

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## STATEMENT OF NET ASSETS

DECEMBER 31, 2007

	<u>Governmental Activities</u>
<b>Assets:</b>	
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Cash and cash equivalents	\$ 2,106,157
Restricted cash and cash equivalents	6,597,478
Investments	17,390
Receivables, net:	
Taxes	713,692
Accounts	311,378
Sanitation fees	66,989
Due from other governments	45,900
Other receivables	1,058
Inventory	34,237
Other assets	137,463
Bond issuance costs	221,753
Capital assets, not being depreciated	8,922,067
Capital assets, being depreciated, net	6,833,574
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<b>Total Assets</b>	<b>26,009,136</b>
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<b>Liabilities:</b>	
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Payroll taxes and withholding	1,505
Vouchers payable	2,203,112
Accrued wages payable	92,663
Accrued interest	83,377
Other payables	70,746
Unearned revenue	58,588
Noncurrent liabilities:	
Due within one year	940,284
Due in more than one year	13,593,574
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<b>Total Liabilities</b>	<b>17,043,849</b>
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<b>Net Assets:</b>	
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Invested in capital assets, net of related debt	8,115,638
Restricted for:	
Public safety	247,660
Public works	140,692
Parks and recreation	179,371
Unrestricted	281,926
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<b>Total Net Assets</b>	<b>\$ 8,965,287</b>
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The accompanying notes are an integral part of these financial statements.

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2007

<b>Functions/Programs</b>	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 1,637,624	\$ 259,643	\$ 14,211	\$ -	\$ (1,363,770)
Public safety	4,696,013	1,364,267	15,288	-	(3,316,458)
Public works	1,939,739	1,228,430	345,377	620,863	254,931
Parks and recreation	468,551	37,115	72,923	-	(358,513)
Interest on long-term debt	392,539	-	-	-	(392,539)
<b>Total Governmental Activities</b>	<b>\$ 9,134,466</b>	<b>\$ 2,889,455</b>	<b>\$ 447,799</b>	<b>\$ 620,863</b>	<b>(5,176,349)</b>
General receipts:					
Real estate taxes					2,598,463
Per capita taxes					53,350
Real estate transfer taxes					492,794
Earned income taxes					1,593,734
Occupational taxes					318,739
Emergency and municipal services taxes					913,728
Franchise taxes					200,359
Public utility realty tax					8,991
Amusement taxes					9,656
Investment earnings					578,576
Intergovernmental revenue and contributions (not restricted to a specific purpose)					281,447
Other revenue (not restricted to a specific purpose)					78,632
Total general receipts					7,128,469
<b>Change in Net Assets</b>					<b>1,952,120</b>
<b>Net Assets:</b>					
Beginning of year					7,013,167
End of year					<b>\$ 8,965,287</b>

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

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2007

	<u>General</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,428,793	\$ 99,167	\$ 578,197	\$ 2,106,157
Restricted cash and cash equivalents	-	6,597,478	-	6,597,478
Investments	17,390	-	-	17,390
Receivables, net:				
Taxes	662,759	25,641	25,292	713,692
Accounts	308,790	-	2,588	311,378
Sanitation fees	66,989	-	-	66,989
Due from other funds	8,750	-	-	8,750
Due from other governments	45,900	-	-	45,900
Other receivables	1,058	-	-	1,058
Inventory	34,237	-	-	34,237
Other assets	112,244	-	5,200	117,444
<b>Total Assets</b>	<b>\$ 2,686,910</b>	<b>\$ 6,722,286</b>	<b>\$ 611,277</b>	<b>\$10,020,473</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Payroll taxes and withholding	\$ 1,505	\$ -	\$ -	\$ 1,505
Due to other funds	-	-	8,750	8,750
Vouchers payable	220,350	1,978,194	4,568	2,203,112
Accrued wages payable	91,183	1,480	-	92,663
Other payables	70,746	-	-	70,746
Deferred revenue	657,650	11,778	30,236	699,664
<b>Total Liabilities</b>	<b>1,041,434</b>	<b>1,991,452</b>	<b>43,554</b>	<b>3,076,440</b>
<b>Fund Balance:</b>				
<b>Reserved for:</b>				
Public safety	-	-	247,660	247,660
Public works	-	-	140,692	140,692
Parks and recreation	-	-	179,371	179,371
<b>Unreserved, reported in:</b>				
General fund	1,645,476	-	-	1,645,476
Capital projects fund	-	4,730,834	-	4,730,834
<b>Total Fund Balance</b>	<b>1,645,476</b>	<b>4,730,834</b>	<b>567,723</b>	<b>6,944,033</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,686,910</b>	<b>\$ 6,722,286</b>	<b>\$ 611,277</b>	<b>\$10,020,473</b>

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

**LOWER ALLEN TOWNSHIP, PENNSYLVANIA**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS**  
**ON THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

DECEMBER 31, 2007

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 6,944,033</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,755,641
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	641,076
Net pension asset	20,019
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(13,475,000)
Less: bond issuance costs	221,753
Capital lease payable	(762,481)
Compensated absences payable	(296,377)
Accrued interest expense	(83,377)
<b>Total Net Assets - Governmental Activities</b>	<b><u><u>\$ 8,965,287</u></u></b>

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

**LOWER ALLEN TOWNSHIP, PENNSYLVANIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2007**

	General	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Real estate taxes	\$ 1,261,790	\$ 626,710	\$ 711,550	\$ 2,600,050
Other taxes	3,304,495	-	-	3,304,495
Licenses and permits	264,304	-	-	264,304
Fines and forfeits	125,837	-	-	125,837
Investment earnings	112,420	427,576	38,580	578,576
Rents	44,655	5,000	-	49,655
Intergovernmental revenue	319,622	75,000	337,957	732,579
Charges for services	2,348,198	-	29,071	2,377,269
Miscellaneous revenues	216,721	500	71,439	288,660
<b>Total revenues</b>	<b>7,998,042</b>	<b>1,134,786</b>	<b>1,188,597</b>	<b>10,321,425</b>
<b>Expenditures:</b>				
Current:				
General government	1,314,578	92,889	-	1,407,467
Public safety	4,196,955	-	243,547	4,440,502
Public works	1,745,651	-	563,340	2,308,991
Parks and recreation	425,028	-	6,594	431,622
Miscellaneous expenditures	64,337	-	-	64,337
Capital outlay	-	6,350,089	-	6,350,089
Debt service:				
Principal	193,389	507,809	86,924	788,122
Interest and fiscal charges	16,410	558,361	7,300	582,071
<b>Total expenditures</b>	<b>7,956,348</b>	<b>7,509,148</b>	<b>907,705</b>	<b>16,373,201</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>41,694</b>	<b>(6,374,362)</b>	<b>280,892</b>	<b>(6,051,776)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	146,336	460,000	3,690	610,026
Transfers out	(463,690)	-	(146,336)	(610,026)
Proceeds from sale of general capital assets	17,907	-	-	17,907
Issuance of general long-term debt	331,515	3,267,485	-	3,599,000
Payment to refunded bond escrow agent	-	(1,566,040)	-	(1,566,040)
<b>Total other financing sources (uses)</b>	<b>32,068</b>	<b>2,161,445</b>	<b>(142,646)</b>	<b>2,050,867</b>
<b>Net Change in Fund Balance</b>	<b>73,762</b>	<b>(4,212,917)</b>	<b>138,246</b>	<b>(4,000,909)</b>
<b>Fund Balance:</b>				
Beginning of year	1,571,714	8,943,751	429,477	10,944,942
End of year	<u>\$ 1,645,476</u>	<u>\$ 4,730,834</u>	<u>\$ 567,723</u>	<u>\$ 6,944,033</u>

