

**BOROUGH OF MACUNGIE**

**Financial Statements,  
Independent Auditor's Report  
and Supplementary Information**

**December 31, 2022**

**BOROUGH OF MACUNGIE  
TABLE OF CONTENTS**

---

	<b>Page(s)</b>
<b>Independent Auditor's Report</b>	1 - 3
<u><i>Basic Financial Statements:</i></u>	
Statement of Net Position – Modified Cash Basis	4
Statement of Activities – Modified Cash Basis	5
Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis – Governmental Funds	6
Reconciliation of the Governmental Funds Statement of Assets, Liabilities and Fund Balances to the Statement of Net Position – Modified Cash Basis	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to The Statement of Activities – Modified Cash Basis	9
Statement of Net Position – Modified Cash Basis – All Proprietary Funds	10
Statement of Revenues, Expenditures and Changes in Net Position – Modified Cash Basis – All Proprietary Funds	11
Statement of Cash Flows – Modified Cash Basis – All Proprietary Funds	12
Statement of Net Position – Modified Cash Basis –Fiduciary Fund	13
Statement of Changes in Net Position – Modified Cash Basis – Fiduciary Fund	14
Notes to Financial Statements	15 - 38
<u><i>Supplementary Information:</i></u>	
General Fund – Schedule of Revenues, Expenditures and Other Financing Sources – Modified Cash Basis – Budget Comparison	40
Schedule of Borough Contributions – Non-Uniform Pension Plan	41
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios – Non-Uniform Pension Plan	42
Notes to Supplementary Schedules – Non-Uniform Pension Plan	43
Schedule of Borough Contributions – Uniformed Pension Plan	44

Schedule of Changes in Net Pension Liability and Related Ratios – Uniformed Pension Plan	45
Notes to Supplementary Schedules – Uniformed Pension Plan	46
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47 - 48

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Borough Council  
Borough of Macungie  
Macungie, PA

### ***Opinions***

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Borough of Macungie as of December 31, 2022, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Borough of Macungie and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

### ***Adjustments to Prior Period Financial Statements***

As discussed in Note 14 to the financial statements, the Borough has restated its 2021 financial statements during the current year for the correction of a material misstatement. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Borough of Macungie's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Borough of Macungie's ability to continue as a going concern for a reasonable period of time.

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

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borough of Macungie's basic financial statements. Management's budgetary comparison and pension schedules on pages 40-46 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison and pension schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2023 on our consideration of Borough of Macungie's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Borough of Macungie's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Borough of Macungie's internal control over financial reporting and compliance.

*Congbell, Rappold & Yucasita LLP*

August 28, 2023

**BOROUGH OF MACUNGIE**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2022**

<b>ASSETS</b>	Governmental Activities	Business-Type Activities	Total
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 2,501,547	\$ 4,250,735	\$ 6,752,282
<b>Total Current Assets</b>	<u>2,501,547</u>	<u>4,250,735</u>	<u>6,752,282</u>
<b>Noncurrent Assets:</b>			
Land	269,490	-	269,490
Building and Improvements	1,012,141	-	1,012,141
Machinery and Equipment	219,830	-	219,830
Vehicles	387,220	-	387,220
Infrastructure	703,220	-	703,220
Water and Sewer System	-	5,036,680	5,036,680
Accumulated Depreciation	-	(1,790,044)	(1,790,044)
<b>Total Noncurrent Assets</b>	<u>2,591,901</u>	<u>3,246,636</u>	<u>5,838,537</u>
<b>TOTAL ASSETS</b>	<u>5,093,448</u>	<u>7,497,371</u>	<u>12,590,819</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accrued Expenses	62	-	62
Developers Escrow	-	930	930
Current Portion of Long-Term Debt	71,000	361,500	432,500
<b>Total Current Liabilities</b>	<u>71,062</u>	<u>362,430</u>	<u>433,492</u>
<b>Noncurrent Liabilities:</b>			
Long-Term Debt	375,000	1,877,768	2,252,768
<b>Total Noncurrent Liabilities</b>	<u>375,000</u>	<u>1,877,768</u>	<u>2,252,768</u>
<b>TOTAL LIABILITIES</b>	<u>446,062</u>	<u>2,240,198</u>	<u>2,686,260</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	2,145,901	1,007,368	3,153,269
Restricted for:			
Capital Projects	1,495,295	-	1,495,295
Special Revenue	100,812	-	100,812
Unrestricted	905,378	4,249,805	5,155,183
<b>TOTAL NET POSITION</b>	<u>\$ 4,647,386</u>	<u>\$ 5,257,173</u>	<u>\$ 9,904,559</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF MACUNGIE**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities:</b>							
General Government	\$ 504,444	\$ 18,091	\$ 74,696	\$ 166,845	\$ (244,812)	\$ -	\$ (244,812)
Public Safety	825,822	1,020	21,859	-	(802,943)	-	(802,943)
Public Works	881,945	-	81,889	591,526	(208,530)	-	(208,530)
Cultural and Recreation	38,998	-	-	-	(38,998)	-	(38,998)
Interest on Long-Term Debt	11,806	-	-	-	(11,806)	-	(11,806)
<b>Total Governmental Activities</b>	<b>2,263,015</b>	<b>19,111</b>	<b>178,444</b>	<b>758,371</b>	<b>(1,307,089)</b>	<b>-</b>	<b>(1,307,089)</b>
<b>Business Type Activities:</b>							
Water	445,538	552,488	-	-	-	106,950	106,950
Sewer	514,293	893,478	-	-	-	379,185	379,185
Refuse	219,116	280,501	-	-	-	61,385	61,385
<b>Total Business-Type Activities</b>	<b>1,178,947</b>	<b>1,726,467</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>547,520</b>	<b>547,520</b>
<b>Total Primary Government</b>	<b>\$ 3,441,962</b>	<b>\$ 1,745,578</b>	<b>\$ 178,444</b>	<b>\$ 758,371</b>	<b>\$ (1,307,089)</b>	<b>\$ 547,520</b>	<b>\$ (759,569)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes, levied for general purposes, net					\$ 994,908	\$ -	\$ 994,908
Other Taxes, levied for general purposes, net					782,288	-	782,288
Licenses and Permits					88,781	-	88,781
Fines and Forfeits					4,550	-	4,550
Miscellaneous Income					101,484	-	101,484
Interest and Rental Income					42,944	26,126	69,070
Transfers In/(Out)					47,010	(47,010)	-
<b>Total General Revenues, Special Items, Extraordinary Items, and Transfers</b>					<b>2,061,965</b>	<b>(20,884)</b>	<b>2,041,081</b>
<b>Change in Net Position</b>					<b>754,876</b>	<b>526,636</b>	<b>1,281,512</b>
<b>Net Position - Beginning, As Restated (Note 14)</b>					<b>3,892,510</b>	<b>4,730,537</b>	<b>8,623,047</b>
<b>Net Position - Ending</b>					<b>\$ 4,647,386</b>	<b>\$ 5,257,173</b>	<b>\$ 9,904,559</b>

The accompanying notes are an integral part of these financial statements.



**BOROUGH OF MACUNGIE**  
**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES –**  
**MODIFIED CASH BASIS – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2022**

	Major Funds		Non-Major Fund	Total
	General	Capital Projects	Special Revenue	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 905,440	\$ 1,495,295	\$ 100,812	\$ 2,501,547
<b>TOTAL ASSETS</b>	<u>\$ 905,440</u>	<u>\$ 1,495,295</u>	<u>\$ 100,812</u>	<u>\$ 2,501,547</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accrued Expenses	\$ 62	\$ -	\$ -	\$ 62
<b>TOTAL LIABILITIES</b>	<u>62</u>	<u>-</u>	<u>-</u>	<u>62</u>
<b>FUND BALANCES</b>				
Assigned	-	1,495,295	-	1,495,295
Restricted	-	-	100,812	100,812
Committed	-	-	-	-
Unassigned	905,378	-	-	905,378
<b>TOTAL FUND BALANCES</b>	<u>905,378</u>	<u>1,495,295</u>	<u>100,812</u>	<u>2,501,485</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 905,440</u>	<u>\$ 1,495,295</u>	<u>\$ 100,812</u>	<u>\$ 2,501,547</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF MACUNGIE  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS,  
LIABILITIES AND FUND BALANCES TO THE STATEMENT OF NET POSITION –  
MODIFIED CASH BASIS  
DECEMBER 31, 2022**

