,922 for general repairs and maintenance.

Public safety expense accounted for \$ 924,262 or 11% of total governmental activities expense and primarily covers costs of fire protection, code enforcement, and permit inspections. These costs decreased \$ 75,167 or 8% as compared to the prior year. The decrease is primarily attributed to a slowing economy causing a decline in building inspection requests.

Public works highways and streets expense accounted for \$ 1,613,586 or 19% of total governmental activities expense and primarily covers costs of park plans and maintenance, street lights, hydrant rentals, lawn mowing, road salt, and road sealing and paving. These costs increased \$ 92,052 or 6% as compared to the prior year. The increase is primarily attributed to operating supplies, road salt requirements, and streetlight expenditures.

Culture and recreation expense accounted for \$ 1,497,676 or 17% of total governmental activities expense and primarily covers costs of playground programs, community center and swimming pool operations, and park plans and maintenance. These costs increased \$ 195,048 or 15% as compared to the prior year. The increase is primarily attributed to the work performed on the Camp Olympic master site plan.

Interest on long-term debt accounted for \$ 177,767 or 2% of total governmental activities expense, an increase of \$ 69,497 or 64% as compared to the prior year. The Township issued \$ 6,065,000 of general obligation bonds in 2009. A portion of the proceeds were used to currently refund the remaining outstanding general obligation bonds, series of 2001.

Unallocated depreciation and amortization accounted for \$ 1,490,502 or 17% of total governmental activities expense, an increase of \$ 239,704 or 19% as compared to the prior year. These costs represent depreciation of capital assets, as well as amortization of bond issuance costs, premiums, and discounts.

Other expense accounted for \$ 1,441,453 or 16% of total governmental activities expense and primarily covers costs of employee benefits, business insurance, and a refund of prior year revenue. These costs increased \$ 364,163 or 34% as compared to the prior year. The increase is primarily attributed to a one-time cost associated with a refund of prior year revenue.

The remaining expense is comprised of public works sanitation of \$ 55,170 for 2009, a decrease of \$ 9,282 or 14% as compared to the prior year. The decrease is attributed to a decline in equipment rental expenses for the recycling center.

Business-type Activities

Business-type activities increased the Township's net assets by \$ 1,644,953, which accounts for a 17% increase in business-type activities net assets in 2009. Business-type activities are represented by the sanitary sewer and solid waste funds.

For the year ended December 31, 2009, revenues from business-type activities totaled \$ 6,963,890, a decrease of \$ 418,249 or 6% compared to the year 2008. Charges for services, in the amount of \$ 5,270,723, account for 76% of total revenues. Overall, this revenue source is primarily earned through \$ 2,548,978 of solid waste collection fees and \$ 2,721,745 of sewer rental fees. In 2009, after remaining unchanged since the mid-1990's, there was an increase in sewer and solid waste rates of 12% and 15%, respectively. As a result, solid waste collection fees increased \$ 389,772 or 18%, and sewer rental fees increased \$ 341,295 or 13% as compared to the prior year. This rate change was required to keep pace with increasing service costs. The Township currently collects revenue from 10,200 sewer customers and 8,750 solid waste customers.

Capital grants and contributions revenue of \$ 1,685,027 represented 24% of the total business-type activities revenue in 2009, a decrease of \$ 1,038,419 or 38% from the year 2008. In 2009, the Township received \$ 1,307,780 for infrastructure. The decrease in revenue in 2009 is attributable to less new sub-division construction.

The remaining year 2009 revenue is comprised of interest income of \$ 8,140. Interest income decreased \$ 43,489 or 84% as compared to the prior year. The decrease is attributable to lower interest yields on cash and investments.

For the year ended December 31, 2009, expenses represented by business-type activities include the sanitary sewer and solid waste funds. Expenses for business-type activities totaled \$ 5,318,937, an increase of \$ 800,212 or 18% as compared to the year 2008.

The expenses for sanitary sewer amounted to \$ 3,085,126, an increase of \$ 752,591 or 32% as compared to the year 2008. The increase is a result of an escalation in fees and sewer usage. The expenses for solid waste collection amounted to \$ 2,233,811, an increase of \$ 47,621 or 2% as compared to the year 2008. The increase is a result of an increase in the number of solid waste customers.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S INDIVIDUAL FUNDS

Governmental Funds

The governmental funds are comprised of the General, Highway Aid, Developer Fee, Capital Projects and Debt Service Funds. The following highlights occurred within these funds during 2009:

- The General Fund reported an unrestricted fund balance of \$ 8,393,746 as of December 31, 2009. This amount represents a decrease in fund balance of \$ 241,204 or 3% from 2008. In 2009, the General Fund reported revenues, excluding transfers in of \$ 125,735, in the amount of \$ 7,558,985. This is a decrease of \$ 790,052 or 9% from 2008. In 2009, the General Fund reported expenses, excluding transfers out of \$ 415,524, in the amount of \$ 7,510,400. This is an increase of \$ 407,521 or 6% from 2008.

- The Highway Aid Fund reported a restricted fund balance of \$ 430,525 as of December 31, 2009. This amount represents a decrease in fund balance of \$ 475,347 or 52% from 2008. In 2009, the Highway Aid Fund reported revenues of \$ 529,281. This is a decrease of \$ 29,666 or 5% from 2008. In 2009, the Highway Aid Fund reported expenses of \$ 1,004,628. This is an increase of \$ 925,044 or 162% from 2008. In 2009, the Township installed a traffic light at Lower Macungie Road and Wild Cherry Lane at a cost approximating \$ 699,000. The Township also purchased vehicles at a cost approximating \$ 305,000.
- The Developer Fee Fund reported an unrestricted fund balance of \$ 419,659 as of December 31, 2009. This amount represents an increase in fund balance of \$ 5,328 or 1% from 2008. In 2009, the Developer Fee Fund reported revenues of \$ 131,168. This is an increase of \$ 19,631 or 18% from 2008. In 2009, the Developer Fee Fund reported expenses, excluding transfers out of \$ 125,735, in the amount of \$ 105. This is a decrease of \$ 12,059 or 99% from 2008.
- The Capital Projects Fund reported an unrestricted fund balance of \$ 106,531 at December 31, 2009. This amount represents a decrease in fund balance of \$ 159,219 or 60% from 2008. In 2009, the Capital Projects Fund reported revenues, excluding transfers in of \$ 218,500, proceeds from debt issuance of \$ 6,065,000, and debt issuance premiums of \$ 18,484, of \$ 825,996. This is an increase of \$ 476,823 or 137% from 2008. In 2009, the Township obtained and utilized a federal grant of \$ 775,000 for the purchase of two properties for flood mitigation. These properties are scheduled to be demolished in 2010. In 2009, the Capital Projects Fund reported expenses, excluding debt issuance discounts of \$ 8,039, in the amount of \$ 7,279,160. This is an increase of \$ 6,628,559 or 1019% from 2008. The increase in expense is attributed to the payoff of the previously existing debt, fire station construction costs, and the public works annex building roof replacement.
- The Debt Service Fund reported an unrestricted fund balance of \$ 93 as of December 31, 2009. This amount represents a decrease of \$ 49,589 or 100% from 2008. In 2009, the Debt Service Fund reported revenues, excluding transfers in of \$ 197,024, in the amount of \$ 306. This is a decrease of \$ 4,916 or 94% from 2008. In 2009, the Debt Service Fund reported expenditures of \$ 246,919. This is a decrease of \$ 28,642 or 10% from 2008.

Proprietary Funds

The proprietary funds provide the same type of information found in the government-wide financial statements. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for the sanitary sewer and solid waste operations. Please refer to the business-type activities section listed previously for discussion on the activity in the proprietary funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Township's approved 2009 General Fund budget included total revenues of \$ 8,463,723 and total expenditures of \$ 8,463,723, including transfers out of \$ 729,884. The Board of Commissioners amended the original adopted budget to include total expenditures of \$ 8,463,723, including transfers out of \$ 600,134. The amended budget did not include any revision to revenue line items; however, there were revisions to expenditure line items. Variations between the original and final budget for expenditures are a result of unanticipated costs for road salt, streetlights, and engineering services.