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

**LOWER ALLEN TOWNSHIP, PENNSYLVANIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2007

**Net Change in Fund Balance - Governmental Funds** \$ (4,000,909)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	7,041,552	
Depreciation	(625,303)	
Loss on disposal of capital assets	(1,795)	
Net Adjustment		6,414,454

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		620,863
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Change in net pension obligation asset		(578)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		120,351
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The issuance of long-term debt (i.e. bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

The details of the difference are as follows:

Proceeds from debt issuance	(3,599,000)	
Bond issuance costs	88,609	
Payment to refunding bond escrow agent	1,566,040	
Principal repayments:		
Bonds payable	495,000	
Capital lease payable	293,122	
Net Adjustment		(1,156,229)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The details of the difference are as follows:

Compensated absences		(20,872)
Amortization of bond issuance costs		(18,296)
Accrued interest		(6,664)
		(45,832)

<b>Change in Net Assets - Governmental Activities</b>		<b>\$ 1,952,120</b>
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The accompanying notes are an integral part of these financial statements.



# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2007

### **Additions:**

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Contributions:	
Employer contributions	\$ 268,410
Investment income:	
Net appreciation in fair value of investments	703,930
Interest earnings	7,445
Net investment income	<u>711,375</u>
Total additions	<u>979,785</u>

### **Deductions:**

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Benefits	339,304
Administrative expenses	51,703
Total deductions	<u>391,007</u>

### **Increase in Plan Net Assets**

588,778

### **Net Assets:**

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Beginning of year	<u>9,611,395</u>
End of year	<u><u>\$ 10,200,173</u></u>

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

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *A. Introduction*

The financial statements of Lower Allen Township (the Township) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the Township's financial activities for the year ended December 31, 2007.

#### *B. Reporting Entity*

The Township obtained first class township status on November 2, 1954. The Township operates under a form of government which is comprised of an elected Board of Commissioners (five members) under the administration of an appointed Township manager.

#### *C. Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges to external parties for support. However, the Township does not have any business-type activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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individual governmental funds are reported as separate columns in the fund financial statements.

### ***D. Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the pension trust funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The Township considers real estate, earned income and franchise taxes, intergovernmental revenue, and charges for services as meeting the available criteria. All other governmental fund revenues are recorded as cash is received because they are generally not measurable until actually received. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term obligations are recognized when due. Prepaid items and inventory purchases are reported as expenditures in the year when the items are purchased. Expenditures for claims, judgments, compensated absences, and employer pension contributions are reported to the extent that they mature each period.

The pension trust fund's deductions for benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

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# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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The Township reports the following major governmental funds:

General Fund – The general fund is the general operating fund. It accounts for all financial resources of the general government, except those resources required to be accounted for in another fund.

Capital Improvement Fund – The capital improvement fund accounts for the acquisition of fixed assets or construction of major capital projects. The fund is also used to pay for the general obligation bonds and the capital leases, principal, and interest.

In addition, the Township reports the following fund types:

Pension Trust Funds – The pension trust funds account for assets held by the government under the terms of a formal trust agreement. The Pension Trust Funds are used to account for the Township, police and volunteer firefighter's pension plans.

Agency Funds – The agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity. The developer's escrow fund is used to account for funds received from certain developers pursuant to security agreements.

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

### ***E. Budget Information***

#### *Policy and Practice*

The Township's Manager submits an annual budget to the Township's Board of Commissioners (the Board) in accordance with the Township's Charter and the Pennsylvania First Class Township Code. In December, the Board adopts annual fiscal year appropriated budgets for the Township operating funds. These include the general and the following special revenue funds: Streetlight Fund, Fire Services Fund, Highway Aid, and Picnic Fund.

Annually, a legally authorized, appropriated budget is prepared for the Capital Improvement Fund. Expenditures for this fund are controlled on a project (designated purpose) basis and are carried forward each year until the project is completed.

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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Once approved, and after a 90 day waiting period, the Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. There were no supplemental appropriations or authorized budget amendments for the year ended December 31, 2007.

### Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted at the department level in the General Fund and at the fund level in the budgeted Special Revenue Funds. This constitutes the legal level of control. Expenditures may not exceed 125% of appropriations at the department level and 110% at the fund level. All budget revisions at this level are subject to final review by the Board. Within these control levels, management may transfer appropriations without Board approval.

### Encumbrances

Encumbrance accounting is used for the General Fund, special revenue funds, and capital projects funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payment are incurred. Under Pennsylvania law, appropriations lapse at December 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget.

### Budgetary Basis of Accounting

An annual GAAP basis budget is adopted for the operating and capital projects funds. The Capital Improvement Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

### **F. Cash and Investments**

The Township considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Exceptions are the pension trust funds which classify only cash as cash equivalents in order to appropriately report investment activity.

Investment income revenues are recorded in the fund in which the investment is held.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Cash deposits and pooled cash and cash equivalents are reported at carrying amount which reasonably estimates fair value.

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# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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### ***G. Restricted Assets***

Certain proceeds of the Township's general obligation bonds are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The capital improvement fund is used to report those proceeds of general obligation bond issuances that are restricted for use in construction.

### ***H. Interfund Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due to/from other funds" on the statement of net assets.

### ***I. Receivables***

Accounts receivable includes fees charged for ambulance services and are recorded net of an allowance for uncollectible fees which at year-end was \$129,167.

### ***J. Inventory***

Inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

### ***K. Prepaid Expense***

Certain payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items and included in other assets on the statement of net assets and the balance sheet.

### ***L. Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, dams, and similar items), are reported in the governmental activities column in the government-wide financial statements. Infrastructure assets are reported prospectively, beginning January 1, 2004. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if historical cost is not

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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available. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Land improvements	10 to 45 years
Building and building improvements	50 to 80 years
Machinery and equipment	5 to 20 years
Infrastructure	20 to 40 years

### **M. *Compensated Absences***

Township employees are granted vacation and sick leave in varying amounts based on length of service. Upon termination, employees are paid accumulated vacation leave at full rates. Upon retirement, employees will be paid 25% of accumulated sick leave, not to exceed 35 days total pay for non-uniformed employees and uniformed employees. Prior to 1995, sick leave was not vested; therefore, accumulated sick leave was lost upon termination. Each employee is limited to the employee's yearly allowance plus one week of accumulated carried over vacation leave at their employment anniversary date and limited at all times to a maximum accumulated sick leave of 165 days.

All vested compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### **N. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related obligation using the effective interest method. Debt is reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related obligation.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### ***O. Fund Equity and Net Assets***

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduces this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents the net assets of the Township, which are not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified in two separate categories. The two categories, and their general meanings, are as follows:

Reserved Fund Balance – This category represents that portion of fund equity which has been legally segregated for specific purposes.