---

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 2,501,485

**Amounts Reported for Governmental Activities in the  
Statement of Net Position - Modified Cash Basis are Different Because:**

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$2,591,901. 2,591,901

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

	Long-Term Debt	\$ (446,000)	<u>(446,000)</u>
--	----------------	--------------	------------------

<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 4,647,386</u></b>
---	----------------------------

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF MACUNGIE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Major Funds		Non-Major Fund	Total
	General	Capital Projects	Special Revenue	
<b>REVENUES</b>				
Taxes	\$ 1,777,196	\$ -	\$ -	\$ 1,777,196
Licenses and Permits	88,781	-	-	88,781
Fines and Forfeitures	4,550	-	-	4,550
Interest and Rents	42,778	-	166	42,944
Intergovernmental Revenues	854,926	-	81,889	936,815
Charges for Services	19,111	-	-	19,111
Other Revenues	110,134	-	-	110,134
<b>TOTAL REVENUES</b>	<b>2,897,476</b>	<b>-</b>	<b>82,055</b>	<b>2,979,531</b>
<b>EXPENDITURES</b>				
General Government	504,444	-	-	504,444
Public Safety	872,952	-	-	872,952
Public Works - Highways and Streets	840,816	-	62,141	902,957
Culture and Recreation	38,998	-	-	38,998
Interest	80,613	-	-	80,613
<b>TOTAL EXPENDITURES</b>	<b>2,337,823</b>	<b>-</b>	<b>62,141</b>	<b>2,399,964</b>
<b>EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID</b>	<b>559,653</b>	<b>-</b>	<b>19,914</b>	<b>579,567</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	135,758	903,654	-	1,039,412
Operating Transfers Out	(992,402)	-	-	(992,402)
Total Other Financing Sources (Uses)	(856,644)	903,654	-	47,010
Net Change in Fund Balances	(296,991)	903,654	19,914	626,577
Fund Balances, January 1	1,202,369	591,641	80,898	1,874,908
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 905,378</b>	<b>\$ 1,495,295</b>	<b>\$ 100,812</b>	<b>\$ 2,501,485</b>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF MACUNGIE  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

---

**Net Change in Fund Balances - Governmental Funds** \$ 626,577

**Amounts Reported for Governmental Activities in the  
Statement of Activities - Modified Cash Basis are Different Because:**

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities - modified cash basis, the cost of those expenditures is not reported but treated as a capital asset on the Statement of Net Position - Modified Cash Basis

Capital Outlay	\$	68,142	
Sale of Capital Assets		<u>(8,650)</u>	
			59,492

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position - Modified Cash Basis	<u>68,807</u>
---	---------------

**Change in Net Position of Governmental Activities** \$ 754,876

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF MACUNGIE**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS – ALL PROPRIETARY FUNDS**  
**DECEMBER 31, 2022**

	Water Fund	Sewer Fund	Refuse Fund	Total Proprietary Funds
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents - Unrestricted	\$ 1,370,405	\$ 2,842,592	\$ 37,738	\$ 4,250,735
<b>Total Current Assets</b>	<u>1,370,405</u>	<u>2,842,592</u>	<u>37,738</u>	<u>4,250,735</u>
<b>Noncurrent Assets:</b>				
Fixed Assets, Less Accumulated Depreciation	989,560	2,257,076	-	3,246,636
<b>Total Noncurrent Assets</b>	<u>989,560</u>	<u>2,257,076</u>	<u>-</u>	<u>3,246,636</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,359,965</u>	<u>\$ 5,099,668</u>	<u>\$ 37,738</u>	<u>\$ 7,497,371</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Developers Escrow	\$ 930	\$ -	\$ -	\$ 930
Current Portion of Long-Term Debt	66,500	295,000	-	361,500
<b>Total Current Liabilities</b>	<u>67,430</u>	<u>295,000</u>	<u>-</u>	<u>362,430</u>
<b>Noncurrent Liabilities:</b>				
Long-Term Debt	296,768	1,581,000	-	1,877,768
<b>Total Noncurrent Liabilities</b>	<u>296,768</u>	<u>1,581,000</u>	<u>-</u>	<u>1,877,768</u>
<b>TOTAL LIABILITIES</b>	<u>364,198</u>	<u>1,876,000</u>	<u>-</u>	<u>2,240,198</u>
<b>NET POSITION</b>				
Invested in Capital Assets	626,292	381,076	-	1,007,368
Unrestricted	1,369,475	2,842,592	37,738	4,249,805
<b>Total Net Position</b>	<u>1,995,767</u>	<u>3,223,668</u>	<u>37,738</u>	<u>5,257,173</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 2,359,965</u>	<u>\$ 5,099,668</u>	<u>\$ 37,738</u>	<u>\$ 7,497,371</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF MACUNGIE  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN NET POSITION – MODIFIED CASH BASIS – ALL PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Water Fund	Sewer Fund	Refuse Fund	Total Proprietary Funds
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 552,488	\$ 893,478	\$ 280,501	\$ 1,726,467
<b>Total Operating Revenues</b>	<u>552,488</u>	<u>893,478</u>	<u>280,501</u>	<u>1,726,467</u>
<b>OPERATING EXPENSES:</b>				
Personnel	160,804	92,877	-	253,681
Supplies	5,152	30,121	-	35,273
Employee Benefits	45,495	28,605	-	74,100
Insurance	18,526	18,265	-	36,791
Repairs and Maintenance	106,811	54,787	-	161,598
Disposal System	27,108	175,516	-	202,624
Contractual Services	-	-	219,116	219,116
Depreciation and Amortization	71,424	64,332	-	135,756
<b>Total Operating Expenses</b>	<u>435,320</u>	<u>464,503</u>	<u>219,116</u>	<u>1,118,939</u>
<b>OPERATING INCOME</b>	<u>117,168</u>	<u>428,975</u>	<u>61,385</u>	<u>607,528</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest Revenue	7,083	19,043	-	26,126
Interest Expense	(10,218)	(49,790)	-	(60,008)
<b>Total Non-operating Revenues (Expenses)</b>	<u>(3,135)</u>	<u>(30,747)</u>	<u>-</u>	<u>(33,882)</u>
Income Before Transfers	114,033	398,228	61,385	573,646
Transfers In	138,714	67,683	-	206,397
Transfers Out	(193,300)	(33,965)	(26,142)	(253,407)
<b>Change in Net Position</b>	59,447	431,946	35,243	526,636
Total Net Position - January 1, As Restated (Note 14)	<u>1,936,320</u>	<u>2,791,722</u>	<u>2,495</u>	<u>4,730,537</u>
<b>TOTAL NET POSITION - December 31</b>	<u>\$ 1,995,767</u>	<u>\$ 3,223,668</u>	<u>\$ 37,738</u>	<u>\$ 5,257,173</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF MACUNGIE  
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS –  
ALL PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Water Fund	Sewer Fund	Refuse Fund	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 552,488	\$ 893,478	\$ 280,501	\$ 1,726,467
Cash Payment to Suppliers for Goods and Services	(157,583)	(278,689)	(219,116)	(655,388)
Cash Payments to Employees for Services	(206,299)	(121,482)	-	(327,781)
Net Cash Provided by Operating Activities	<u>188,606</u>	<u>493,307</u>	<u>61,385</u>	<u>743,298</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating Transfers In	138,714	67,683	-	206,397
Operating Transfers Out	(193,300)	(33,965)	(26,142)	(253,407)
Net Cash Provided by (Used) In Noncapital Financing Activities	<u>(54,586)</u>	<u>33,718</u>	<u>(26,142)</u>	<u>(47,010)</u>
<b>CASH FLOWS FROM CAPITAL ACTIVITIES:</b>				
Acquisition of Capital Assets	(82,480)	(1,713,363)	-	(1,795,843)
Net Cash Used in Capital Activities	<u>(82,480)</u>	<u>(1,713,363)</u>	<u>-</u>	<u>(1,795,843)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Received	7,083	19,043	-	26,126
Net Cash Provided by Investing Activities	<u>7,083</u>	<u>19,043</u>	<u>-</u>	<u>26,126</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Principal Payments on Long-Term Debt	(66,500)	(288,193)	-	(354,693)
Interest Paid	(10,218)	(49,790)	-	(60,008)
Net Cash Used in Financing Activities	<u>(76,718)</u>	<u>(337,983)</u>	<u>-</u>	<u>(414,701)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(18,095)	(1,505,278)	35,243	(1,488,130)
Cash and Cash Equivalents, January 1	1,388,500	4,347,870	2,495	5,738,865
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 1,370,405</u>	<u>\$ 2,842,592</u>	<u>\$ 37,738</u>	<u>\$ 4,250,735</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating Income	\$ 117,168	\$ 428,975	\$ 61,385	\$ 607,528
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	71,424	64,332	-	135,756
Changes in Assets and Liabilities				
Increase in Developers Escrow	14	-	-	14
Total Adjustments	<u>71,438</u>	<u>64,332</u>	<u>-</u>	<u>135,770</u>
Net Cash Provided by Operating Activities	<u>\$ 188,606</u>	<u>\$ 493,307</u>	<u>\$ 61,385</u>	<u>\$ 743,298</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF MACUNGIE  
STATEMENT OF NET POSITION – MODIFIED CASH BASIS –  
FIDUCIARY FUND  
DECEMBER 31, 2022**