For the year ended December 31, 2009, expenditures were less than the final budgeted amount by \$ 353,189 and actual resources available for appropriations were less than the final budgeted amount by \$ 908,329. The 2009 revenue budget includes \$ 914,378 which was an appropriation from prior year reserves. The expenditures savings of \$ 353,189 experienced in 2009 were not enough to offset the revenue shortfall, and the result was a realization of a \$ 241,204 deficit in the General Fund in 2009.

Overall, financial performance of the General Fund in 2009 was unfavorable when compared to budget. During the year, General Fund revenues were lower than the 2009 budget. Earned income tax revenues and street light tax revenues exceeded budget, while licenses and permits, interest, local grants and contributions were under budget. General Fund expenditures were also lower than budgeted appropriations in 2009. General government, public safety, public works, culture and recreation, other expense and capital outlay were all favorable in relation to the budget, while refund of prior year revenues was unfavorable in relation to the budget.

The earned income tax revenue, real estate transfer tax, licenses and permit fees, and other revenues, along with prudent financial management and proper planning, has enabled the Township to continue to operate without a real estate tax burden for residents of Lower Macungie Township.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2009 amounted to \$ 60,047,920 (net of accumulated depreciation). This is an increase of \$ 14,452,228 or 32% over the year 2008. This investment in capital assets includes land, land improvements, infrastructure, buildings and building improvements, machinery and equipment, vehicles and construction in progress. Capital acquisitions are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date of donation.

Major capital asset transactions/events during the year ended December 31, 2009 included the following:

- Contributed assets in the amount of \$ 8,334,894 (includes \$ 2,865,200 for land, \$ 541,500 for park improvements, and \$ 4,928,095 for roads).
- Contributed assets in the amount of \$ 1,307,780 for additions to the sewer collection system.
- Construction of a new fire station for \$ 2,422,284.
- Purchase of flood mitigation properties for \$ 872,623.

The Township's governmental activities investment in capital assets as of December 31, 2009 and 2008, net of accumulated depreciation, amounted to \$ 50,445,692 and \$ 37,494,920, respectively. These amounts represent a net increase (including additions, deletions and depreciation) of \$ 12,950,772 or 26% from the previous year.

**Governmental Activities
Capital Assets at December 31 (Net of Accumulated Depreciation)**

	2009	2008
Capital assets not being depreciated:		
Land	\$ 10,370,252	\$ 7,505,052
Construction in progress	<u>4,081,190</u>	<u>430,412</u>
	<u>14,451,442</u>	<u>7,935,464</u>
Capital assets being depreciated:		
Land improvements	3,219,882	2,027,526
Infrastructure	24,998,674	20,312,356
Building and building improvements	6,420,970	6,099,650
Machinery and equipment	504,205	415,715
Vehicles	<u>850,519</u>	<u>704,209</u>
	<u>35,994,250</u>	<u>29,559,456</u>
 Total capital assets	 <u>\$ 50,445,692</u>	 <u>\$ 37,494,920</u>

The Township's business-type activities investment in capital assets as of December 31, 2009 and 2008, net of accumulated depreciation, amounted to \$ 9,602,228 and \$ 8,100,772, respectively. These amounts represent a net increase (including additions, deletions and depreciation) of \$ 1,501,456 or 19% from the previous year.

**Business-Type Activities
Capital Assets at December 31 (Net of Accumulated Depreciation)**

	2009	2008
Capital assets not being depreciated:		
Construction in progress	<u>\$ 621,553</u>	<u>\$ 211,821</u>
Capital assets being depreciated:		
Sewer collection system	8,861,928	7,787,511
Machinery and equipment	<u>118,747</u>	<u>101,440</u>
	<u>8,980,675</u>	<u>7,888,951</u>
 Total capital assets	 <u>\$ 9,602,228</u>	 <u>\$ 8,100,772</u>

The Township has made commitments for the following capital expenditures as of December 31, 2009:

- Park improvements at Farmington Hills, Spring Creek Estates, and the Hills at Lockridge for \$ 246,490.
- Fire station facility expenditures for \$ 160,900.
- Camp Olympic master site plan for \$ 49,280.
- Heating, electrical, and plumbing work at the Butz-Leister Farm for \$ 83,000.
- Public works annex building heating and air conditioning system for \$ 127,000.

Additional information on the Township's capital assets can be found in Note 4 to the financial statements.

Debt Administration

As of December 31, 2009, the Township's total amount for general obligation bonds outstanding was \$ 5,890,082 compared to \$ 2,375,000 for the year ended December 31, 2008. The Township's total debt increased in 2009 due to the issuance of \$ 6,065,000 in General Obligation Bonds, Series of 2009. The proceeds of the bonds were used to currently refund the General Obligation Bonds, Series of 2001, pay the costs and expenses related to the issuance of the Bonds, and fund the construction of a new fire station and other capital projects of the Township.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 5,890,082	\$ 2,375,000	\$ -	\$ -	\$ 5,890,082	\$ 2,375,000

Additional information on the Township's long-term debt can be found in Note 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In 2008, as part of the transition of Lower Macungie Township to a Township of the First Class, the governing body consisted of five appointed members of the Board of Commissioners. All five of these members were appointed for a two-year term expiring January 2010. As a result, all five Commissioner positions were considered vacant during the Fall 2009 elections. The vacancies consisted of 3 two-year terms and 2 four-year terms. In January 2010, a newly elected Board of Commissioners was sworn into office.

With the adoption of the 2010 budget, the Township continues plans to generate revenue through earned income taxes, real estate transfers taxes, license and permit fees, as well as other revenue sources. As part of the 2010 budget, the Board of Commissioners enacted a Local Service Tax. This tax is remitted by businesses through withholdings from personnel that are employed within the Township. This is projected to generate over \$ 400,000 in revenue. The collection of this tax will be handled by Keystone Collections Group.

Prior to the 2009 year, the sewer and solid waste rates had not been increased since the mid-1990's. With the passing of the 2009 budget, the Board of Commissioners approved an increase in the sewer and solid waste rates of 12% and 15%, respectively. Additionally, as part of the 2010 budget, another sewer rate increase was approved. This rate increase was necessary as a result of rising service costs.

In 2009, the Township received approximately \$ 775,000 in federal emergency management funds for the purchase of two properties for flood mitigation. Both properties were purchased and are scheduled for demolition in 2010.

The Township has plans for park improvements at various locations in the Township. There are plans to install a modular bathroom at Spring Creek Estates, pavement of a parking lot at Farmington Hills, as well as completion of a pavilion and a community center for the Hills at Lockridge. In order to determine the best use for the Camp Olympic property, a master site plan will be completed.

As part of the 2009 bond issue, the Township will complete work related to the fire station and public works annex building. Final road and parking lot paving, related to the new fire station construction project, is scheduled to be completed. Also, a new heating and ventilation system will be installed for the public works annex building.

In the last quarter of 2009 and going forward, the Township contracted with Keystone Collections Group to handle earned income tax filings and revenue collection.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Township's citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township's Office at 3400 Brookside Drive, Macungie, PA 18062 - telephone (610) 966-4343.