Unreserved Fund Balance – This category represents that portion of fund equity which is available for appropriation and expenditure in future periods.

### ***P. Risk Management***

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverage in 2007. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

### ***Q. Use of Estimates in the Preparation of the Financial Statements***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the

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# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **R. Pending Changes in Accounting Principles**

In May of 2004, the GASB issued Statement No. 43 "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*" The standards apply to other postemployment benefits (OPEB) that are included as trust funds in the financial reports of plan sponsors or employers, and to stand-alone financial reports of OPEB plans that are established as trusts, when issued by the public employee retirement systems, or other governmental entities that administer them. The Statement also provides requirement for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used is not a trust fund. The Township is required to adopt Statement No. 43 for their calendar year 2008.

In August of 2004, the GASB issued Statement No. 45 "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*" Statement No. 45 addresses how the Township should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. The Township is required to adopt Statement No. 45 for their calendar year 2009.

## **2. CASH AND INVESTMENTS**

### **A. Deposits**

As of December 31, 2007, the Township's bank balance and book balance were as follows:

	Bank Balance	Book Balance
External investment pool - presented as cash and cash equivalents	\$ 2,317,689	\$ 2,215,607
Non-pooled deposits:		
Cash and cash equivalents	6,597,478	6,599,014
Cash and cash equivalents	<u>\$ 8,915,167</u>	<u>\$ 8,814,621</u>
Reconciliation to the Statement of Net Assets:		
Governmental activities		\$ 8,703,635
Fiduciary funds:		
Agency fund		110,986
Total cash and cash equivalents		<u>\$ 8,814,621</u>

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a policy for custodial credit risk. As of December 31, 2007, \$100,000 of the Township's non-pooled bank balance was collateralized by federal depository insurance and \$6,497,478 of the Township's non-pooled bank balance was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of Federal Depository Insurance limits. The remaining bank balance of \$2,317,689 was pooled funds collateralized by an external investment pool with the Pennsylvania School District Liquid Assets Fund. These pooled funds are presented as cash and cash equivalents on the statement of net assets and balance sheet.

### **B. Investments**

Township investments are under the custody of the Township Manager. Township funds may be invested in: (1) direct short-term obligations of the United States Government pledged by its full faith and credit, (2) United States Treasury Bills, (3) commercial paper, and (4) shares of an investment company whose shares are registered under the Investment Company Act of 1940. Deposits and investments of the Pension Trust Funds are held separately from those of other Township funds. Pension trust funds are not restricted to the above requirements and may invest in other instruments.

Investments consisted of the following at December 31, 2007:

Investment Type	Fair Value
Money market funds	\$ 22,809
External investment pool	2,215,607
Mutual funds - equities	117,682
Mutual funds - fixed income	3,383,863
Other investments	6,693,209
	<u>\$ 12,433,170</u>
Governmental Activities	\$ 17,390
Fiduciary funds:	
Pension	10,200,173
	<u>10,217,563</u>
External investment pool - presented as cash and cash equivalents	2,215,607
	<u>\$ 12,433,170</u>

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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**Custodial Credit Risk.** Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Township does not have a formal policy investment policy for custodial credit risk. At December 31, 2007, the Township's investments are not held in securities form and, therefore, are not exposed to custodial credit risk.

**Pooled Funds.** The Township participates in a cash and investment pool that is available for use by all funds, except the Pension Trust Funds. All pooled monies are deposited into the Pennsylvania School District Liquid Asset Fund investing in bank repurchase agreements, certificates of deposit, U.S. Treasuries, and U.S. Government Obligations. The Trust issues audited financial statements which are available to the public.

At December 31, 2007, the book balance of the pooled funds was \$2,215,607 and the bank balance was \$2,317,689. These pooled funds are presented as cash and cash equivalents on the statement of net assets.

The fair value of the Township's position in the external investment pool is equivalent to the value of the pool shares. There is no formal external regulatory oversight for the external investment pool.

**Concentration of Credit Risk.** The Township places no limit on the amount the Township may invest in any one issuer. At December 31, 2007, more than 5 percent of the Township's investments (other than U.S. Government and U.S. Government guaranteed obligations) were held with the following issuers:

<u>Issuer</u>	<u>Percentage</u>
Pennsylvania School District Liquid Assets Fund	17.82%
Principal Financial Group - Police and Non-Uniform Pension Plan	81.05%

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

**Credit Risk.** As indicated above, investing is performed in accordance with investment policies complying with State statutes and the Township Charter. The Township has no investment policy that would further limit its investment choices. At December 31, 2007, the Township's investment ratings are as follows:

	Rating	Fair Value
Money market funds	AAA	\$ 22,809
External investment pool	AAA	2,215,607
Mutual funds - fixed income	Unrated	3,383,863
Other investments	Unrated	6,693,209
		\$ 12,315,488

**Interest Rate Risk.** The Township does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township uses both the weighed-average maturity and the duration method to measure interest rate risk. Duration is a measure of a fixed-income investment's cash flows using present values, weighted for cash flows as a percentage of the investment's full price. The (WAM) method expresses investment time horizons - the time when investments become due and payable - in years or months, weighted to reflect the dollar size of individual investments within an investment type.

At December 31, 2007, the Township's investment in money market funds and external investment pools had a weighted average maturity of less than one year. The effective duration of the Township's investment in mutual funds – fixed income is as follows:

Investment Type	Fair Market Value	Effective Duration (in years)
Bond and Mortgage Separate Account	\$ 2,289,910	4.71
Inflation Protection Separate Account	559,303	6.69
High Yield Separate Account	430,089	2.95
Preferred Securities Separate Account	104,561	7.24
<b>Total</b>	<b>\$ 3,383,863</b>	

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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### 3. REAL ESTATE TAXES

The Township's real estate tax is levied each March 1<sup>st</sup> on the assessed value listed as of January 1<sup>st</sup> on all taxable real property located in the Township. The Tax Levy Ordinance for 2007 was passed by the Township Board on December 26, 2006. The real estate tax rate for the year ended December 31, 2007 was \$1.00 per \$1,000 of assessed valuation for general purposes, \$.50 per \$1,000 of assessed valuation for debt service purposes, and \$.50 per \$1,000 of assessed valuation for fire services purposes. Current tax collection for the year then ended was 97.9% of the tax levied. Because a majority of the taxes billed for 2007 were received during the current year and based on experience, substantially all taxes will be collected in subsequent periods, the Township has established an insignificant allowance for doubtful accounts.

Cumberland County, which includes Lower Allen Township, is responsible for collection of delinquent real property taxes and property tax assessment. Delinquent 2007 real property taxes were turned over to Cumberland County on January 14, 2008.

The full year property tax calendar is as follows:

- Assessment date. January 1, 2007
- Property tax bills rendered, lien date. March 1, 2007
- Bills paid during March and April are granted a 2% discount. April 30, 2006
- Gross amount of levy is due. June 30, 2007
- Taxes delinquent and interest of 10% of the face amount is charged. July 1, 2007 to  
February 1, 2008
- Delinquent real property taxes are turned over to Cumberland County. December 31, 2007

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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### 4. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances at December 31, 2007 was as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 8,750	\$ -
Nonmajor governmental fund:		
Recreation Fund	-	8,750
	<u>\$ 8,750</u>	<u>\$ 8,750</u>

Interfund balances are primarily for reimbursement of expenditures paid on behalf of another fund.