---

	<u>Custodial Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents - Restricted	<u>\$ 174,847</u>
Total Assets	<u><u>\$ 174,847</u></u>
<b>LIABILITIES:</b>	
Due to Depositors	<u>\$ -</u>
Total Liabilities	<u>-</u>
<b>NET POSITION:</b>	
Restricted	<u>174,847</u>
Total Liabilities and Net Position	<u><u>\$ 174,847</u></u>

The accompanying notes are an integral part of these financial statements.



**BOROUGH OF MACUNGIE  
STATEMENT OF CHANGES IN NET POSITION – MODIFIED CASH BASIS –  
FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

---

	<u>Custodial Funds</u>
<b>ADDITIONS:</b>	
Interest and Dividends	\$ 1,828
Collections from Other Entities	<u>-</u>
Total Additions	<u>1,828</u>
<b>DEDUCTIONS:</b>	
Payments to Other Entities	<u>-</u>
Total Deductions	<u>-</u>
<b>NET INCREASE</b>	1,828
<b>NET POSITION:</b>	
Net Position, January 1	<u>173,019</u>
Net Position, December 31	<u><u>\$ 174,847</u></u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF MACUNGIE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

---

**1. Entity**

The Borough of Macungie (the “Borough”) was incorporated in 1857 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania (“Commonwealth”).

The Borough Council, a seven-member group, and a Mayor, is the level of government responsible for providing a full range of municipal services including those mandated by statute or ordinance. These include public safety, highways and streets, culture and recreation, public improvements, planning and zoning, refuse and general administrative services. The Borough receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities.

In evaluating the Borough as a reporting entity, management has addressed all potential component units for which the Borough may or may not be financially accountable, and as such, be includable within the Borough’s financial statements. In accordance with Statement of Governmental Accounting Standards Board (GASB) No. 14 and No. 39, the Borough is financially accountable if it appoints a voting majority of the organization governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the Borough. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Following is a brief description of the component unit meeting the above criteria and as a result included within the financial reporting entity, a description of the component unit’s relationship with the Borough, and a discussion of how component unit information has been incorporated into the financial statements:

The Macungie Borough Authority (Authority) was organized in 1981 and operates under the provisions of the Pennsylvania Municipal Authorities Act – Act 22 of 2001, as amended. The Authority regulates and governs the water system for the Borough of Macungie. Macungie Borough Council appoints the Authority’s five-member Board of Directors. The members of the Board of Directors are residents of the Borough of Macungie and serve for a term of five years. The Authority funds are blended into the Proprietary Funds. Separate financial statements for Macungie Borough Authority are audited by Campbell, Rappold & Yurasits LLP.

**2. Summary of Significant Accounting Policies**

The financial statements of Borough of Macungie have been prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) and is described more fully under Basis of Accounting and Measurement Focus. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**BOROUGH OF MACUNGIE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

---

**2. Summary of Significant Accounting Policies (Continued)**

*Fund Accounting*

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, expenditures, or expenses, and other financing sources and uses. These various funds are summarized by type in the financial statements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

*Basis of Presentation*

The Borough's basic financial statements consist of government-wide statements, including a Statement of Net Position – Modified Cash Basis and a Statement of Activities – Modified Cash Basis, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements (i.e. the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis) report information on all of the non-fiduciary activities of the Borough as a whole. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately in the government-wide financial statements from business-type activities which rely, to a significant extent on fees and charges for support.

The Statement of Net Position – Modified Cash Basis presents the financial condition of the governmental and business-type activity of the Borough at fiscal year-end. The Statement of Activities – Modified Cash Basis presents a comparison between direct expenses and program revenues for the business-type activity of the Borough and for each function of the Borough's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Borough.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Borough's enterprise fund are service charges for water, sewer, and refuse. Operating expenses for the Borough's enterprise funds include treatment and collection costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

---

**2. Summary of Significant Accounting Policies (Continued)**

*Basis of Presentation - Fund Accounting*

For financial reporting purposes, the Borough's funds have been grouped by fund type and are presented in this report in the following manner:

***Governmental Fund Types***

Governmental funds are those through which most governmental functions of the Borough are financed. The acquisition, use and balances of the Borough's expendable financial resources and the related liabilities are accounted for through the following governmental funds:

- ***General Fund (Major Fund)*** - is used to account for all financial transactions applicable to the general operations of the Borough except for those required to be accounted for in another fund.
- ***Special Revenue Funds (Non-Major Fund)*** - are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The following is the Borough's special revenue fund type:

***State Liquid Fuels Fund*** - is utilized to account for the financial activity of the Borough's motor vehicle fuel tax allocation from the Commonwealth of Pennsylvania.

- ***Capital Projects Fund (Major Fund)*** - is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

---

**2. Summary of Significant Accounting Policies (Continued)**

*Basis of Presentation - Fund Accounting (Continued)*

***Proprietary Fund Types***

Proprietary funds are used to account for the Borough's ongoing activities that are similar to those often found in the private sector. The measurement focus is based upon the determination of net income. The Borough has one type of proprietary fund - the Enterprise Fund.

- ***Enterprise Fund*** - is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income are appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Borough has three Enterprise Funds described below.

***Water Fund*** - is used to account for all costs incurred in the collection, treatment and distribution of water for consumption and is operated in a manner similar to a private business enterprise to be self-supporting.

***Sewer Fund*** - is used to account for the operation and maintenance of the sanitary sewage treatment plant and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

***Refuse Fund*** - is used to account for the administration of the collection and disposal of municipal waste and recycling materials in the Borough and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

***Fiduciary Fund Types***

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

- ***Custodial Funds*** - are used to account for funds held in escrow for other parties. The principal revenue source for these funds are investment earnings and collections from other entities.

**BOROUGH OF MACUNGIE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

---

**2. Summary of Significant Accounting Policies (Continued)**

*Basis of Accounting and Management Focus*

***Basis of Accounting***

Basis of accounting refers to the timing of recognition of revenues and expenditures or expenses in the financial statements regardless of the measurement focus. The modified cash basis of accounting is followed for all governmental, proprietary and fiduciary funds of the Borough. The modified cash basis differs from GAAP in that certain revenues and the related assets are recognized when received rather than when earned and certain expenditures or expenses are recognized when paid rather than when a liability is incurred. Modifications to the cash basis of accounting include: fixed assets are capitalized and depreciated over their economic useful lives and the recording of payroll withholdings when withheld from employees' pay. The Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis - Governmental Funds presents the results of the Borough's activities; it does not purport to present the net income or loss for the period.

***Measurement Focus***

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are accounted for on a spending or "financial flow" measurement focus. This means the Borough has elected to report on a modified cash basis while reporting long-term indebtedness in the General Fund. Governmental fund-type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with this activity are included on their Statements of Assets, Liabilities, and Net Position. The reported fund equity is segregated into contributed capital and net position - modified cash basis. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in equity.