LOWER MACUNGIE TOWNSHIP

STATEMENT OF NET ASSETS
December 31, 2009

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash	\$ 744,434	\$ 1,057,027	\$ 1,801,461
Investments	8,798,997	353,342	9,152,339
Accrued investment income	13,499	377	13,876
Accounts receivable	110,067	1,996,795	2,106,862
Taxes receivable	85,550	-	85,550
Due (to) from other funds	954,221	(954,221)	-
Deferred charges, net	228,018	-	228,018
Capital assets not being depreciated	14,451,442	621,553	15,072,995
Capital assets, net of accumulated depreciation	<u>35,994,250</u>	<u>8,980,675</u>	<u>44,974,925</u>
Total assets	<u>\$ 61,380,478</u>	<u>\$ 12,055,548</u>	<u>\$ 73,436,026</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 1,006,288	\$ 581,177	\$ 1,587,465
Accrued expenses	168,514	15,917	184,431
Other liabilities	6,883	-	6,883
Returnable deposits	248,836	-	248,836
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	2,124	1,774	3,898
Bonds payable	330,514	-	330,514
Portion due or payable after one year:			
Compensated absences	236,685	5,322	242,007
Bonds payable	<u>5,559,568</u>	<u>-</u>	<u>5,559,568</u>
	<u>7,559,412</u>	<u>604,190</u>	<u>8,163,602</u>
COMMITMENTS AND CONTINGENCIES	<u>-</u>	<u>-</u>	<u>-</u>
 NET ASSETS			
Invested in capital assets, net of related debt	44,555,610	9,602,228	54,157,838
Restricted for public works - highways and streets	430,525	-	430,525
Unrestricted	<u>8,834,931</u>	<u>1,849,130</u>	<u>10,684,061</u>
	<u>\$ 53,821,066</u>	<u>\$ 11,451,358</u>	<u>\$ 65,272,424</u>

See Notes to Financial Statements.

LOWER MACUNGIE TOWNSHIP

STATEMENT OF ACTIVITIES Year Ended December 31, 2009

	Expenses	----- Program Revenues Charges for Services	Operating Grants and Contributions
Functions/Programs:			
Government:			
Governmental activities:			
General government	\$ 1,608,538	\$ 912,557	\$ 171,547
Public safety	924,262	31,355	206,007
Public works - sanitation	55,170	-	-
Public works - highways and streets	1,613,586	-	524,535
Culture and recreation	1,497,676	188,103	-
Interest	177,767	-	-
Depreciation and amortization	1,490,502	-	-
Unallocated and other	1,441,453	-	-
	<hr/>	<hr/>	<hr/>
Total governmental activities	8,808,954	1,132,015	902,089
	<hr/>	<hr/>	<hr/>
Business-type activities:			
Solid waste	2,233,811	2,548,978	-
Sewer	3,085,126	2,721,745	-
	<hr/>	<hr/>	<hr/>
Total business-type activities	5,318,937	5,270,723	-
	<hr/>	<hr/>	<hr/>
Total government	\$ 14,127,891	\$ 6,402,738	\$ 902,089
	<hr/>	<hr/>	<hr/>

General revenues:

Earned income taxes
Real estate transfer taxes
Taxes levied for specific purposes
Interest income
Rental income

Total general revenues and transfers

Changes in net assets

Net assets, beginning of year

Net assets, end of year

See Notes to Financial Statements.

----- Capital Grants and Contributions	Net (Expenses) Revenues and ----- Changes in Net Assets -----		
	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (524,434)	\$ -	\$ (524,434)
775,368	88,468	-	88,468
-	(55,170)	-	(55,170)
5,067,474	3,978,423	-	3,978,423
3,463,155	2,153,582	-	2,153,582
-	(177,767)	-	(177,767)
-	(1,490,502)	-	(1,490,502)
-	(1,441,453)	-	(1,441,453)
<u>9,305,997</u>	<u>2,531,147</u>	<u>-</u>	<u>2,531,147</u>
-	-	315,167	315,167
<u>1,685,027</u>	<u>-</u>	<u>1,321,646</u>	<u>1,321,646</u>
<u>1,685,027</u>	<u>-</u>	<u>1,636,813</u>	<u>1,636,813</u>
<u>\$ 10,991,024</u>	<u>2,531,147</u>	<u>1,636,813</u>	<u>4,167,960</u>
	4,578,151	-	4,578,151
	858,417	-	858,417
	231,118	-	231,118
	113,751	8,140	121,891
	237,080	-	237,080
	<u>6,018,517</u>	<u>8,140</u>	<u>6,026,657</u>
	8,549,664	1,644,953	10,194,617
	<u>45,271,402</u>	<u>9,806,405</u>	<u>55,077,807</u>
	<u>\$ 53,821,066</u>	<u>\$ 11,451,358</u>	<u>\$ 65,272,424</u>

LOWER MACUNGIE TOWNSHIP

**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2009**

ASSETS	General Fund	Liquid Fuels Fund	Developer Fee Fund
Cash	\$ 744,180	\$ -	\$ 77
Investments	6,905,190	430,525	607,616
Accrued investment income	10,813	-	273
Accounts receivable	110,067	-	-
Taxes receivable	85,550	-	-
Due (to) from other funds	<u>1,400,173</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 9,255,973</u>	<u>\$ 430,525</u>	<u>\$ 607,966</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 709,448	\$ -	\$ -
Accrued expenses	91,794	-	-
Other liabilities	456	-	-
Returnable deposits	<u>60,529</u>	<u>-</u>	<u>188,307</u>
Total liabilities	<u>862,227</u>	<u>-</u>	<u>188,307</u>
COMMITMENTS AND CONTINGENCIES	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCES			
Unrestricted, reported in:			
General Fund	8,393,746	-	-
Special revenue funds	-	-	419,659
Capital projects funds	-	-	-
Debt service funds	-	-	-
Restricted for public works - highways and streets	<u>-</u>	<u>430,525</u>	<u>-</u>
	<u>\$ 8,393,746</u>	<u>\$ 430,525</u>	<u>\$ 419,659</u>

See Notes to Financial Statements.

Capital Projects Fund	Debt Service Fund	Total Governmental Funds
\$ 177	\$ -	\$ 744,434
855,573	93	8,798,997
-	-	11,086
-	-	110,067
-	-	85,550
<u>(445,952)</u>	<u>-</u>	<u>954,221</u>
<u>\$ 409,798</u>	<u>\$ 93</u>	<u>\$ 10,704,355</u>
\$ 296,840	\$ -	\$ 1,006,288
-	-	91,794
6,427	-	6,883
-	-	248,836
<u>303,267</u>	<u>-</u>	<u>1,353,801</u>
<u>-</u>	<u>-</u>	<u>-</u>
-	-	8,393,746
-	-	419,659
106,531	-	106,531
-	93	93
-	-	430,525
<u>\$ 106,531</u>	<u>\$ 93</u>	<u>\$ 9,350,554</u>

LOWER MACUNGIE TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
December 31, 2009**

Total fund balances, governmental funds **\$ 9,350,554**

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

Interest on long-term investments is not collectible in the current period and, therefore, is not reported as an asset in the funds. This interest increased the investments in the statement of net assets **2,413**

Capital assets used in governmental activities are not financial resources and, therefore, not reported as assets in the governmental funds. The cost of the capital assets is \$ 62,979,566, less the accumulated depreciation of \$ 12,533,874 **50,445,692**

Costs incurred for the issuance of long-term debt are recognized as expenditures in the fund statements, but are deferred in the government-wide statements. Deferred expenses consist of issuance costs of \$ 150,314 and accumulated amortization of \$ 5,236 **145,078**

Deferred refunding loss is recognized as a result of current refunding of debt. This amount is deferred and amortized in the statement of net assets **82,940**

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized in the statement of net assets. Also during the year, the Township currently refunded its existing debt. The amount borrowed is received in the governmental funds and increases fund balance. In connection with the issuance of debt, there was a reoffering premium of \$ 18,484 and an original issue discount of \$ 8,039. The premium and discount will be amortized in the statement of activities over the remaining life of the new debt. This adjustment is a combination of five items:

Accrued interest on bonds payable	(78,844)
Bonds payable	(5,880,000)
Unamortized premium	(17,840)
Unamortized discount	7,758
Compensated absences	(236,685)
	(6,205,611)

Total net assets, governmental activities **\$ 53,821,066**

See Notes to Financial Statements.