The composition of interfund transfers for the year ended December 31, 2007, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 146,336	\$ 463,690
Capital Improvement Fund	460,000	-
Nonmajor Governmental Funds:		
Dog Park Escrow Fund	3,690	-
Fire Services Fund	-	137,586
LAP Recreation Fund	-	8,750
	<u>\$ 610,026</u>	<u>\$ 610,026</u>

Interfund transfers were made primarily to fund future capital improvements and public safety expenditures.

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# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

### 5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, is as follows:

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,732,140	\$ -	\$ -	\$ 2,732,140
Construction in progress	-	6,189,927	-	6,189,927
Total capital assets, not being depreciated	2,732,140	6,189,927	-	8,922,067
Capital assets, being depreciated:				
Land improvements	1,317,934	46,905	-	1,364,839
Building and building improvements	3,774,319	-	-	3,774,319
Machinery and equipment	6,049,601	481,850	(167,148)	6,364,303
Infrastructure	611,366	943,733	-	1,555,099
Total capital assets, being depreciated	11,753,220	1,472,488	(167,148)	13,058,560
Less accumulated depreciation for:				
Land improvements	(986,779)	(31,134)	-	(1,017,913)
Building and building improvements	(1,406,312)	(91,943)	-	(1,498,255)
Machinery and equipment	(3,342,279)	(461,518)	165,353	(3,638,444)
Infrastructure	(29,666)	(40,708)	-	(70,374)
Total accumulated depreciation	(5,765,036)	(625,303)	165,353	(6,224,986)
Total capital assets, being depreciated, net	5,988,184	847,185	(1,795)	6,833,574
Governmental activities, capital assets, net	\$ 8,720,324	\$ 7,037,112	\$ (1,795)	\$ 15,755,641

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 72,320
Public safety	324,565
Public works	170,906
Parks and recreation	<u>57,512</u>
Total depreciation expense - governmental activities	<u><u>\$ 625,303</u></u>

### 6. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2007, is as follows:

	Balance January 1, 2007	Additions	Retirements	Balance December 31, 2007	Due Within One Year
Compensated absences	\$ 275,505	\$ 252,291	\$ (231,419)	\$ 296,377	\$ 148,292
General obligation bonds - 2003	2,375,000	-	(495,000)	1,880,000	505,000
General obligation bonds - 2005	9,995,000	-	(1,560,000)	8,435,000	-
General obligation bonds - 2007	-	3,160,000	-	3,160,000	5,000
Capital leases payable	616,603	439,000	(293,122)	762,481	281,992
	<u>\$ 13,262,108</u>	<u>\$ 3,851,291</u>	<u>\$ (2,579,541)</u>	<u>\$ 14,533,858</u>	<u>\$ 940,284</u>

#### Compensated Absences

Compensated absences are typically liquidated by the General Fund.

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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### General Obligation Bonds

In 2003, the Township issued general obligation bonds designated as "General Obligation Bonds, Series of 2003" in the aggregate principal amount of \$3,790,000. The bonds require semiannual payments ranging from \$325,600 to \$549,160, which includes principal and interest ranging from 2.0% to 3.5%, starting in September 2003 through March 2011 and is payable by the Capital Improvement Fund. No specific assets are pledged to secure this obligation; however, the Township has pledged its taxing power as security for the outstanding debts.

\$ 1,880,000

In 2005, the Township issued general obligation bonds designated as "General Obligation Bonds, Series of 2005" in the aggregate principal amount of \$9,995,000. The bonds require semiannual payments ranging from \$453,647 to \$756,063, which includes principal and interest ranging from 3.0% to 4.3%, starting in May 2007 through November 2025 and is payable by the Capital Improvement Fund. No specific assets are pledged to secure this obligation; however, the Township has pledged its taxing power as security for the outstanding debts.

8,435,000

In 2007, the Township issued general obligation bonds designated as "General Obligation Bonds, Series of 2007" in the aggregate principal amount of \$3,160,000, to advanced refund \$1,560,000 of the Township's General Obligation Bonds, Series of 2005, to provide additional funds for the construction of the Municipal Services Center, and to pay the costs of issuance of the Bonds. The bonds require semiannual payments ranging from \$64,700 to \$429,296, which includes principal and interest ranging from 3.5% to 4.05%, starting in November 2007 through May 2025 and is payable by the Capital Improvement Fund. No specific assets are pledged to secure this obligation; however, the Township has pledged its taxing power as security for the outstanding debts.

3,160,000

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\$13,475,000

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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Annual debt service requirements to maturity for the “General Obligation Bonds, Series of 2003” are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 505,000	\$ 50,604	\$ 555,604
2009	520,000	35,990	555,990
2010	535,000	19,760	554,760
2011	<u>320,000</u>	<u>5,600</u>	<u>325,600</u>
	<u>\$ 1,880,000</u>	<u>\$ 111,954</u>	<u>\$ 1,991,954</u>

Annual debt service requirements to maturity for the “General Obligation Bonds, Series of 2005” are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 338,573	\$ 338,573
2009	-	338,573	338,573
2010	-	338,573	338,573
2011	420,000	331,433	751,433
2012	435,000	316,571	751,571
2013-2017	2,455,000	1,313,517	3,768,517
2018-2022	3,000,000	769,036	3,769,036
2023-2025	<u>2,125,000</u>	<u>138,773</u>	<u>2,263,773</u>
	<u>\$ 8,435,000</u>	<u>\$ 3,885,049</u>	<u>\$ 12,320,049</u>

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

Annual debt service requirements to maturity for the “General Obligation Bonds, Series of 2007 are as follows:

	Principal	Interest	Total
2008	\$ 5,000	\$ 119,975	\$ 124,975
2009	315,000	114,296	429,296
2010	325,000	102,855	427,855
2011	115,000	94,935	209,935
2012	320,000	87,105	407,105
2013-2017	675,000	346,750	1,021,750
2018-2022	830,000	202,126	1,032,126
2023-2025	575,000	35,336	610,336
	\$ 3,160,000	\$ 1,103,378	\$ 4,263,378

### Capital Leases

The Township has entered into agreements to purchase a fire truck, vehicles, machinery, and equipment through capital lease agreements. The capital lease agreements are payable through March 2012 and have interest rates varying from 1.24% to 4.74%. The following is a schedule, by year, of the future minimum lease payments under capital lease agreements together with the present value of the net minimum lease payments as of December 31, 2007:

Years Ending December 31,	Amount
2008	\$ 307,236
2009	225,003
2010	148,701
2011	100,090
2012	35,995
Total minimum lease payments	817,025
Amount representing interest	(54,544)
Present value of net minimum lease payments	\$ 762,481

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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The cost of capital assets purchased under the capital leases are as follows:

Land improvements	\$ 15,509
Machinery and equipment	<u>1,345,831</u>
	<u>\$ 1,361,340</u>

Amortization of assets purchased under capital leases is included in depreciation expense.

During March 2008, the Township entered into an additional capital lease to finance equipment purchases approved in the 2008 budget.