**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

---

**2. Summary of Significant Accounting Policies (Continued)**

*Budgets and Non-GAAP Budgetary Basis of Accounting*

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

- In accordance with the Borough Code and Borough procedures, at least thirty days prior to adoption, the Borough Manager submits to the Borough Council, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. Departments for budgetary purposes are general government, public safety, public works and culture and recreation, debt service, insurance, employee benefits, community development and other.
- Public hearings are conducted to obtain taxpayer comment.
- By December 31, the budget is legally enacted through passage of a resolution. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.
- All modifications, transfers and amendments must be approved by Borough Council.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- The legally required and adopted budgets of the Borough are for the General Fund.
- Budgets for the General Fund is adopted on a cash basis of accounting discussed above.
- Borough Council may authorize supplemental appropriations during the year. No supplemental appropriations were made during fiscal 2022. Borough Council must approve all over expenditures of appropriations or transfers of appropriated amounts.

**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

---

**2. Summary of Significant Accounting Policies (Continued)**

*Budgets and Non-GAAP Budgetary Basis of Accounting (Continued)*

The Schedule of Revenues, Expenditures and Other Financing Sources - Modified Cash Basis - Budget Comparison presents comparisons of legally adopted budgets with actual data. The budget has been prepared on the modified cash basis, which is the same basis of accounting used to prepare the financial statements as described more fully in Note 2. The Borough Council approves by a motion the total appropriations in the budget. Fund Balance and any revisions to the budget also require approval by Borough Council. There were no amendments to the budget as presented in the current year.

*Cash and Investments*

Cash and cash equivalents on the Statement of Net Position – Modified Cash Basis are considered to be cash on hand, demand deposits, cash with fiscal agent and deposits in the Pennsylvania Local Government Investment Trust (PLGIT).

For the purpose of the proprietary funds, “Statement of Cash Flows – Modified Cash Basis,” cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, all highly liquid investments with an original maturity of three months or less and deposits in the Pennsylvania Local Government Investment Trust (PLGIT).

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value. Insurance holdings, if any, are valued at reported contract values.

*Interfund Transactions*

Certain inter-fund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Other inter-fund transactions are reported as transfers. Non-recurring or non-routine permanent transfers of net position are reported as residual transfers of net position. All other inter-fund transfers are reported as operating transfers.



**BOROUGH OF MACUNGIE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

---

**2. Summary of Significant Accounting Policies (Continued)**

Restricted Assets

Cash and investments have been restricted to the extent of escrows payable and specific uses.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Water, Sewer and Refuse systems reported in the business-type activities are depreciated using the straight-line method over the estimated useful life of system components ranging from 5 to 50 years. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Borough or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Borough's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Leases

The Borough reports their financial statements in accordance with the modified cash basis of accounting. As such, the Borough does not report capital lease transactions or donated capital assets because the acquisition of these assets did not involve a cash inflow or outflow at the time of acquisition or receipt.

Transfers

Legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers. Transfers to the pension funds are quasi-external transactions.

**BOROUGH OF MACUNGIE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

---

**2. Summary of Significant Accounting Policies (Continued)**

Management Estimates

The preparation of financial statements prepared with the modified cash basis of accounting 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.

Government – Wide Fiduciary and Proprietary Fund Net Position

Net Position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted – consist of assets that are restricted by the Borough's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

Governmental Fund Balances

The fund balance of Governmental Fund Types and the Fiduciary Funds are classified in four separate categories. The categories, and their general meanings, are as follows:

- Restricted fund balance - indicates the portion of the fund balance that can only be spent for specific purposes because of constitutional provisions, legislation, or constraints that are externally imposed.
- Committed fund balance - indicates the portion of the fund balance that can only be used for specific purposes determined by formal action of the Council.
- Assigned fund balance - indicates the portion of the fund balance that has been appropriated for specific purposes by authorization of the Council.
- Unassigned fund balance - indicates the portion of the fund balance that is available for appropriation and expenditure, in future periods.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

---

**2. Summary of Significant Accounting Policies (Continued)**

*Deferred Outflows/Inflows of Resources (Continued)*

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

The Borough of Macungie has not recorded any deferred outflows/inflows of resources because the Borough has elected to report its financial activities on the modified cash basis of accounting.

*Adoption of New Accounting Standards*

In June 2017, the GASB issued Statement – 87 *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contracts. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. The requirements of the Statement are effective for reporting periods beginning after June 15, 2021. The Statement is effective for the Borough's fiscal year ended December 31, 2022. The Borough has determined that the implementation of the accounting standard did not significantly impact the financial statements and therefore, there were no required prior period adjustments.

**3. Cash**

*General*

Section 1316 of the Pennsylvania Borough Code provides for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Commonwealth of Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposit and investment policy of the Borough adheres to the statutes of the Commonwealth. Deposits of the Borough, except for Pension Fund deposits which are administered by trustees, are either maintained in demand deposits or are held in bank money market accounts. There were no deposit or investment transactions during the year that were in violation of either the Commonwealth's statutes or the policy of the Borough.

**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

---

**3. Cash (Continued)**

Cash (Cash on Hand and Bank Balances)

At December 31, 2022, the carrying amount of the Borough's bank deposits at two financial institutions (including Custodial Funds) totaled \$6,561,385 and the corresponding bank balances were \$6,578,204 of which \$500,000 was insured by the Federal Deposit Insurance Corporation ("FDIC"); the uninsured bank balances of \$6,078,204 were collateralized, as described below.

Under Act No. 72 of the 1972 Session of the Pennsylvania General Assembly (the "Act of 72"), financial institutions were granted the authority to secure the deposits of public bodies by pledging a pool of assets, as defined in the Act of 72, to cover all public funds deposited in excess of FDIC limits. The uninsured bank balances of the Borough in the amount of \$6,078,204 were collateralized by this pool of assets maintained by the Borough's depository institutions.

In addition, the Borough included in cash, amounts held on hand in petty cash. At December 31, 2022, the petty cash balance was \$550.

Cash Equivalents

As of December 31, 2022, the carrying amounts of deposits in the Pennsylvania Local Government Investment Trust ("PLGIT" or "Trust") (excluding those held in the Pension Funds, but including Custodial Funds) were \$365,194. The Borough maintains deposits in the PLGIT portfolio of the Trust. The assets in these portfolios are marked to market daily, there are stated limits on the weighted average maturity of the portfolios and the Trust seeks to maintain a net asset value of \$1.00 per share. Accordingly, the market value for the deposits in PLGIT are not materially different from the carrying amount. All deposits in PLGIT are insured or registered, or securities held by the Borough's or its agent in the Borough's name.

**4. Real Estate Taxes**

Based upon assessed valuations provided by the County (\$233,781,134 in 2022), the Borough bills and collects its own property taxes. The schedule for property taxes levied for 2022 is as follows:

January 1	- levy date
March 1	- billing date
March 1 - April 30	- 2% discount period
April 1 - June 30	- face payment period
July 1 - December 31	- 10% penalty period
January 1 (following year)	- lien date

The Borough continues to collect delinquent real estate taxes through December of the current year. At that time, all unpaid real estate taxes are turned over to the County of Lehigh Tax Claim Bureau for further collection. The 2022 municipal tax rate for all purposes was 4.25 mils (\$4.25 per \$1,000 of assessed valuation).

**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

---

**5. Inter-fund Transfers**

Inter-fund transfers during 2022 were as follows:

	Transfers from Other Funds	Transfers to Other Funds
<i><u>Governmental Activities</u></i>		
General Fund	\$ 135,758	\$ 992,402
Capital Projects Fund	903,654	-
 <i><u>Business Type Activities</u></i>		
Water Fund	138,714	193,300
Sewer Fund	67,683	33,965
Refuse Fund	-	26,142
	<u>\$ 1,245,809</u>	<u>\$ 1,245,809</u>

**6. Capital Assets**

Capital asset activity for the fiscal year ended December 31, 2022, was as follows:

	Balance Jan. 1, 2022	Additions	Retirements	Balance Dec. 31, 2022
Governmental Activities:				
<i>Capital Assets not Being Depreciated:</i>				
Land	\$ 269,490	\$ -	\$ -	\$ 269,490
Building and Improvements	1,012,141	-	-	1,012,141
Machinery and Equipment	198,818	21,012	-	219,830
Vehicles	348,740	47,130	(8,650)	387,220
Infrastructure	703,220	-	-	703,220
	<u>\$ 2,532,409</u>	<u>\$ 68,142</u>	<u>\$ (8,650)</u>	<u>\$ 2,591,901</u>
Governmental Activities Capital Assets at Historical Cost	<u>\$ 2,532,409</u>	<u>\$ 68,142</u>	<u>\$ (8,650)</u>	<u>\$ 2,591,901</u>

No depreciation has been provided for the governmental activities' capital assets.