LOWER MACUNGIE TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2009**

	General Fund	Liquid Fuels Fund	Developer Fee Fund
REVENUES			
Taxes:			
Earned income	\$ 4,578,151	\$ -	\$ -
Real estate transfer	858,417	-	-
Street light	231,118	-	-
Licenses and permits	807,350	-	-
Fines and forfeits	31,355	-	-
Interest, rents and royalties	306,944	4,746	4,617
State grants	311,275	524,535	-
Local grants	99,928	-	-
Contributions	38,435	-	126,551
Charges for services	278,167	-	-
Refund of prior year expense	13,125	-	-
Miscellaneous	1,129	-	-
	7,555,394	529,281	131,168
EXPENDITURES			
Current:			
General government	1,577,147	-	105
Public safety	924,262	-	-
Public works - sanitation	60,671	-	-
Public works - highways and streets	1,872,271	-	-
Culture and recreation	1,629,931	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Debt issuance costs	-	-	-
Other	1,133,986	-	-
Refund of prior year revenue	305,000	-	-
Capital outlay	7,132	1,004,628	-
	7,510,400	1,004,628	105
Excess (deficiency) of revenues over (under) expenditures	44,994	(475,347)	131,063

Capital Projects Fund	Debt Service Fund	Total Governmental Funds
\$ -	\$ -	\$ 4,578,151
-	-	858,417
-	-	231,118
-	-	807,350
-	-	31,355
50,628	306	367,241
775,368	-	1,611,178
-	-	99,928
-	-	164,986
-	-	278,167
-	-	13,125
-	-	1,129
<u>825,996</u>	<u>306</u>	<u>9,042,145</u>
-	-	1,577,252
-	-	924,262
-	-	60,671
-	-	1,872,271
-	-	1,629,931
2,375,000	185,000	2,560,000
50,131	61,919	112,050
150,314	-	150,314
-	-	1,133,986
-	-	305,000
4,703,715	-	5,715,475
<u>7,279,160</u>	<u>246,919</u>	<u>16,041,212</u>
<u>(6,453,164)</u>	<u>(246,613)</u>	<u>(6,999,067)</u>

LOWER MACUNGIE TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS**

Year Ended December 31, 2009

	General Fund	Liquid Fuels Fund	Developer Fee Fund
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 125,735	\$ -	\$ -
Transfers out	(415,524)	-	(125,735)
Issuance of debt, refunding bonds	-	-	-
Debt issuance premium	-	-	-
Debt issuance discount	-	-	-
Proceeds from sale of capital assets	3,591	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(286,198)	-	(125,735)
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(241,204)	(475,347)	5,328
Fund balances, beginning of year	8,634,950	905,872	414,331
	<hr/>	<hr/>	<hr/>
Fund balances, end of year	\$ 8,393,746	\$ 430,525	\$ 419,659
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Notes to Financial Statements.

Capital Projects Fund	Debt Service Fund	Total Governmental Funds
\$ 218,500	\$ 197,024	\$ 541,259
-	-	(541,259)
6,065,000	-	6,065,000
18,484	-	18,484
(8,039)	-	(8,039)
<u>-</u>	<u>-</u>	<u>3,591</u>
<u>6,293,945</u>	<u>197,024</u>	<u>6,079,036</u>
(159,219)	(49,589)	(920,031)
<u>265,750</u>	<u>49,682</u>	<u>10,270,585</u>
<u>\$ 106,531</u>	<u>\$ 93</u>	<u>\$ 9,350,554</u>

LOWER 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, 2009

Net change in fund balances, governmental funds **\$ (920,031)**

The change in net assets reported for governmental activities in the statement of activities is different because:

Some revenues reported in the statement of activities are not available as current financial resources and are not reported as revenues in governmental funds. This amount is for the change in accrued interest income recognized on investments **(16,406)**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which net capital outlays of \$ 14,436,099 exceeded depreciation of \$ 1,477,259 in the current year **12,958,840**

In the statement of activities, only the gain (loss) on the disposal of assets is reported, whereas in the government funds, the entire proceeds from the disposal of assets increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset disposed **(8,068)**

Debt issuance costs, premiums and discounts are recognized in the governmental funds when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Issuance costs, premiums and discounts exceeded current year amortization as follows:

Issuance costs	143,030
Premium	(17,840)
Discount	7,758

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount is for the amortization of the deferred refunding loss on the current refunding of the 2001 Bond Series **(6,323)**

LOWER MACUNGIE TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED)
Year Ended December 31, 2009**

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments

\$ (3,505,000)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of two balances:

Accrued interest on bonds	(65,718)
Compensated absences	(20,578)
	<hr/>

Change in net assets, governmental activities	\$ 8,549,664
	<hr/> <hr/>

See Notes to Financial Statements.

LOWER MACUNGIE TOWNSHIP

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 December 31, 2009**

ASSETS	Solid Waste Fund	Sewer Fund	Total
Cash	\$ 204,132	\$ 852,895	\$ 1,057,027
Investments	51,603	301,739	353,342
Accrued investment income	-	377	377
Accounts receivable	995,300	1,001,495	1,996,795
Capital assets not being depreciated	-	621,553	621,553
Capital assets, net of accumulated depreciation	<u>-</u>	<u>8,980,675</u>	<u>8,980,675</u>
Total assets	<u>\$ 1,251,035</u>	<u>\$ 11,758,734</u>	<u>\$ 13,009,769</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 1,366	\$ 579,811	\$ 581,177
Accrued expenses	1,248	16,443	17,691
Due to other funds	654,374	299,847	954,221
Compensated absences	<u>-</u>	<u>5,322</u>	<u>5,322</u>
Total liabilities	<u>656,988</u>	<u>901,423</u>	<u>1,558,411</u>
COMMITMENTS AND CONTINGENCIES	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	9,602,228	9,602,228
Unrestricted	<u>594,047</u>	<u>1,255,083</u>	<u>1,849,130</u>
	<u>\$ 594,047</u>	<u>\$ 10,857,311</u>	<u>\$ 11,451,358</u>

See Notes to Financial Statements.

LOWER MACUNGIE TOWNSHIP

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

Year Ended December 31, 2009

	Solid Waste Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 2,548,978	\$ 2,721,745	\$ 5,270,723
Allocation fees	-	36,558	36,558
Settlement proceeds	-	125,000	125,000
Refund of prior year expense	-	215,689	215,689
	2,548,978	3,098,992	5,647,970
OPERATING EXPENSES			
Administrative expenses	69,711	623,043	692,754
Contracted services	2,160,722	33,642	2,194,364
Collection and treatment	-	1,939,828	1,939,828
Materials and supplies	3,378	-	3,378
Legal settlement	-	217,000	217,000
Depreciation expense	-	271,613	271,613
	2,233,811	3,085,126	5,318,937
Total operating expenses	2,233,811	3,085,126	5,318,937
Operating income	315,167	13,866	329,033
NONOPERATING REVENUES			
Interest income	1,174	6,966	8,140
	316,341	20,832	337,173
Net income before contributions	316,341	20,832	337,173
Capital contributions	-	1,307,780	1,307,780
	316,341	1,328,612	1,644,953
Change in net assets	316,341	1,328,612	1,644,953
Net assets, beginning of year	277,706	9,528,699	9,806,405
	277,706	9,528,699	9,806,405
Net assets, end of year	\$ 594,047	\$ 10,857,311	\$ 11,451,358
	\$ 594,047	\$ 10,857,311	\$ 11,451,358

See Notes to Financial Statements.