### Borrowing Capacity

The estimated borrowing base of the Township at December 31, 2007 was \$9,827,669. The estimated non-electoral or non-self-liquidating borrowing capacity of the Township at base percent (250%) is \$24,569,173. These amounts were determined as follows:

Total revenues and other financing sources - most current three years	\$ 44,083,727
Proceeds from the disposition of capital assets and other nonrecurring items, including bond or note proceeds – most current three years	<u>(14,600,719)</u>
Total adjusted revenues – most current three years	<u>\$ 29,483,008</u>
Borrowing base (total adjusted revenues/3)	<u>\$ 9,827,669</u>
Debt limit (250% of borrowing base)	\$ 24,569,173
Amount of debt applicable to debt limit	<u>(14,237,481)</u>
Legal debt margin	<u>\$ 10,331,692</u>

Article II of the Pennsylvania Local Government Unit Debt Act (P.L. 781) places limits on debt that has not received voter approval. Debt that is subsidized or self-liquidating may be excluded from the limitation with state approval.

### Defeased Debt

On May 1, 2007, the Township advanced refunded \$1,560,000 aggregate principal amount of a portion of the Series of 2005 bonds. The advanced refunding decreased its total debt

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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service payments by \$1,560,000 through the year 2010 and resulted in an insignificant economic loss (difference between the present values of the old and new debt service payments). Debt service payments on the refunded debt increased approximately \$230,000 due to the extended repayment terms.

The Township has invested monies in escrow with the Trustee sufficient to pay the outstanding defeased portion of the Series of 2005 Bonds to maturity. As of December 31, 2007, \$1,190,000 of the defeased portion of the Series of 2005 Bonds are outstanding.

### **7. RELATED ORGANIZATIONS**

The Lower Allen Township Authority (Authority) is excluded from the financial reporting entity because the Township's accountability does not extend beyond making appointments. Financial statements are available from the Authority.

The Authority is related in certain aspects to the Township, but does not meet the criteria of a component unit as provided for in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39. The criteria used to determine inclusion or exclusion of a potential component unit in the Township's financial statements is financial accountability.

The Authority is a separate legal entity, corporate and politic. The Township has no obligation or moral responsibility for financing their deficits or guaranteeing their debts, nor is it entitled to their surpluses. The Authority designates its own management without consultation or influence by the Township. The Authority, separately and without Township influence, establishes budgets and accounting procedures, enters into contracts, exercises control over facilities and property, and determines the outcome or disposition of matters affecting the recipients of the services being provided. Furthermore, the Authority is fully responsible for its own fiscal management and revenue characteristics.

The governing body of the Authority consists of five members appointed by the Township Board of Commissioners. Each is appointed for a five-year term. One member is appointed each year. Once appointed, a member can only be removed for just cause by the County Court of Quarter Sessions. At December 31, 2007, one Township commissioner was also a member of the governing board of the Township Authority.

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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### 8. COMMITMENTS AND CONTINGENCIES

#### A. *Litigation*

There are several pending lawsuits in which the Township is involved. These lawsuits pertain to zoning ordinances and are covered by insurance. The Board of Commissioners intends to oppose, through its insurance carrier, all of the lawsuits mentioned above.

#### B. *Grants*

In the normal course of business, the Township receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with the conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

#### C. *Construction*

The Township is committed for capital projects disbursements in the approximate amount of \$3,198,533 as of December 31, 2007.

### 9. RETIREMENT PLANS

#### *Plan Descriptions, Contribution Information, and Funding Policies*

##### *General*

The Lower Allen Township Non-Uniform Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of the Township Ordinance adopted pursuant to Act 205. The plan is governed by Lower Allen Township, which may amend provisions, and which is responsible for the management of plan assets. Lower Allen Township has contracted with Principal Financial Group to manage plan assets. The Plan does not issue a separate report.

The Lower Allen Township Police Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Township Ordinance adopted pursuant to Act 600. The Plan is governed by Lower Allen Township, which may amend provisions, and which is responsible for the management of plan assets. Lower Allen Township has contracted with Principal Financial Group to manage plan assets. The Plan does not issue a separate report.

The Lower Allen Township Volunteer Firefighter's Service Award Program is a single-employer defined benefit pension plan controlled by Township ordinance. The Plan is governed by Lower Allen Township which may amend provisions, and which is responsible

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

for the management of plan assets. Lower Allen Township has contracted with A G Edwards to manage plan assets. The Plan does not issue a separate report.

### Plan Membership

The pension plan's membership consisted of:

	<u>Township Non-Uniform Pension Plan - January 1, 2007</u>	<u>Police Pension Plan - January 1, 2007</u>	<u>Volunteer Fire- Fighter's Service Award Program - March 31, 2007</u>
Active members	46	20	48
Retirees and beneficiaries currently receiving benefits	10	12	4
Terminated employees entitled to benefits but not yet receiving them	16	3	1
Total	72	35	53

### Benefit Provisions

As of January 1, 2007, the Township Non-Uniform and Police Pension Plan benefit provisions were as follows:

<u>Eligibility Requirements</u>	<u>Township Non-Uniform Pension Plan</u>	<u>Police Pension Plan</u>
Normal retirement	Attained age 65	Attained age 50 with 25 years of service
Early retirement	Attained age 55 with 12 years of vesting service	None
Vesting	20% after three years of service plus 20% each year thereafter	100% after 12 years of vesting service

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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<u>Eligibility Requirements</u>	<u>Township Non-Uniform Pension Plan</u>	<u>Police Pension Plan</u>
Retirement benefit	45% of average compensation times accrued benefit adjustment times short service percentage, plus the benefit which could be provided by the participant's transfer value. Average compensation is the monthly average of compensation for the five consecutive years out of the ten latest years prior to such given date	50% of average compensation times accrued benefit adjustment, plus \$10 per year of service over 25 years with a maximum of \$100 on the service increment piece. Average compensation is the monthly average of fixed pay on the 36 latest compensation months prior to such given date
Survivor benefit	Monthly annuity payable to spouse. The amount is that which would have been payable if the participant had elected a joint and 50% survivorship benefit option and early retirement the day before death	If the participant dies in the course of employment, a monthly annuity payable until the later of the date of the eligible spouse's death or the date there is no longer a surviving dependent child of the participant at 100% of the final one month salary prior to the date of death. If the participant death does not arise out of or in the course of employment, a monthly annuity payable until the later of the date of the eligible spouse's death or the date there is no longer a surviving dependent child of the participant at 50% of pension the member would have been receiving had they been retired at the time of death.