**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**6. Capital Assets (Continued)**

	Balance Dec. 31, 2022	Additions	Retirements	Balance Dec. 31, 2022
<i>Business-Type Activities:</i>				
<i>Capital Assets Being Depreciated</i>				
Water System	\$ 1,950,378	\$ 82,480	\$ -	\$ 2,032,858
Sewer System	1,290,459	1,713,363	-	3,003,822
Total Capital Assets Being Depreciated	3,147,802	1,795,843	-	5,036,680
Less Accumulated Depreciation	(1,654,288)	(135,756)	-	(1,790,044)
Business-Type Capital Assets, Net	\$ 1,493,514	\$ 1,660,087	\$ -	\$ 3,246,636

Depreciation expense for the Water Fund and Sewer Fund was \$71,424 and \$64,332, respectively, in 2022.

**7. Long-Term Debt**

Changes in long-term obligations for the year ended December 31, 2022, are as follows:

	Balance Outstanding Jan. 1, 2022	Additions	Reductions	Balance Outstanding Dec. 31, 2022	Amounts Due Within One Year
<i>Governmental Activities:</i>					
<u>General Obligation - Series 2021:</u>					
7-year Term Loan Payable to Bank, fixed interest annual interest rate of 2.30% Payable in semi-annual installments, matures July 2028.					
	\$ 514,807	\$ -	\$ (68,807)	\$ 446,000	\$ 71,000
	\$ 514,807	\$ -	\$ (68,807)	\$ 446,000	\$ 71,000
 <i>Business Type Activities:</i>					
<u>General Obligation - Series 2016:</u>					
Loan Payable to Institution, fixed annual interest rate of 2.35% for thirteen years. Payable in annual payments, matures in 2028.					
	429,768	-	(66,500)	363,268	66,500
 <u>General Obligation - Series 2021:</u>					
7-year Term Loan Payable to Bank, fixed interest annual interest rate of 2.30% Payable in semi-annual installments, matures July 2028.					
	2,164,193	-	(288,193)	1,876,000	295,000
	\$ 2,593,961	\$ -	\$ (354,693)	\$ 2,239,268	\$ 361,500

**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

---

**7. Long-Term Debt (Continued)**

The annual debt service requirements to maturity for governmental-type general obligation notes and installment loans, including interest are as follows, as of December 31, 2022:

		Principal		Interest
During the year ended December 31,				
2023	\$	432,500	\$	61,820
2024		440,500		52,019
2025		448,500		42,000
2026		457,500		31,765
2027		466,500		21,288
2028		439,768		10,569
Totals	\$	2,685,268	\$	219,461

**8. Defined Contribution Retirement Plan**

The Borough provides pension benefits for all of its eligible full-time non-uniform employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees who work forty or more hours per week are eligible to participate. The Borough will contribute into the Plan 100% of the amount of each eligible Participant's Mandatory Employee Contributions. The plan requires employees to contribute an amount equal to 3% of the employee's salary as defined by the plan each year. Employees may also make additional voluntary contributions. The Borough will contribute into the Plan 100% of the amount of each eligible Participant's Mandatory Employee Contributions. The Plan entered into a Joinder Agreement with The Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT).

The Borough's contributions paid to the plan during 2022 were \$2,581.

**9. Defined Benefit Retirement Plans**

The Borough has two defined benefit pension plans under multi-employer arrangements. One plan, the Borough of Macungie Police Pension Plan, covers uniformed police personnel employed on a full-time basis. The other plan, the Borough of Macungie Employees' ("Non-Uniform") Pension Plan, covers full-time non-uniform employees of the Borough.

**BOROUGH OF MACUNGIE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

---

**9. Defined Benefit Retirement Plans (Continued)**

**Non-Uniform Pension Plan**

Plan Description for the Non-Uniform Employees of the Borough of Macungie

The Borough of Macungie Non-Uniformed Pension Plan is a single-employer defined benefit pension plan. The Plan was established January 1, 1971 and entered into a Joinder Agreement with the PSABMRT dated October 17, 1988. The Plan was amended and restated by Ordinance No. 2016-04, effective January 1, 2016. The Plan is governed by the Borough Council of the Borough of Macungie which may amend plan provisions, and which is responsible for the management of plan assets. The Borough Council has delegated the authority to manage certain plan assets to PSABMRT. The Plan provides retirement, disability and death benefits to plan members and their beneficiaries, pursuant to the plan document, as amended.

Funding Policy for the Non-Uniform Employees of the Borough of Macungie

The Borough follows the funding policy prescribed by Act 205, of the Commonwealth of Pennsylvania, which requires that annual contributions be based upon the plan's minimum municipal obligation (MMO). The MMO is based upon the plan's most recent biennial actuarial valuation. The MMO included the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the Borough.

Employees are required to contribute between 3.0% and 5.0% of covered payroll to the plan. This contribution is governed by the Plan's governing ordinances and collective bargaining. Contributions are currently 5.0% of covered payroll.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or Plan earnings.

Pension Expense

For the year ended December 31, 2022, the Borough recognized pension expense of \$19,853.



**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

---

**9. Defined Benefit Retirement Plans (Continued)**

**Non-Uniform Pension Plan (Continued)**

**Eligibility Requirements**

Normal Retirement	Age 60 and 20 years of service
Early Retirement	Attainment of age 62
Vesting	4 years = 40%; 5 years = 45%; 6 years = 50%; Increasing by 10% for each additional year up to 100% after 11 years

**Retirement Benefit**

A monthly benefit equal to 50% of Average Monthly Compensation (compensation averaged over the final 36 months of employment)

**Death Benefit**

Before Retirement Eligibility	Refund of contributions plus interest.
After Retirement Eligibility	Benefits, if any are provided by optional benefit form elected at retirement.

**Disability Benefit**

Service Related	For total and permanent disablement and qualification for social security disability benefits, a monthly benefit equal to the employee's accrued benefit at date of disablement will be payable at Normal Retirement.
Non-Service Related	Same as Service Related provision.

**Vesting Benefit**

A monthly benefit equal to the normal retirement benefit multiplied by the ratio of service actually completed to potential service through normal retirement, multiplied by vesting percentage. Benefit is payable at normal retirement age.

**Early Retirement**

A monthly benefit payable at normal retirement equal to the Vesting Benefit. Benefit may be elected immediately, but will be reduced by 1/180 for each of the first 60 months early and 1/360 for each of the 61st - 120th months early.

**Member Contributions**

Amount or Rate	3.0% of compensation
Interest Rate Credited to Member Contributions	8.0%

**Plan Membership at December 31, 2022**

Inactive Members or Beneficiaries Currently Receiving Benefits	9
Inactive Members Entitled to but not yet Receiving Benefits	0
Active Members	3
Total Members	<u>12</u>

**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**9. Defined Benefit Retirement Plans (Continued)**

**Non-Uniform Pension Plan (Continued)**

**Net Pension Liability (Asset)**

The net pension liability (asset) was measured as of December 31, 2022, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based upon the Plan's current target investment allocation and the associated long-term expected investment returns for its asset classes, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability. The actuary recommends that the governing body explore the costs of lowering the actuarial assumed investment rate of return going forward to be more consistent with the plan's anticipated investment returns.

**Changes in Net Pension Liability (Asset)**

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at December 31, 2021	\$ 2,080,001	\$ 2,312,283	\$ (232,282)
Changes for the year:			
Service Cost	26,501	-	26,501
Interest Cost	141,117	-	141,117
Changes in Benefit Terms	-	-	-
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	-	-
Contributions - State Aid	-	19,853	(19,853)
Contributions - Member	-	9,254	(9,254)
Net Investment Income	-	(285,872)	285,872
Benefit Payments	(128,080)	(128,080)	-
Administrative Expense	-	(14,116)	14,116
Other Changes	-	-	-
Net Changes	<u>39,538</u>	<u>(398,961)</u>	<u>438,499</u>
Balance at December 31, 2022	<u>\$ 2,119,539</u>	<u>\$ 1,913,322</u>	<u>\$ 206,217</u>

**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

---

**9. Defined Benefit Retirement Plans (Continued)**

**Non-Uniform Pension Plan (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 413,259	\$ 206,217	\$ 27,629

**Uniformed Pension Plan**

**Plan Description for the Uniformed Employees of the Borough of Macungie**

The Borough of Macungie Uniformed Pension Plan is a single-employer defined benefit pension plan. The Plan was established January 1, 1971 and entered into a Joinder Agreement with the PSABMRT dated December 27, 1990. The Plan was amended and restated by Ordinance No. 2022-02, effective January 1, 2022. The Plan is governed by the Borough Council of the Borough of Macungie which may amend plan provisions, and which is responsible for the management of plan assets. The Borough Council has delegated the authority to manage certain plan assets to PSABMRT. The Plan provides retirement, disability and death benefits to plan members and their beneficiaries, pursuant to the plan document, as amended.