LOWER MACUNGIE TOWNSHIP

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2009**

	Solid Waste Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,381,353	\$ 2,977,915	\$ 5,359,268
Payments to suppliers	(2,210,264)	(2,801,990)	(5,012,254)
Payments to employees	<u>(23,196)</u>	<u>(248,156)</u>	<u>(271,352)</u>
Net cash provided by (used in) operating activities	<u>147,893</u>	<u>(72,231)</u>	<u>75,662</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund activity	<u>40,894</u>	<u>37,534</u>	<u>78,428</u>
Net cash provided by noncapital financing activities	<u>40,894</u>	<u>37,534</u>	<u>78,428</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	<u>-</u>	<u>(465,289)</u>	<u>(465,289)</u>
Net cash used in capital and related financing activities	<u>-</u>	<u>(465,289)</u>	<u>(465,289)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments, net	(12,597)	351,513	338,916
Investment income	<u>1,174</u>	<u>6,589</u>	<u>7,763</u>
Net cash provided by (used in) investing activities	<u>(11,423)</u>	<u>358,102</u>	<u>346,679</u>

LOWER MACUNGIE TOWNSHIP

**STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year Ended December 31, 2009**

	Solid Waste Fund	Sewer Fund	Total
Net increase (decrease) in cash	\$ 177,364	\$ (141,884)	\$ 35,480
Cash:			
Beginning	<u>26,768</u>	<u>994,779</u>	<u>1,021,547</u>
Ending	<u><u>\$ 204,132</u></u>	<u><u>\$ 852,895</u></u>	<u><u>\$ 1,057,027</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income	\$ 315,167	\$ 13,866	\$ 329,033
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	-	271,613	271,613
Change in assets and liabilities:			
(Increase) in accounts receivable	(167,625)	(121,077)	(288,702)
Increase (decrease) in accounts payable and accrued expenses	<u>351</u>	<u>(236,633)</u>	<u>(236,282)</u>
Net cash provided by (used in) operating activities	<u><u>\$ 147,893</u></u>	<u><u>\$ (72,231)</u></u>	<u><u>\$ 75,662</u></u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	<u><u>\$ -</u></u>	<u><u>\$ 1,307,780</u></u>	<u><u>\$ 1,307,780</u></u>

See Notes to Financial Statements.

LOWER MACUNGIE TOWNSHIP

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2009**

ASSETS	Agency Funds	Pension Trust Fund	Total
Cash	\$ 802,538	\$ 25,029	\$ 827,567
Investments	-	3,372,351	3,372,351
Accounts receivable	263,976	273,591	537,567
Due from Township	6,427	-	6,427
Accrued income	-	5,658	5,658
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 1,072,941</u></u>	<u><u>\$ 3,676,629</u></u>	<u><u>\$ 4,749,570</u></u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 208,533	\$ -	\$ 208,533
Refundable escrow deposits	849,112	-	849,112
Earned income taxes to be remitted	15,296	-	15,296
	<u> </u>	<u> </u>	<u> </u>
	1,072,941	-	1,072,941
NET ASSETS, held in trust for pension benefits	<u> </u>	<u>3,676,629</u>	<u>3,676,629</u>
	<u><u>\$ 1,072,941</u></u>	<u><u>\$ 3,676,629</u></u>	<u><u>\$ 4,749,570</u></u>

See Notes to Financial Statements.

LOWER MACUNGIE TOWNSHIP

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
Year Ended December 31, 2009**

	Pension Trust Fund
ADDITIONS	
Contributions, employer	<u>\$ 276,280</u>
Investment income:	
Net increase in fair value of investments	567,527
Interest and dividends	<u>48,276</u>
	<u>615,803</u>
Total	892,083
DEDUCTIONS	
Benefit payments	<u>504,397</u>
Change in net assets	387,686
Net assets held in trust for pension benefits, beginning	<u>3,288,943</u>
Net assets held in trust for pension benefits, ending	<u><u>\$ 3,676,629</u></u>

See Notes to Financial Statements.

LOWER MACUNGIE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies

Nature of activity:

Lower Macungie Township (the "Township"), Lehigh County, Pennsylvania, founded in 1832, has an approximate population of 19,220, based on a 2000 census report, living within an area of 22.90 square miles. The Township is in the southeastern portion of the Commonwealth of Pennsylvania and is located in Lehigh County.

A summary of the Township's significant accounting policies follows:

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. THE FINANCIAL REPORTING ENTITY

The Township is a Pennsylvania First Class Township which operates under a Board of Commissioners form of government. Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the significance of their operational or financial relationships with the Township and there are no agencies or entities which should be presented with the Township.

B. BASIS OF PRESENTATION

Government-wide financial statements:

The statement of net assets and the statement of activities display information about the reporting government as a whole. The statements include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

B. BASIS OF PRESENTATION (CONTINUED)

Fund financial statements:

In the fund financial statements, financial transactions and accounts of the Township are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity with a self-balancing set of accounts recording cash and/or other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

Total assets, liabilities, revenues or expenditures of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or types, and total assets, liabilities, revenues or expenditures of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The Township may also report as a major fund any fund it believes to be of particular importance to the financial statement users. The Township has elected to present all funds as major funds.

The funds of the financial reporting entity are described below:

Governmental funds:

Governmental funds are those through which most governmental functions of the Township are financed. The acquisition, use and balances of the Township's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

General Fund - is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

B. BASIS OF PRESENTATION (CONTINUED)

Fund financial statements (continued):

Governmental funds (continued):

Special Revenue Funds - are used to account for the proceeds of the specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Township. The reporting entity includes the following special revenue funds, which are reported as major funds:

Liquid Fuels Fund - is used to account for the proceeds from the State Motor License Fund. Under the Act of June 1, 1956, P.L. 1944, No. 145, this Fund must be kept separate from all other funds and no other funds shall be commingled with this Fund. Expenditures are legally restricted to expenditures for highway purposes in accordance with the Department of Transportation regulations. County liquid fuels tax payments to the local government are not accounted for in this Fund.

Developer Fee Fund - is used to account for developer fees received and expenditures of those fees for new development in the Township.

Capital Projects Funds - are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special revenue funds and trust funds). The reporting entity includes the following capital projects fund, which is reported as a major fund:

Capital Projects Fund - is used to account for resources used to construct or acquire capital assets from resources derived from budgetary transfers, long-term debt proceeds and investment earnings.

Debt Service Funds - are used for the accumulation of resources and payments of long-term debt of governmental funds. The reporting entity includes the following debt service fund, which is reported as a major fund:

Debt Service Fund - is used for the payment of debt related to the Township's General Obligation Bonds, Series of 2009.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

B. BASIS OF PRESENTATION (CONTINUED)

Fund financial statements (continued):

Proprietary funds:

Enterprise Funds - are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private-sector. The reporting entity includes the following enterprise funds, which are reported as major funds:

Solid Waste Fund - is used to account for the collection of fees and payment of expenses related to trash collection.

Sewer Fund - is used to account for the operation of the sewer system, which is operated as a public utility.

Fiduciary fund types:

Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Township reports the following fiduciary fund types:

Pension Trust Fund - is used to account for assets held for the Township's pension plan, which is funded by employer contributions. This Fund accounts for fiduciary resources legally held in trust for the receipt and distribution of retirement benefits.

Agency Funds - are used to account for assets held in trust for the benefit of others, with the Township having no equity or ownership in the assets. The reporting entity includes the following agency funds:

Developer Escrow Fund - is used to record receipt of developer escrow deposits to be used as expense reimbursement for legal and engineering fees.

Earned Income Tax (EIT) Fund - is used for the collection of EIT tax from employers in the Township and disbursement to the Township and to local governments.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The basic financial statements of the Township are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements
- Required supplemental information

Government-wide financial statements:

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) fees, fines and charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Fund financial statements:

The fund financial statements are presented on a current financial resource and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities of the government-wide financial statements.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures which are recorded as a fund liability when expected to be paid with expendable available financial resources.

In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one type, funds must be expended for the specific purpose or project before any amounts will be paid to the Township; therefore, revenues are recognized based upon the expenditures incurred. In the other type, funds are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reported as revenues at the time of receipt, or earlier if the susceptible-to-accrual criteria are met.

Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment income is recognized as earned.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Fund financial statements (continued):

The Township reports deferred revenue in the form of returnable deposits on its balance sheets. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the Township has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the Township has a legal claim to the resources, the liability for deferred revenues is removed from the balance sheet and revenue is recognized.

The Township's Fiduciary Funds are presented in the fund financial statements by type (pension and agency). Since, by definition, these assets are being held for the benefit of a third party (other local governments, litigants, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Operating revenues in the Proprietary Funds, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

D. ASSETS AND LIABILITIES

Cash:

For the purpose of the statement of cash flows for proprietary funds, cash includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

D. ASSETS AND LIABILITIES (CONTINUED)

Investments:

The Board of Commissioners is authorized by statutes to invest its funds as defined in the Township Code. Authorized types of investments include the following:

1. U. S. Treasury Bills.
2. Short-term obligations of the U. S. Government or its agencies or instrumentalities.
3. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions.
4. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision.
5. Shares of mutual funds whose investments are restricted to the above categories.