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# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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<u>Eligibility Requirements</u>	<u>Township Non-Uniform Pension Plan</u>	<u>Police Pension Plan</u>
Disability benefits	Single sum payment equal to the participant's transfer value	Monthly income payable until normal retirement, death or recovery and a deferred annuity payable at normal retirement date. Amount is equal to 50% of a member's final one month salary prior to the date of disability offset by social security benefits.
Post retirement adjustments	None	None
Death benefits	Single sum death benefit equal to the participant's transfer value on the date of death.	Single sum death benefit equal to the participant's required contribution account on date of death, if not eligible for the pre-retirement death benefit or survivor benefit described above.
Other benefits	None	None

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

As of March 31, 2007, the Volunteer Firefighter's Service Award Program benefit provisions were as follows:

### Eligibility Requirements

Normal retirement	Attained age 65 with 5 years of service
Early retirement	None
Vesting	20% after three years of service plus 20% each year thereafter
Retirement benefit	Monthly pension payable is \$5 multiplied by the participant's years of credited service subject to a maximum of 30 years. Payment is for the life of the participant with 120 months guaranteed.
Disability benefit	A monthly pension benefit equal to your accrued benefit at the date of disability
Death benefit	A monthly pension to the spouse equal to 100% of the participant's accrued monthly pension at the date of death

### Investments That Represent Five Percent or More of Net Assets Available for Benefits

At December 31, 2007, the following are investments (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization, that represent five percent or more of net assets available for benefits:

	<u>Township</u> <u>Non-Uniform Pension Plan</u>	<u>Police</u> <u>Pension Plan</u>
Principal Financial Group	\$ 3,260,885	\$ 6,816,187
Mutual funds:		<u>Volunteer Firefighter's</u> <u>Service Award Program</u>
American Balanced Fund, Inc.		\$ 54,356
Capital World Bond Fund		9,664
Capital Income Builder Fund		48,524

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

### Actuarial Assumptions

For the Township Non-Uniform and Police Pension Plans, the actuarial accrued liability was determined as part of an actuarial valuation at January 1, 2007, the most recently filed actuarial valuation report. This report was based upon the entry age normal cost method and the following significant actuarial assumptions:

	<u>Township Non-Uniform Pension Plan</u>	<u>Police Pension Plan</u>
Valuation interest		
Pre-retirement	7.75%	7.75%
Post-retirement	7.75%	7.75%
Inflation rate	3.0%	3.0%
Mortality		
Pre-retirement	None	None
Post-retirement	RP-2000 Group Mortality Table (male, female)	RP-2000 Group Mortality Table (male, female)
Expenses	Estimated administrative and actuarial plan expenses	Estimated administrative and actuarial plan expenses
Salary scale	4.75% increase per year	5.0% increase per year
Retirement age	65	50 with 25 years of service
Withdrawal	None	None
Disability	None	None
Percent Marriage/Age Spread	75% married; male is 3 years older than the female	75% married; male is 3 years older than the female
Amortization Method	Level Dollar over a Closed Period	Level Dollar over a Closed Period
Weighted Average Remaining Period	17 years	16 years
Actuarial Value of Assets	Market value	Market value

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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For the Volunteer Firefighter's Service Award Program, the actuarial accrued liability was determined as part of an actuarial valuation at March 31, 2007, the most recently filed actuarial valuation report. This report was based upon the frozen initial liability cost method and the following significant actuarial assumptions:

Valuation interest	
Pre-retirement	7.00%
Post-retirement	7.00%
Mortality	
Pre-retirement	1983 Group Annuity Table (Unisex)
Post-retirement	1983 Group Annuity Table (Unisex)
Expenses	Estimated administrative and actuarial plan expenses paid by the plan
Salary increases	None
Termination rates	None
Disablement rates	None
Retirement age	65 with 5 years of service
Social security table	January 1999
Consumer price index	None
Growth in average national wages	None

### Contributions Required and Contributions Made

#### General – Township Non-Uniform and Police Pension Plans

Act 205 requires that annual contributions to the plan be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

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# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

Investment expenses, including investment manager and custodial services, are funded through investment earnings.

Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

### Township Non-Uniform Pension Plan

Active members are not required to contribute a percent of income to the plan.

### Police Pension Plan

Each active participant shall make required monthly contributions of up to 5% of compensation. The participant's required contribution account is 100% vested at all times. If an actuarial study shows that the condition of the plan is such that payments to the plan by active participants may be reduced or eliminated and, if such payments are reduced or eliminated, contributions by the Township will not be required to keep the plan actuarially sound. The Township may, on an annual basis, by resolution, reduce or eliminate required contributions. The employee contributions are currently waived.

### Volunteer Firefighter's Service Award Program

The Plan requires that the Township fund the full cost of all contributions.

### Trend Information

Fiscal Year	<u>Township Non-Uniform Pension Plan</u>			<u>Police Pension Plan</u>		
	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (Asset)	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (Asset)
2005	\$ 93,839	100.00%	\$ (6,465)	\$ 202,326	100.00%	\$ (3,581)
2006	83,041	100.00%	(11,953)	139,911	100.00%	(3,444)
2007	93,784	100.00%	(11,504)	156,626	100.00%	(3,315)

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

### Volunteer Firefighter's Service Award Program

Fiscal Year	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (Asset)
2005	\$ 18,000	100.00%	\$ (5,200)
2006	18,000	100.00%	(5,200)
2007	18,000	100.00%	(5,200)

The Township has a net pension obligation (NPO) (asset) as follows:

	Township Non-Uniform Pension Plan 2007	Police Pension Plan 2007	Volunteer Firefighter's Service Award Program 2007
Annual required contribution	\$ 93,784	\$ 156,626	\$ 18,000
Interest on NPO	(926)	(267)	-
Adjustment to ARC	1,375	396	-
	94,233	156,755	18,000
Annual pension cost	94,233	156,755	18,000
Contribution made	(93,784)	(156,626)	(18,000)
	449	129	-
Change in NPO (asset)	449	129	-
NPO (asset), beginning	(11,953)	(3,444)	(5,200)
NPO (asset), ending	\$ (11,504)	\$ (3,315)	\$ (5,200)

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

### *Pension Financial Statements*

Financial statements for the individual pension plans are presented below:

#### **Statement of Fiduciary Net Assets December 31, 2007**

	Township Non-Uniform Pension Trust Fund	Police Pension Trust Fund	Volunteer Firefighter's Service Award Program
Assets:			
Investments:			
Money market funds	\$ -	\$ -	\$ 5,419
Mutual funds - equities	-	-	117,682
Mutual funds - fixed income	1,128,659	2,255,204	-
Other investments	2,132,226	4,560,983	-
Total Assets	3,260,885	6,816,187	123,101
Net assets reserved for employee benefits	\$ 3,260,885	\$ 6,816,187	\$ 123,101

#### **Statement of Changes in Fiduciary Net Assets Year Ended December 31, 2007**

	Township Non-Uniform Pension Trust Fund	Police Pension Trust Fund	Volunteer Firefighter's Service Award Program
Additions:			
Contributions:			
Employer contributions	\$ 93,784	\$ 156,626	\$ 18,000
Investment income:			
Net appreciation in fair value of investments	219,548	483,559	823
Interest earnings	-	-	7,445
Net investment income	219,548	483,559	8,268
Total additions	313,332	640,185	26,268
Deductions:			
Benefits	90,853	238,554	9,897
Administrative expenses	23,342	28,361	-
Total deductions	114,195	266,915	9,897
Increase in plan net assets	199,137	373,270	16,371
Net assets held in trust for pension benefits:			
Beginning of year	3,061,748	6,442,917	106,730
End of year	\$ 3,260,885	\$ 6,816,187	\$ 123,101

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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### **10. OTHER POSTRETIREMENT BENEFITS**

The Township provides postretirement health, vision, and dental coverage for certain retirees, per a collective bargaining agreement. The Township pays 100% of the health, vision and dental coverage for a period of eighteen months for employees who retire from full-time service. Subsequent to the eighteen month period, but prior to the participant becoming Medicare eligible, the Township pays 100% of the health coverage. Once the participant becomes Medicare eligible, the Township pays 50% of an eligible spouse's health coverage. The Township finances the plan on a pay-as-you-go basis. For the year ended December 31, 2007, there were four participants using the postretirement benefits at a cost to the Township of \$24,667.