**Funding Policy for the Uniformed Employees of the Borough of Macungie**

The Borough follows the funding policy prescribed by Act 205, of the Commonwealth of Pennsylvania, which requires that annual contributions be based upon the plan's minimum municipal obligation (MMO). The MMO is based upon the plan's most recent biennial actuarial valuation. The MMO included the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the Borough.

Employees are required to contribute 3% if hired prior to January 1, 2018, 5% if hired on or after January 1, 2018 and 8% if hired on or after January 1, 2022. This contribution is governed by the Plan's governing ordinances and collective bargaining.

**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

---

**9. Defined Benefit Retirement Plans (Continued)**

**Uniformed Pension Plan (Continued)**

**Funding Policy for the Uniformed Employees of the Borough of Macungie (Continued)**

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or Plan earnings.

**Pension Expense**

For the year ended December 31, 2022, the Borough recognized pension expense of \$76,392.

<b>Eligibility Requirements</b>	
Normal Retirement	Age 55 and 25 years of service
Early Retirement	None
Vesting	100% after completion of 12 years of service
<b>Retirement Benefit</b>	
	A monthly benefit equal to 50% of gross pay averaged over the last 36 months of employment, plus a service increment of \$100 for service in excess of 26 years
<b>Death Benefit</b>	
Killed-In-Service	Act 51.
Post-Retirement	The spouse will receive 50% of the pension which the retired member was receiving or which an active member would have received if he had been retired. If eligible for vesting, refund of contributions with interest or 50% of vested benefit payable at officer's superannuation retirement date. For officers who retire after January 1, 2022, the spouse will receive 66.67% of the pension which the retired member was receiving or which an active member would have received if he had been retired. If eligible for vesting, refund of contributions with interest or 66.67% of vested benefit payable at officer's superannuation retirement date.
<b>Disability Benefit</b>	
Service Related	Upon total and permanent disablement, a monthly benefit equal to 50% of the participant's final monthly average salary at disablement, but no less than 50% of the member's salary at the time the disability was incurred offset by social security disability benefits.
Non-Service Related	None
<b>Post Retirement Adjustments</b>	For officers who retire after January 1, 2022, an annual cost of living increase shall be provided beginning in January after the officer turns 63 years old. The cost of living increase shall be equal to the Philadelphia CPI-U with an annual cap of 2.5% per year and a maximum life cost of living increase of 30%. The total of all increases may not exceed 75% of the final monthly average salary used to compute the original benefit.
<b>Vesting Benefit</b>	Accrued benefit at date of termination payable monthly starting at normal retirement date
<b>Member Contributions</b>	
Amount or Rate	3% if hired prior to January 1, 2018, 5% if hired on or after January 1, 2018 and 8% if hired on or after January 1, 2022.
Interest Rate Credited to Member Contributions	5.0%

**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

---

**9. Defined Benefit Retirement Plans (Continued)**

**Uniformed Pension Plan (Continued)**

**Deferred Retirement Option Plan (DROP)**

An active member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of up to 36 months. The monthly pension shall be calculated as of the date of participation in the DROP. The DROP plan account balance is distributed to the member in a lump sum at the termination of DROP.

As of December 31, 2022, there were no members participating in the DROP program.

**Plan Membership at December 31, 2022**

Inactive Members or Beneficiaries Currently Receiving Benefits	2
Inactive Members Entitled to but not yet Receiving Benefits	0
Active Members	<u>4</u>
Total Members	<u><u>6</u></u>

**Net Pension Liability**

The net pension liability was measured as of December 31, 2022, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based upon the Plan's current target investment allocation and the associated long-term expected investment returns for its asset classes, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability. The actuary recommends that the governing body explore the costs of lowering the actuarial assumed investment rate of return going forward to be more consistent with the plan's anticipated investment returns.

**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**9. Defined Benefit Retirement Plans (Continued)**

**Uniformed Pension Plan (Continued)**

**Changes in the Net Pension Liability**

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2021	\$ 1,705,931	\$ 1,686,570	\$ 19,361
Changes for the year:			
Service Cost	70,109	-	70,109
Interest Cost	117,525	-	117,525
Changes in Benefit Terms	250,759	-	250,759
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	23,719	(23,719)
Contributions - State Aid	-	52,673	(52,673)
Contributions - Member	-	10,171	(10,171)
Net Investment Income	-	(207,679)	207,679
Benefit Payments	(54,015)	(54,015)	-
Administrative Expense	-	(11,353)	11,353
Other Changes	-	-	-
Net Changes	<u>384,378</u>	<u>(186,484)</u>	<u>570,862</u>
Balance at December 31, 2022	<u>\$ 2,090,309</u>	<u>\$ 1,500,086</u>	<u>\$ 590,223</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.00%, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 870,151	\$ 590,223	\$ 354,472

**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

---

**10. Postemployment Benefits Other Than Pensions**

**Plan Description**

The Borough administers the Macungie Borough Health and Welfare Plan. This plan is a single-employer defined benefit plan. The Plan provides post-employment health and welfare benefits to any full-time police officer who retires on or after January 1, 2011 with at least 20 years of service and attainment of the age of 55. There are no minimum eligibility requirements if the employee has a service-related disability. The coverage includes medical, prescription drug, dental and vision benefits. Non-uniformed employees are not eligible to participate in this plan.

The Plan does not issue a stand-alone report.

The Borough pays the cost of coverage for the retiree (excluding spousal and dependent child coverage) from the date of retirement until the participant is eligible for Medicare. The retiree receives the same medical, prescription drug, dental and vision coverage as received when they were an active employee, except retirees do not receive reimbursement for the first 50% of the deductible. The retiree may purchase spousal and dependent child coverage through the Borough and the retiree pays 100% of the cost.

The contribution requirements of the Borough are established and may be amended by Borough Council. Plan members are currently not required to contribute. The Borough is required to contribute at an actuarially determined rate. The current employer contribution rate is based on estimated health care costs. Macungie Borough currently uses the “pay-as-you-go” approach for funding its OPEB costs. The cost is reported in the year it was actually paid. Macungie Borough pays healthcare premiums and costs with no additional contributions to pre-fund the postemployment benefits.

**11. Fund Balances**

The fund balances have been categorized based on the relative strength of the spending constraints placed on the purpose for which the resources can be used, as follows:

	General Fund	Capital Projects Fund	Special Revenue Fund	Totals
Unassigned	\$ 905,378	\$ -	\$ -	\$ 905,378
Restricted	-	-	100,812	100,812
Committed	-	-	-	-
Assigned	-	1,495,295	-	1,495,295
<b>Totals</b>	<b>\$ 905,378</b>	<b>\$ 1,495,295</b>	<b>\$ 100,812</b>	<b>\$ 2,501,485</b>

**BOROUGH OF MACUNGIE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

---

**12. Risk Management and Litigation**

*Risk Management*

The Borough is exposed to various risk of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are provided for through insurance from private insurance companies. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably stated. In determining claims, events that might create claims, but for which none have been reported are considered. During the year ended December 31, 2022 and the two previous fiscal years, no settlements exceeded insurance coverage.

*Litigation*

In the normal course of operations, the Borough is involved in various civil disputes. Management and Borough solicitor estimate that the amount of actual potential claims against the Borough as of December 31, 2022, will not materially affect the financial condition of the Borough.

**13. Commitments and Contingencies**

*Federal and State Grants*

The Borough receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Borough's management, such disallowances, if any, will not be significant to the Borough's basic purpose financial statements.