Investments are carried at fair value.

Investments of pension trust funds are pursuant to the guidelines established by the Pension Board.

Due to and from other funds:

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital assets:

Capital outlays are recorded as expenditures in the General, Special Revenue and Capital Projects Funds and assets in the government-wide financial statements to the extent the Township's capitalization threshold is met. The Township has elected, under the provisions of GASB Statement No. 34, to capitalize infrastructure on a prospective basis beginning January 1, 2004; therefore, amounts expended for infrastructure prior to January 1, 2004 are not included in the financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

D. ASSETS AND LIABILITIES (CONTINUED)

Capital assets (continued):

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date of donation. The Township maintains a capitalization threshold of \$ 5,000 for all capital assets, except infrastructure for which the capitalization threshold is \$ 25,000.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	20
Infrastructure (streets and roads)	40
Buildings and building improvements	20-40
Machinery and equipment	5-20
Vehicles	5-20
Sewer collection system	20-50

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend its useful life is not capitalized.

The Township's infrastructure consists of 130 miles of roads and 8 bridges.

Bond premiums, discounts and issuance costs:

In the government-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

D. ASSETS AND LIABILITIES (CONTINUED)

Long-term debt:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column in the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources. Proprietary fund types recognize long-term debt and other long-term obligations as liabilities in the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

Compensated absences:

Township employees are allowed sick leave in varying amounts based on their length of employment. Employees covered under the respective collective bargaining agreements accumulate sick and vacation pay as defined in the agreement.

E. EQUITY

Government-wide statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt consists of the cost of capital assets, less accumulated depreciation and long-term debt directly associated with acquisition of capital assets.

Restricted net assets consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets are all other net assets that do not meet the definition of "restricted."

It is the Township's policy to first use restricted net assets prior to the use of unrestricted net assets when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

F. REVENUES AND EXPENDITURES

Program revenues:

All revenues are recognized when received.

In the statement of activities, revenues that are derived directly from each activity or from parties outside the Township's taxpayers are program revenues. Amounts reported as program revenues include (1) charges to customers or applicants for goods and services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Proprietary funds distinguish operating revenues and expenditures from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are usage charges. The Township also recognizes as operating revenues in the Sewer Fund, allocation fees intended to recover the cost of connecting new customers to the system. Operating expenses of the proprietary funds include the cost of the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating revenues of the Township's proprietary funds are interest income and capital contributions.

Intergovernmental revenues:

Intergovernmental revenues are received from the Commonwealth of Pennsylvania, federal agencies and local governmental units, generally to fund specific programs, and are recognized when received.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

G. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

Fund financial statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories, is reported as follows in the fund financial statements:

Interfund services:

Sales or purchases of goods and services between funds are reported as revenues and expenditures.

Interfund reimbursements:

Repayments from funds responsible for certain expenditures to the funds that initially paid for them are not reported as reimbursements, but as adjustments to expenditures in the respective funds.

Interfund transfers:

Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

H. 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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. RECENT ACCOUNTING PRONOUNCEMENTS

The Township adopted FASB ASC 105-10, which establishes the FASB Accounting Standards Codification (the "Codification") as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The adoption of the Codification did not have a material impact on the Township's financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Township's significant accounting policies follows (continued):

I. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The Township adopted the new accounting guidance for subsequent events as codified in FASB ASC 855, *Subsequent Events*. The new guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the date the financial statements are issued or available to be issued. This guidance requires entities to reflect in their financial statements the effects of subsequent events that provide additional evidence about conditions at the balance sheet date. Subsequent events that provide evidence about conditions that arose after the balance sheet date should be disclosed if the financial statements would otherwise be misleading. Disclosure should include the nature of the event and either an estimate of its financial effect or a statement that an estimate cannot be made.

Note 2. Stewardship, Compliance and Accountability

Compliance with finance-related legal and contractual provisions:

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

Excess of expenditures over appropriations in individual funds:

No individual fund, which was budgeted as required by the Commonwealth of Pennsylvania, contained an excess of expenditures over appropriations that was not covered by the cash balance at December 31, 2008 and the cash received for the year ended December 31, 2009. Expenditures exceeded appropriations in the Liquid Fuels Fund by \$ 3,628.

The Township did not adopt a budget for the Developer Fee Fund in 2009.

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments

The Township's available cash is invested in demand deposit accounts, money market accounts and the Pennsylvania Local Government Investment Trust. Pension fund assets are invested in mutual funds. The carrying amounts of cash and investments at December 31, 2009 consist of the following:

Cash deposits	\$ 2,627,486
Petty cash	1,542
Investments, Pennsylvania Local Government Investment Trust	9,152,339
Investments, Pension Trust Fund	<u>3,372,351</u>
	<u>\$15,153,718</u>

Reconciliation to statement of net assets/balance sheet:

Cash:	
Governmental	\$ 744,434
Business-type	1,057,027
Fiduciary	<u>827,567</u>
	<u>2,629,028</u>
Investments:	
Governmental	8,798,997
Business-type	353,342
Fiduciary	<u>3,372,351</u>
	<u>12,524,690</u>
	<u>\$15,153,718</u>

Custodial credit risk - deposits:

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned. The Pennsylvania Local Government Code and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the following provisions for deposits: Pennsylvania Act 72 requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal 110% of the total amount deposited by public agencies.

At December 31, 2009, the carrying amount of the Township's bank deposits was \$ 2,627,486, and the corresponding bank balances were \$ 2,658,486, of which \$ 500,993 was covered by Federal Depository Insurance. The remaining \$ 2,157,493 of deposits was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

Investments:

As of December 31, 2009, the Township has the following investments:

	Fair Value	Cost	Maturity - Less than One Year	Rating as of Year-End
Pennsylvania Local Government Investment Trust	<u>\$ 9,152,339</u>	<u>\$ 9,152,339</u>	<u>\$ 9,152,339</u>	AAAm by Standard & Poor's

As of December 31, 2009, the Township's pension trust fund has the following mutual fund investments:

	Fair Value
Eaton Vance Tax-Managed Emerging Market	\$ 104,986
Harbor International Fund	373,476
Principal Midcap Blend Fund	179,537
Royce Pennsylvania Mutual Fund	142,539
T. Rowe Price Retirement 2010 Fund	16,271
T. Rowe Price Retirement 2020 Fund	14,617
Federated Total Return Bond Fund	1,326,586
Goldman Sachs Financial Square Govt Fund	2,698
Vanguard Intermediate Term Bond Index	127,585
Fulton Financial Retirement Common Stock Fund	638,799
Fulton Financial Retirement Value Stock Fund	<u>445,257</u>
	<u>\$ 3,372,351</u>

Credit risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. The Township limits the type of investments permitted as defined in the Township Code. Permitted investments are defined in Note 1. When making investments, the Township can combine monies from more than one fund under the Township's control for the purchase of a single investment and join with other political subdivisions in the purchase of a single investment.

Interest rate risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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.

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

Custodial credit risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2009, \$ 3,372,351 is held by the investment's counterparties, not in the name of the Township.