## REQUIRED SUPPLEMENTARY INFORMATION

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL - GENERAL FUND (BUDGET BASIS)

YEAR ENDED DECEMBER 31, 2007

	Budget		Actual Amounts	Variance of Actual with Final Budget Positive (Negative)
	Original Amounts	Final Amounts		
<b>Revenues:</b>				
Real estate taxes	\$ 1,242,537	\$ 1,242,537	\$ 1,261,790	\$ 19,253
Other taxes	3,506,025	3,506,025	3,304,495	(201,530)
Licenses and permits	242,700	242,700	264,304	21,604
Fines and forfeits	106,000	106,000	125,837	19,837
Investment earnings	74,000	74,000	112,420	38,420
Rents	48,000	48,000	44,655	(3,345)
Intergovernmental revenue	464,552	464,552	319,622	(144,930)
Charges for services	2,329,791	2,329,791	2,348,198	18,407
Miscellaneous revenues	108,500	108,500	216,721	108,221
<b>Total revenues</b>	<b>8,122,105</b>	<b>8,122,105</b>	<b>7,998,042</b>	<b>(124,063)</b>
<b>Expenditures:</b>				
Current:				
General government:				
General government	390,579	390,579	385,890	4,689
Financial administration	266,420	266,420	264,338	2,082
Tax collection	70,435	70,435	72,754	(2,319)
Community and personnel	103,770	103,770	103,658	112
Information services	121,469	121,469	117,677	3,792
Municipal building	127,855	127,855	134,667	(6,812)
Fleet maintenance	231,625	231,625	235,594	(3,969)
<b>Total general government</b>	<b>1,312,153</b>	<b>1,312,153</b>	<b>1,314,578</b>	<b>(2,425)</b>
Public safety:				
Police protection	2,632,839	2,632,839	2,611,320	21,519
Ambulance service	536,236	536,236	573,010	(36,774)
Code enforcement	639,883	639,883	639,461	422
Public safety administration	387,657	387,657	373,164	14,493
<b>Total public safety</b>	<b>4,196,615</b>	<b>4,196,615</b>	<b>4,196,955</b>	<b>(340)</b>
Public works:				
Yard waste recycling	71,651	71,651	75,578	(3,927)
Sanitation services	1,013,417	1,013,417	802,857	210,560
Highways	790,452	790,452	867,216	(76,764)
<b>Total public works</b>	<b>1,875,520</b>	<b>1,875,520</b>	<b>1,745,651</b>	<b>129,869</b>
Parks and recreation:				
Parks and recreation	458,190	458,190	421,478	36,712
Shade trees	1,031	1,031	950	81
Libraries	2,950	2,950	2,600	350
<b>Total parks and recreation</b>	<b>462,171</b>	<b>462,171</b>	<b>425,028</b>	<b>37,143</b>
Miscellaneous expenditures	78,200	78,200	64,337	13,863
Debt service principal	197,233	197,233	193,389	3,844
Debt service interest and fiscal charges	18,130	18,130	16,410	1,720
<b>Total expenditures</b>	<b>8,140,022</b>	<b>8,140,022</b>	<b>7,956,348</b>	<b>183,674</b>

(Continued)

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL - GENERAL FUND (BUDGET BASIS)

(Continued)

YEAR ENDED DECEMBER 31, 2007

	Budget		Actual Amounts	Variance of Actual with Final Budget Positive (Negative)
	Original Amounts	Final Amounts		
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(17,917)	(17,917)	41,694	59,611
<b>Other Financing Sources (Uses):</b>				
Transfers in	146,336	146,336	146,336	-
Transfers out	(462,471)	(462,471)	(463,690)	(1,219)
Proceeds from sale of general capital assets	33,500	33,500	17,907	(15,593)
Issuance of general long-term debt	332,295	332,295	331,515	(780)
Total other financing sources (uses)	49,660	49,660	32,068	(17,592)
<b>Net Change in Fund Balance</b>	31,743	31,743	73,762	42,019
<b>Fund Balance:</b>				
Beginning of year	1,571,714	1,571,714	1,571,714	-
End of year	<u>\$ 1,603,457</u>	<u>\$ 1,603,457</u>	<u>\$ 1,645,476</u>	<u>\$ 42,019</u> (Concluded)

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2007

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### 1. BUDGETARY BASIS OF ACCOUNTING

An annual GAAP basis budget is adopted for the General Fund. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

### 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### *Excess of Expenditures Over Appropriations*

	<u>Appropriation</u>	<u>Expenditures</u>	Percentage Over <u>Appropriation</u>
Tax collection	\$ 70,435	\$ 72,754	103.3%
Municipal building	127,855	134,667	105.3%
Fleet maintenance	231,625	235,594	101.7%
Ambulance service	536,236	573,010	106.9%
Yard waste recycling	71,651	75,578	105.5%
Highways	790,452	867,216	109.7%

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund and accumulated fund balance.

In compliance with First Class Township Code, the adopted budget shall reflect as nearly as possible the estimated revenue and expenditures of the Township for the year for which the budget is prepared. If, upon any revision of the budget, it appears that the estimated expenditures will be increased by more than ten percent of the budgeted fund total or more than twenty-five percent in any individual item, a budget amendment must be prepared and duly advertised affording the taxpayers the opportunity to examine and protest such increases.

### 3. BUDGET TO ACTUAL COMPARISONS

The General Fund's budget comparison is presented in the Other Required Supplementary Information section. The budgeted nonmajor fund and major capital projects fund budget comparisons are presented in the combining section.

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation January 1,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Unfunded (Assets in Excess of) Actuarial Accrued Liability (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability as a Percent of Payroll (3)/(5)
<b>Township Non-Uniform Pension Plan</b>						
1997	\$ 784,305	\$ 1,073,766	\$ 289,461	73.04%	\$ 1,025,204	28.23%
1999	1,624,633	1,597,059	(27,574)	101.73%	1,144,538	-2.41%
2001	1,867,802	1,835,273	(32,529)	101.77%	1,204,032	-2.70%
2003	1,982,757	2,127,761	145,004	93.19%	1,256,330	11.54%
2005	2,550,380	2,582,762	32,382	98.75%	1,458,272	2.22%
2007	3,061,748	2,979,376	(82,372)	102.76%	1,723,255	-4.78%

Actuarial Valuation January 1,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Unfunded (Assets in Excess of) Actuarial Accrued Liability (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability as a Percent of Payroll (3)/(5)
<b>Police Pension Plan</b>						
1997	\$ 2,202,794	\$ 2,025,485	\$ (177,309)	108.75%	\$ 804,580	-22.04%
1999	3,501,591	3,276,136	(225,455)	106.88%	809,978	-27.83%
2001	3,943,477	3,985,107	41,630	98.96%	938,176	4.44%
2003	4,146,436	4,454,910	308,474	93.08%	1,003,159	30.75%
2005	5,342,647	5,071,773	(270,874)	105.34%	1,187,032	-22.82%
2007	6,442,917	5,749,253	(693,664)	112.07%	1,404,241	-49.40%