*Compensated Absences*

The Borough of Macungie has not accrued compensated absences because the Borough has elected to report its financial activities on the modified cash basis of accounting. However, employees of the Borough are entitled to paid vacation and sick days, depending on their length of service.

*Insurance*

The Borough is exposed to various risks of loss, including workers' compensation; property, casualty and public official liability; employee benefit administration; employment practice liability; and general liability claims. During the past four calendar years, there have not been any settlements that exceeded insurance coverage. The Borough is contingently liable to the extent any potential future judgment exceeds available insurance coverage.



**BOROUGH OF MACUNGIE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

---

**13. Commitments and Contingencies (Continued)**

Leases

The Borough leases three pieces of office equipment under a multiple long-term lease agreements with monthly lease payments of \$260, \$138 and \$41, respectively. The leases expire in April 2026, November 2024 and December 2026, respectively. Lease payments are recognized as expenditures when paid.

**14. Prior Period Restatement**

	Proprietary Funds	
	Sewer Fund	All Proprietary Funds
Net Position - December 31, 2021	\$ 2,698,687	\$ 4,637,502
In previously issued financial statements, the Borough recorded initial Sewer rehabilitation project costs as expenditures. It was determined by the Borough, the costs were to be reflect as capital assets at December 31, 2021	93,035	93,035
Net Position - December 31, 2021, As Restated	\$ 2,791,722	\$ 4,730,537

**15. Subsequent Events**

Management has considered events subsequent to December 31, 2022 that affect the Borough through August 28, 2023, the date the financial statements were available to be issued, and has determined that no material subsequent events exist that require disclosure.

SUPPLEMENTARY INFORMATION

**BOROUGH OF MACUNGIE**  
**GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND OTHER**  
**FINANCING SOURCES – MODIFIED CASH BASIS - BUDGET COMPARISON**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Actual	Original Budget	Variance Favorable (Unfavorable)
<b>REVENUES RECEIVED</b>			
Taxes	\$ 1,777,196	\$ 1,592,994	\$ 184,202
Licenses and Permits	88,781	75,569	13,212
Fines and Forfeitures	4,550	9,981	(5,431)
Interest and Rents	42,778	28,086	14,692
Intergovernmental Revenues	854,926	101,207	753,719
Charges for Services	19,111	11,750	7,361
Other Revenues	110,134	81,900	28,234
Total Revenues Received	<u>\$ 2,897,476</u>	<u>\$ 1,901,487</u>	<u>\$ 995,989</u>
<b>EXPENDITURES PAID</b>			
General Government	\$ 504,444	\$ 453,052	\$ (51,392)
Public Safety	872,952	798,525	(74,427)
Public Works - Highways and Streets	840,816	369,697	(471,119)
Culture and Recreation	38,998	46,166	7,168
Interest	80,613	80,235	(378)
Total Expenditures Paid	<u>2,337,823</u>	<u>1,747,674</u>	<u>(590,149)</u>
<b>EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID</b>	559,653	153,813	405,840
Other Financing Sources (Uses)			
Transfers In	135,758	101,179	34,579
Transfers Out	(992,402)	-	(992,402)
Total Other Financing Sources (Uses), Net	<u>(856,644)</u>	<u>101,179</u>	<u>(957,823)</u>
<b>EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES</b>	(296,991)	254,992	(551,983)
<b>FUND BALANCE - JANUARY 1, 2022</b>	<u>1,202,369</u>	<u>1,202,369</u>	<u>-</u>
<b>FUND BALANCE - DECEMBER 31, 2022</b>	<u>\$ 905,378</u>	<u>\$ 1,457,361</u>	<u>\$ (551,983)</u>

See independent auditor's report on supplementary information.

**BOROUGH OF MACUNGIE  
SCHEDULE OF BOROUGH CONTRIBUTIONS -  
NON-UNIFORM PENSION PLAN  
FOR THE LAST TEN YEARS ENDED**

---

Year	Actuarially Determined Contributions	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Payroll
2014	\$ 53,048	\$ 53,048	-	\$ 393,056	13.5%
2015	53,376	53,376	-	379,413	14.1%
2016	54,499	54,499	-	373,666	14.6%
2017	64,754	64,754	-	343,754	18.8%
2018	37,399	37,399	-	350,916	10.7%
2019	29,000	29,000	-	273,494	10.6%
2020	21,301	21,301	-	283,278	7.5%
2021	16,950	16,950	-	220,842	7.7%
2022	19,853	19,853	-	180,000	11.0%

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

**BOROUGH OF MACUNGIE  
SCHEDULE OF CHANGES IN NET PENSION  
LIABILITY (ASSET) AND RELATED RATIOS -  
NON-UNIFORM PENSION PLAN  
FOR THE LAST TEN YEARS ENDED**

	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Pension Liability</b>									
Service Cost	\$ 60,270	\$ 64,208	\$ 67,418	\$ 55,028	\$ 57,779	\$ 33,303	\$ 34,968	\$ 23,588	\$ 26,501
Interest	106,766	120,665	129,665	120,359	128,762	129,835	135,203	140,283	141,117
Changes of Benefit Terms	-	-	-	-	-	-	-	-	-
Changes for Experience	-	75,732	-	(249,615)	-	(77,684)	-	(1,504)	-
Changes of Assumptions	-	-	-	-	-	-	-	101,118	-
Benefit Payments, Including Refunds of Member Contributions	(53,116)	(56,951)	(69,929)	(56,951)	(67,511)	(71,672)	(109,832)	(128,644)	(128,080)
Net Change in Total Pension Liability	113,920	203,654	127,154	(131,179)	119,030	13,782	60,339	134,841	39,538
Total Pension Liability - Beginning	1,438,460	1,552,380	1,756,034	1,883,188	1,752,009	1,871,039	1,884,821	1,945,160	2,080,001
<b>Total Pension Liability - Ending</b>	<b>\$ 1,552,380</b>	<b>\$ 1,756,034</b>	<b>\$ 1,883,188</b>	<b>\$ 1,752,009</b>	<b>\$ 1,871,039</b>	<b>\$ 1,884,821</b>	<b>\$ 1,945,160</b>	<b>\$ 2,080,001</b>	<b>\$ 2,119,539</b>
<b>Plan Fiduciary Net Pension</b>									
Contributions - Employer	\$ 53,048	\$ 53,376	\$ 19,502	\$ 28,048	\$ 8,543	\$ 3,398	\$ -	\$ -	\$ -
Contributions - State Aid	-	-	34,997	36,706	28,856	25,603	21,301	16,950	19,853
Contributions - Member	19,653	18,971	18,454	17,899	14,354	14,334	11,417	8,894	9,254
Net Investment Income	93,586	(10,963)	75,211	220,914	(90,647)	288,855	203,600	281,424	(285,872)
Benefit Payments, Including Refunds of Member Contributions	(53,116)	(56,951)	(69,929)	(56,951)	(67,511)	(71,672)	(109,832)	(128,644)	(128,080)
Administrative Expense	(12,765)	(16,505)	(13,977)	(16,330)	(13,161)	(17,143)	(13,676)	(17,853)	(14,116)
Net Change in Plan Fiduciary Net Position	100,406	(12,072)	64,258	230,286	(119,566)	243,375	112,810	160,771	(398,961)
Plan Net Position - Beginning	1,532,015	1,632,421	1,620,349	1,684,607	1,914,893	1,795,327	2,038,702	2,151,512	2,312,283
<b>Plan Net Position - Ending</b>	<b>\$ 1,632,421</b>	<b>\$ 1,620,349</b>	<b>\$ 1,684,607</b>	<b>\$ 1,914,893</b>	<b>\$ 1,795,327</b>	<b>\$ 2,038,702</b>	<b>\$ 2,151,512</b>	<b>\$ 2,312,283</b>	<b>\$ 1,913,322</b>
Municipality's Net Pension Liability (Asset)	\$ (80,041)	\$ 135,685	\$ 198,581	\$ (162,884)	\$ 75,712	\$ (153,881)	\$ (206,352)	\$ (232,282)	\$ 206,217
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	105.2%	92.3%	89.5%	109.3%	96.0%	108.2%	110.6%	111.2%	90.3%
Covered Employee Payroll	\$ 393,056	\$ 379,413	\$ 373,666	\$ 343,754	\$ 350,916	\$ 373,494	\$ 283,278	\$ 220,842	\$ 180,000
Municipality's Net Pension Liability (Asset) as a Percentage	-20.4%	35.8%	53.1%	-47.4%	21.6%	-41.2%	-72.8%	-105.2%	114.6%

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

**BOROUGH OF MACUNGIE  
NOTES TO SUPPLEMENTARY SCHEDULES –  
NON-UNIFORM PENSION PLAN  
DECEMBER 31, 2022**

---

**Actuarial Assumptions**

An actuarial valuation of the total pension liability is performed biennially. This report was based upon the Plan's actuarial assumptions, asset valuation method, and cost method as described below:

Actuarial Measurement Date:	January 1, 2021
Actuarial Cost Method:	Entry Age
Amortization Method:	Level Dollar
Remaining Amortization Period:	N/A
Asset Valuation Method:	Market Value

Assumptions

1. Inflation:	2.25%
2. Salary Projection:	5.00%
3. Investment Rate of Return:	7.25%

Employee Characteristics

1. Mortality:	PUBS-2010 Mortality Table
2. Retirement Age:	60

See independent auditor's report on supplementary information.