Note 4. Capital Assets

Capital asset activity is as follows:

	Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,505,052	\$ 2,865,200	\$ -	\$ 10,370,252
Construction in progress	<u>430,412</u>	<u>6,101,206</u>	<u>2,450,428</u>	<u>4,081,190</u>
Total capital assets not being depreciated	<u>7,935,464</u>	<u>8,966,406</u>	<u>2,450,428</u>	<u>14,451,442</u>
Capital assets being depreciated:				
Land improvements	3,937,910	1,518,980	-	5,456,890
Infrastructure	21,972,544	5,310,642	-	27,283,186
Buildings and building improvements	10,210,173	574,673	8,275	10,776,571
Machinery and equipment	1,350,812	165,924	43,736	1,473,000
Vehicles	<u>3,253,575</u>	<u>349,902</u>	<u>65,000</u>	<u>3,538,477</u>
Total capital assets being depreciated	<u>40,725,014</u>	<u>7,920,121</u>	<u>117,011</u>	<u>48,528,124</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (Continued)

	Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009
Governmental activities				
(continued):				
Less accumulated depreciation for:				
Land improvements	\$ 1,910,384	\$ 326,624	\$ -	\$ 2,237,008
Infrastructure	1,660,188	624,324	-	2,284,512
Buildings and building improvements	4,110,523	245,285	207	4,355,601
Machinery and equipment	935,097	77,434	43,736	968,795
Vehicles	<u>2,549,366</u>	<u>203,592</u>	<u>65,000</u>	<u>2,687,958</u>
 Total accumulated depreciation	 <u>11,165,558</u>	 <u>1,477,259</u>	 <u>108,943</u>	 <u>12,533,874</u>
 Total capital assets being depreciated, net	 <u>29,559,456</u>	 <u>6,442,862</u>	 <u>8,068</u>	 <u>35,994,250</u>
 Total governmental activities capital assets, net	 <u>\$ 37,494,920</u>	 <u>\$ 15,409,268</u>	 <u>\$ 2,458,496</u>	 <u>\$ 50,445,692</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	<u>\$ 211,821</u>	<u>\$ 465,289</u>	<u>\$ 55,557</u>	<u>\$ 621,553</u>
 Capital assets being depreciated:				
Sewer collection system	12,300,910	1,333,774	-	13,634,684
Machinery and equipment	<u>355,372</u>	<u>29,563</u>	<u>-</u>	<u>384,935</u>
 Total capital assets being depreciated	 <u>12,656,282</u>	 <u>1,363,337</u>	 <u>-</u>	 <u>14,019,619</u>
 Less accumulated depreciation for:				
Sewer collection system	4,513,399	259,357	-	4,772,756
Machinery and equipment	<u>253,932</u>	<u>12,256</u>	<u>-</u>	<u>266,188</u>
 Total accumulated depreciation	 <u>4,767,331</u>	 <u>271,613</u>	 <u>-</u>	 <u>5,038,944</u>
 Total capital assets being depreciated, net	 <u>7,888,951</u>	 <u>1,091,724</u>	 <u>-</u>	 <u>8,980,675</u>
 Total business-type activities capital assets, net	 <u>\$ 8,100,772</u>	 <u>\$ 1,557,013</u>	 <u>\$ 55,557</u>	 <u>\$ 9,602,228</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2009 are as follows:

	Balance January 1,			Balance December 31	Current
	2009	Additions	Deletions	2009	Portion
Governmental activities:					
Bonds payable, Series of 2009, General Obligation Bonds, with interest at 2.50%-4.50% to 2029, due in installments of \$ 330,000 to \$ 730,000 plus interest	\$ 2,375,000	\$ 6,065,000	\$ 2,560,000	\$ 5,880,000	\$ 330,000
Deferred amounts:					
Discounts	-	(8,039)	(281)	(7,758)	(395)
Premiums	-	18,484	644	17,840	909
	<u>2,375,000</u>	<u>6,075,445</u>	<u>2,560,363</u>	<u>5,890,082</u>	<u>330,514</u>
Other long-term liabilities, compensated absences	<u>238,809</u>	<u>62,100</u>	<u>58,300</u>	<u>238,809</u>	<u>2,124</u>
Total governmental activities long-term liabilities	<u>\$ 2,613,809</u>	<u>\$ 6,137,545</u>	<u>\$ 2,618,663</u>	<u>\$ 6,128,891</u>	<u>\$ 332,638</u>
Business-type activities:					
Other long-term liabilities, compensated absences	<u>\$ 1,880</u>	<u>\$ 11,668</u>	<u>\$ 6,452</u>	<u>\$ 7,096</u>	<u>\$ 1,774</u>

Compensated absences have been liquidated in the General Fund and Sewer Fund in prior years.

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Liabilities (continued)

General obligation bonds:

On April 23, 2009, General Obligation Bonds, Series of 2009, were issued to currently refund the remaining outstanding General Obligation Bonds, Series of 2001, to fund the construction of a new fire station and other capital projects of the Township and to pay the costs and expenses related to the issuance of the Bonds.

Proceeds from the sale of the Bonds were deposited with Manufacturers and Traders Trust Company, as the paying agent for the Series of 2001 Bonds. The amount deposited was used to pay the interest on the 2001 Bonds to and including April 23, 2009, and to redeem on April 23, 2009 at a redemption price of 100%, all outstanding 2001 Bonds maturing after such date.

Aggregate maturities required on long-term debt at December 31, 2009 are as follows:

	Principal	Interest	Total Debt Service
2010	\$ 330,000	\$ 205,680	\$ 535,680
2011	340,000	197,430	537,430
2012	345,000	188,930	533,930
2013	360,000	180,305	540,305
2014	370,000	171,305	541,305
2015-2019	2,010,000	674,325	2,684,325
2020-2024	955,000	374,250	1,329,250
2025-2029	<u>1,170,000</u>	<u>160,455</u>	<u>1,330,455</u>
	<u>\$ 5,880,000</u>	<u>\$ 2,152,680</u>	<u>\$ 8,032,680</u>

Substantially all of the Township's assets are pledged as collateral to the long-term debt.

Note 6. Interfund Transfers and Balances

Transfers to/from other funds for the year ended December 31, 2009 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 125,735	\$ 415,524
Developer Fee Fund	-	125,735
Capital Projects Fund	218,500	-
Debt Service Fund	<u>197,024</u>	<u>-</u>
	<u>\$ 541,259</u>	<u>\$ 541,259</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Interfund Transfers and Balances (Continued)

Transfers in and transfers out from (to) other funds in the statement of revenues, expenditures and changes in fund balances represent transfers between funds. Transfers from the Developer Fee Fund to the General Fund represent funding for land development expenditures. Semiannual bond payments are funded by transfers from the General Fund to the Debt Service Fund. Transfers from the General Fund to the Capital Projects Fund represent funding for capital expenditures.

The composition of interfund balances as of December 31, 2009 is as follows:

	Due To Other Funds	Due From Other Funds
General Fund	\$ -	\$ 1,400,173
Capital Projects Fund	445,952	-
Solid Waste Fund	654,374	-
Sewer Fund	<u>299,847</u>	<u>-</u>
	<u>\$ 1,400,173</u>	<u>\$ 1,400,173</u>

Receivables reported as "due from other funds" and the related payables reported as "due to other funds" represent amounts owed between funds within the Township's reporting entity. The amounts due from the Capital Projects Fund to the General Fund represent an allocation of cash outlay for park and road improvement expenditures. The amounts due from the Solid Waste Fund and Sewer Fund to the General Fund represent the allocation of expenses to the General Fund.

Note 7. Lower Macungie Township Municipal Pension Plan

The Township provides pension benefits for all its eligible full-time employees through a single-employer defined contribution money purchase plan. In a defined contribution plan, benefits depend solely on the amounts contributed to the plan plus investment earnings. All employees who have attained the age of 21 and completed two years of service are eligible to participate. The plan requires contributions equal to 20% of the employee's salary each year, as defined by the plan. The plan is eligible to receive an allocation of state aid from the General Municipal Pension System Aid Program, which must be used for pension funding. Any funding requirement in excess of the state aid must be paid by the Township.

NOTES TO FINANCIAL STATEMENTS

Note 7. Lower Macungie Township Municipal Pension Plan (Continued)

The Township's contributions for each employee and investment earnings allocated to each employee's account are fully vested after five years of continuous service. The Township's contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Township's current contribution requirement. Plan provisions and contribution requirements are established by, and may be amended by, the Board of Commissioners, in accordance with Pennsylvania law. The Township contributed \$ 276,280, of which \$ 93,840 was provided through state aid for the year ended December 31, 2009.

Note 8. Deferred Compensation

The Township offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to those employees who meet the eligibility requirements set forth in the plan, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, disability or unforeseeable emergency.

The Township has no liability for losses under the plan arising from expense charges of any kind, or from depreciation or shrinkage in the value of assets of the plan, but does have the duty of due care that would be required of an ordinary prudent investor.