**BOROUGH OF MACUNGIE  
SCHEDULE OF BOROUGH CONTRIBUTIONS -  
UNIFORMED PENSION PLAN  
FOR THE LAST TEN YEARS ENDED**

---

Year	Actuarially Determined Contributions	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Payroll
2014	\$ 70,974	\$ 70,974	-	\$ 337,529	21.0%
2015	65,561	65,561	-	338,936	19.3%
2016	68,218	68,218	-	322,632	21.1%
2017	67,784	67,784	-	295,552	22.9%
2018	60,513	60,513	-	292,000	20.7%
2019	64,770	64,770	-	270,000	24.0%
2020	68,066	68,066	-	285,578	23.8%
2021	70,187	70,187	-	300,000	23.4%
2022	76,392	76,392	-	300,000	25.5%

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.

**BOROUGH OF MACUNGIE  
SCHEDULE OF CHANGES IN NET PENSION  
LIABILITY AND RELATED RATIOS -  
UNIFORMED PENSION PLAN  
FOR THE LAST TEN YEARS ENDED**

	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Pension Liability</b>									
Service Cost	\$ 52,834	\$ 56,495	\$ 59,320	\$ 52,088	\$ 54,692	\$ 57,245	\$ 60,107	\$ 64,962	\$ 70,109
Interest	69,998	77,555	84,421	81,936	88,978	96,283	104,757	112,895	117,525
Changes of Benefit Terms	-	-	-	-	-	-	-	-	250,759
Changes for Experience	-	17,232	-	(128,955)	-	(5,973)	-	(49,482)	-
Changes of Assumptions	-	-	-	-	-	-	-	87,118	-
Benefit Payments, Including Refunds of Member Contributions	(39,499)	(39,499)	(44,150)	(39,499)	(39,499)	(39,499)	(39,499)	(39,499)	(54,015)
Net Change in Total Pension Liability	83,333	111,783	99,591	(34,430)	104,171	108,056	125,365	175,994	384,378
Total Pension Liability - Beginning	932,068	1,015,401	1,127,184	1,226,775	1,192,345	1,296,516	1,404,572	1,529,937	1,705,931
<b>Total Pension Liability - Ending</b>	<b>\$ 1,015,401</b>	<b>\$ 1,127,184</b>	<b>\$ 1,226,775</b>	<b>\$ 1,192,345</b>	<b>\$ 1,296,516</b>	<b>\$ 1,404,572</b>	<b>\$ 1,529,937</b>	<b>\$ 1,705,931</b>	<b>\$ 2,090,309</b>
<b>Plan Fiduciary Net Pension</b>									
Contributions - Employer	\$ 70,974	\$ 65,561	\$ 24,471	\$ 31,078	\$ 14,419	\$ 13,565	\$ 15,510	\$ 15,178	\$ 23,719
Contributions - State Aid	-	-	43,747	36,706	46,094	51,205	52,556	55,009	52,673
Contributions - Member	9,678	10,172	9,485	8,210	7,564	8,749	7,867	8,905	10,171
Net Investment Income	42,896	(6,415)	43,065	129,019	(55,033)	178,807	139,093	195,192	(207,679)
Benefit Payments, Including Refunds of Member Contributions	(39,499)	(39,499)	(44,150)	(39,499)	(39,499)	(39,499)	(39,499)	(39,499)	(54,015)
Administrative Expense	(1,788)	(12,978)	(10,059)	(12,397)	(9,454)	(13,086)	(10,113)	(14,345)	(11,353)
Net Change in Plan Fiduciary Net Position	82,261	16,841	66,559	153,117	(35,909)	199,741	165,414	220,440	(186,484)
Plan Net Position - Beginning	818,106	900,367	917,208	983,767	1,136,884	1,100,975	1,300,716	1,466,130	1,686,570
<b>Plan Net Position - Ending</b>	<b>\$ 900,367</b>	<b>\$ 917,208</b>	<b>\$ 983,767</b>	<b>\$ 1,136,884</b>	<b>\$ 1,100,975</b>	<b>\$ 1,300,716</b>	<b>\$ 1,466,130</b>	<b>\$ 1,686,570</b>	<b>\$ 1,500,086</b>
Municipality's Net Pension Liability	\$ 115,034	\$ 209,976	\$ 243,008	\$ 55,461	\$ 195,541	\$ 103,856	\$ 63,807	\$ 19,361	\$ 590,223
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.7%	81.4%	80.2%	95.3%	84.9%	92.6%	95.8%	98.9%	71.8%
Covered Employee Payroll	\$ 337,529	\$ 338,936	\$ 322,632	\$ 295,552	\$ 292,000	\$ 270,000	\$ 285,578	\$ 300,000	\$ 300,000
Municipality's Net Pension Liability as a Percentage	34.1%	62.0%	75.3%	18.8%	67.0%	38.5%	22.3%	6.5%	196.7%

Ultimately, this schedule should present information for the last ten years. However, until the years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on supplementary information.

The accompanying notes to supplementary schedules are an integral part of these schedules.



**BOROUGH OF MACUNGIE  
NOTES TO SUPPLEMENTARY SCHEDULES –  
UNIFORMED PENSION PLAN  
DECEMBER 31, 2022**

---

**Actuarial Assumptions**

An actuarial valuation of the total pension liability is performed biennially. This report was based upon the Plan's actuarial assumptions, asset valuation method, and cost method as described below:

Actuarial Measurement Date:	January 1, 2021
Actuarial Cost Method:	Entry Age
Amortization Method:	Level Dollar
Remaining Amortization Period:	8 years
Asset Valuation Method:	Market Value

Assumptions

1. Inflation:	2.25%
2. Salary Projection:	5.00%
3. Investment Rate of Return:	7.00%

Employee Characteristics

1. Mortality:	PUBS-2010 Mortality Table
---------------	---------------------------

See independent auditor's report on supplementary information.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of Borough Council  
Borough of Macungie  
Macungie, PA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Borough of Macungie, which comprise the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2022, and the related notes to the financial statements, which collectively comprise Borough of Macungie's basic financial statements, and have issued our report thereon dated August 28, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough of Macungie's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Borough of Macungie's internal control. Accordingly, we do not express an opinion on the effectiveness of Borough of Macungie's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We did identify deficiencies in internal control that we consider to be significant deficiencies:

*Inadequate Segregation of Duties*

Due to the size of the Borough's staff, an inadequate segregation of duties of the accounting functions exists. Lack of resources precludes the Borough from having a proper segregation of duties. This inadequate segregation of duties increases the risk for misappropriation of assets. The Borough should determine if it would be cost beneficial to hire additional personnel to have an adequate segregation of duties of the accounting functions. We suggest Borough Council remain closely involved with the financial operations of the Borough.

**Views on Responsible officials and Planned Corrective Actions**

Management understands the importance of internal control procedures and agrees with the recommendations mentioned above. However, the Borough does not believe it would be feasible or fiscally responsible to hire an individual with the resources to complete financial statements or to achieve proper segregation of duties.

**Borough of Macungie's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Borough of Macungie's response to the findings identified in the above paragraph. Borough of Macungie's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Borough's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Congbell, Rappold & Yucasita LLP*

August 28, 2023