Note 9. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Township purchases commercial insurance as protection against those losses.

Note 10. Commitments and Contingencies

Commitments:

Loan guarantee:

The Township has guaranteed a loan for the Albutis Fire Company that was used for the purchase of a new fire truck. The outstanding loan balance at December 31, 2009 is \$ 11,250.

NOTES TO FINANCIAL STATEMENTS

Note 10. Commitments and Contingencies (Continued)

Commitments (continued):

Construction commitments and capital purchases:

The Township entered into various contracts for construction and capital purchases. The total amount of these commitments is approximately \$ 667,000 at December 31, 2009.

Contingencies:

Fraud:

During the first quarter of 2006, the Township became aware of fraudulent activity in the Sewer Fund. Over a period from 1999 to 2006, a Township supervisor/employee (now former supervisor/employee) diverted wastewater allocation fees and sewer assessment fees into a personal bank account. The Township recorded a theft loss of \$ 106,401 in the 2006 financial statements and estimated the total loss to be in excess of \$ 2,500,000.

In 2007, the Township settled litigation for \$ 775,000 against the bank where the former supervisor/employee deposited the Township checks into a personal bank account. This amount was recorded as a receivable and theft recovery revenue in the 2006 financial statements.

In 2008, the Township settled litigation for \$ 83,357 against the accounting firms and insurance company that the Township contracted with during the time of the embezzlement. This amount was recorded as settlement proceeds revenue in the 2008 financial statements. In 2009, an additional installment of \$ 25,000 was received in connection with this settlement and is recorded as settlement proceeds revenue in the 2009 financial statements.

In 2009, the Township was in litigation with the estate of the former Township supervisor/employee. The first installment amount of \$ 100,000 in connection with this litigation was received in 2009 and is recorded as settlement proceeds in the 2009 financial statements. Litigation in this case was not settled as of December 31, 2009.

Litigation:

The Township is a defendant in several lawsuits that have been referred to the Township's insurance carrier. While it is not feasible to determine the outcome of these matters, in the opinion of management, any total ultimate liability would not have a material effect on the Township's financial position.

NOTES TO FINANCIAL STATEMENTS

Note 10. Commitments and Contingencies (Continued)

Litigation (continued):

The Lehigh County Authority (the "Authority") filed a lawsuit against the Township alleging that the Authority is due unpaid sewer allocation fees related to claims that a former Township supervisor/employee (see Fraud in Note 10) collected or should have collected these fees which are due the Authority based upon a 1983 agreement between the Township and the Authority. The lawsuit was settled for \$ 217,000 and recorded as legal settlement expense in the 2009 financial statements.

Concentration of labor:

The Township entered into a collective bargaining agreement with the office employees, effective January 1, 2008 through December 31, 2010. The Township also entered into a collective bargaining agreement with public works employees, effective January 1, 2008 through December 31, 2012. Of the Township's total workforce, 21% is covered by the agreement with the office employees and 47% is covered by the agreement with the nonuniform employees.

Note 11. Subsequent Events

The Township has evaluated subsequent events through June 7, 2010. This date is the date the financial statements were available to be issued. The following event subsequent to December 31, 2009 was noted:

In January 2010, the Township settled litigation in the amount of \$ 94,923 against the estate of the former Township supervisor/employee in connection with fraudulent activity in the Sewer Fund (see Note 10).

LOWER MACUNGIE TOWNSHIP

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2009

	- - - - Budgeted Amounts - - - -	
	Original	Final
REVENUES		
Taxes:		
Earned income	\$ 4,300,000	\$ 4,300,000
Real estate transfer	860,000	860,000
Street light	200,000	200,000
Licenses and permits	848,485	848,485
Fines and forfeits	30,000	30,000
Interest, rents and royalties	368,180	368,180
State grants	323,700	323,700
Local grants	175,500	175,500
Contributions	150,000	150,000
Charges for services	288,480	288,480
Refund of prior year expense	5,000	5,000
Miscellaneous	-	-
Appropriation from prior year reserve	914,378	914,378
Total revenues	8,463,723	8,463,723
EXPENDITURES		
Current:		
General government	1,748,128	1,753,588
Public safety	931,574	969,224
Public works - sanitation	83,750	83,750
Public works - highways and streets	2,060,185	2,135,235
Culture and recreation	1,654,202	1,657,402
Other	1,256,000	1,256,000
Refund of prior year revenue	-	-
Capital outlay	-	8,390
Total expenditures	7,733,839	7,863,589
Excess (deficiency) of revenues over (under) expenditures	729,884	600,134

Actual Amounts	Variance with Final Budget
\$ 4,578,151	\$ 278,151
858,417	(1,583)
231,118	31,118
807,350	(41,135)
31,355	1,355
306,944	(61,236)
311,275	(12,425)
99,928	(75,572)
38,435	(111,565)
278,167	(10,313)
13,125	8,125
1,129	1,129
-	(914,378)
<u>7,555,394</u>	<u>(908,329)</u>
1,577,147	176,441
924,262	44,962
60,671	23,079
1,872,271	262,964
1,629,931	27,471
1,133,986	122,014
305,000	(305,000)
7,132	1,258
<u>7,510,400</u>	<u>353,189</u>
<u>44,994</u>	<u>(555,140)</u>

LOWER MACUNGIE TOWNSHIP

BUDGETARY COMPARISON SCHEDULE (CONTINUED)

GENERAL FUND

Year Ended December 31, 2009

	- - - - Budgeted Amounts - - - -	
	Original	Final
OTHER FINANCING SOURCES (USES)		
Transfers in	\$ -	\$ -
Transfers out	(729,884)	(600,134)
Proceeds from sale of capital assets	-	-
Total other financing sources (uses)	(729,884)	(600,134)
Net change in fund balance	\$ -	\$ -
Fund balance, beginning of year		
Fund balance, end of year		

See Note to Budgetary Comparison Schedules.

**Actual
Amounts**

**Variance with
Final Budget**

\$ 125,735	\$ 125,735
(415,524)	184,610
<u>3,591</u>	<u>3,591</u>
<u>(286,198)</u>	<u>313,936</u>
(241,204)	<u>\$ (241,204)</u>
<u>8,634,950</u>	
<u>\$ 8,393,746</u>	

LOWER MACUNGIE TOWNSHIP

BUDGETARY COMPARISON SCHEDULE

LIQUID FUELS FUND

Year Ended December 31, 2009

	----- Budgeted Amounts -----	
	Original	Final
REVENUES		
Interest, rents and royalties	\$ 26,000	\$ 26,000
State grants	529,000	529,000
Appropriation from prior year reserve	446,000	446,000
Total revenues	1,001,000	1,001,000
EXPENDITURES		
Public works - highways and streets	25,000	25,000
Capital outlay	976,000	976,000
Total expenditures	1,001,000	1,001,000
Net change in fund balance	\$ -	\$ -
Fund balance, beginning of year		
Fund balance, end of year		

See Note to Budgetary Comparison Schedules.

Actual Amounts	Variance with Final Budget
\$ 4,746	\$ (21,254)
524,535	(4,465)
<u>-</u>	<u>(446,000)</u>
529,281	(471,719)
-	25,000
<u>1,004,628</u>	<u>(28,628)</u>
<u>1,004,628</u>	<u>(3,628)</u>
(475,347)	<u><u>\$ (475,347)</u></u>
<u>905,872</u>	
<u><u>\$ 430,525</u></u>	

LOWER MACUNGIE TOWNSHIP

NOTE TO BUDGETARY COMPARISON SCHEDULES

Note 1. Budget Matters

The Board of Commissioners annually adopts the budget for the General, Liquid Fuels, Capital Projects, Solid Waste and Sewer Funds. Budgetary control is legally maintained at the line item level.

The First Class Township Code provides for the modification of the budget and supplemental appropriations and transfers. All changes to the budget must be approved by the Board of Commissioners.

Appropriations, except open project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year.

The budget is prepared on the modified accrual basis of accounting for the General, Liquid Fuels and Capital Projects Funds. The budget is prepared on the accrual basis of accounting for the Solid Waste and Sewer Funds.