Actuarial Valuation April 1,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Unfunded (Assets in Excess of) Actuarial Accrued Liability (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability as a Percent of Payroll (3)/(5)
<b>Volunteer Firefighter's Service Award Program</b>						
2000	\$ 17,085	\$ 42,260	\$ 25,175	40.43%	N/A	N/A
2002	43,050	39,399	(3,651)	109.27%	N/A	N/A
2004	74,004	165,534	91,530	44.71%	N/A	N/A
2005	69,112	181,243	112,131	38.13%	N/A	N/A
2007	107,091	222,788	115,697	48.07%	N/A	N/A

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
<b>Township Non-Uniform Pension Plan</b>			
2002	\$ 65,929	\$ 65,929	100.00%
2003	68,410	68,410	100.00%
2004	92,177	92,177	100.00%
2005	93,581	93,581	100.00%
2006	82,793	88,529	106.93%
2007	93,784	93,784	100.00%

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
<b>Police Pension Plan</b>			
2002	\$ 116,486	\$ 116,500	100.01%
2003	115,985	118,487	102.16%
2004	185,434	185,434	100.00%
2005	202,183	202,183	100.00%
2006	139,774	139,774	100.00%
2007	156,626	156,626	100.00%

<u>Year Ended March 31,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
<b>Volunteer Firefighter's Service Award Program</b>			
2002	\$ 16,071	\$ 16,071	100.00%
2003	12,600	12,600	100.00%
2004	13,389	13,389	100.00%
2005	18,000	18,000	100.00%
2006	18,000	18,000	100.00%
2007	18,000	18,000	100.00%

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2007

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Six-year historical trend information about the plan is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, accrued liability and unfunded accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the accrued liability provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

Trends in unfunded accrued liability and annual covered payroll are both affected by inflation. Expressing unfunded accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded accrued liability, the smaller this percentage, the stronger the plan. However, when assets are in excess of the accrued liability, the higher the bracketed percentage, the stronger the plan.

**LOWER ALLEN TOWNSHIP, PENNSYLVANIA**  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED DECEMBER 31, 2007

Significant Factors Affecting Schedules

The following changes affect the comparability of costs since the 1997 Plan year.

Actual Valuation Date	Reason(s)	Change in Actuarial Accrued Liability
<b>Township Non-Uniform Pension Plan</b>		
1-1-99	Assumption change	\$ (119,714)
1-1-01	Assumption change	(32,529)
1-1-07	Assumption change	98,218
Actual Valuation Date	Reason(s)	Change in Actuarial Accrued Liability
<b>Police Pension Plan</b>		
1-1-99	Assumption change/benefit change	\$ 65,441
1-1-03	Assumption change/benefit change	251
1-1-07	Assumption change	(89,175)

## SUPPLEMENTARY INFORMATION

**LOWER ALLEN TOWNSHIP, PENNSYLVANIA**  
NONMAJOR GOVERNMENTAL FUNDS - DESCRIPTION OF FUNDS  
YEAR ENDED DECEMBER 31, 2007

Streetlight Fund

Operation and maintenance of Township streetlights. Financing is provided by assessments collected from property owners having property benefiting from street lighting.

Fire Services Fund

Operation and support of the Lower Allen Fire Company and the Lisburn Fire Company by allocating monies to cover fire department expenditures.

Highway Aid Fund

Maintenance and construction of Township highways, storm sewers, traffic signals and bridges. Financing is provided by the Township's share of the state liquid fuels tax.

Picnic Fund

Operation and administration of the annual July Fourth Picnic. Financing is provided by private contributions and Township contributions.

Road Improvement Fund

This fund is used to account for monies provided by the developer of High Meadows, to be used for the future development of Thompson Lane.

Beacon Hill Recreation Fund

Monies held in this fund were provided by the developers of the various phases of the Beacon Hill Heights subdivision for the development of recreational land within the Foxlea, Hunter's Ridge, Heights, and Beacon Hill phases of the development.

Lower Allen Park (LAP) Recreation Fund

Monies held in this fund are provided by developers of residential developments within a one mile radius of the Township's community park for improvements to the park, in lieu of providing separate recreation areas within the subdivisions.

Friends of Fun Fort Fund

This fund is used to account for monies provided by the public for maintenance of the Fun Fort located at the Lower Allen Township Park.

Yetter Memorial Field Fund

Monies provided by the public for the creation of a baseball field in Lower Allen Township.

**LOWER ALLEN TOWNSHIP, PENNSYLVANIA**  
NONMAJOR GOVERNMENTAL FUNDS - DESCRIPTION OF FUNDS  
YEAR ENDED DECEMBER 31, 2007

*Dog Park Escrow Fund*

Monies provided by the public for the maintenance of the Dog Park located at the Lower Allen Township Park.

**LOWER ALLEN TOWNSHIP, PENNSYLVANIA**  
**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

DECEMBER 31, 2007

<b>Assets</b>		Streetlight Fund	Fire Services Fund	Highway Aid Fund	Picnic Fund	Road Improvement Fund	Beacon Hill Recreation Fund	LAP Recreation Fund	Friends of Fun Fort Fund	Yetter Memorial Field Fund	Dog Park Escrow Fund	Totals
Cash and cash equivalents	\$ 15,446	\$ 234,013	\$ 124,667	\$ 1,353	\$ 15,950	\$ 4,883	\$ 165,814	\$ 2,412	\$ 4,488	\$ 9,171	\$ 578,197	
Receivables, net:												
Taxes	4,613	20,679	-	-	-	-	-	-	-	-	25,292	
Accounts	-	962	1,626	-	-	-	-	-	-	-	2,588	
Other Assets	-	5,200	-	-	-	-	-	-	-	-	5,200	
<b>Total Assets</b>	<b>\$ 20,059</b>	<b>\$ 260,854</b>	<b>\$ 126,293</b>	<b>\$ 1,353</b>	<b>\$ 15,950</b>	<b>\$ 4,883</b>	<b>\$ 165,814</b>	<b>\$ 2,412</b>	<b>\$ 4,488</b>	<b>\$ 9,171</b>	<b>\$ 611,277</b>	
<b>Liabilities and Fund Balance</b>												
<b>Liabilities:</b>												
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,750	\$ -	\$ -	\$ -	\$ 8,750	
Vouchers payable	124	4,444	-	-	-	-	-	-	-	-	4,568	
Deferred revenue	2,513	8,750	18,973	-	-	-	-	-	-	-	30,236	
<b>Total Liabilities</b>	<b>2,637</b>	<b>13,194</b>	<b>18,973</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,554</b>	
<b>Fund Balance:</b>												
Reserved for:												
Public safety	-	247,660	-	-	-	-	-	-	-	-	247,660	
Public works	17,422	-	107,320	-	15,950	-	-	-	-	-	140,692	
Parks and recreation	-	-	-	1,353	-	4,883	157,064	2,412	4,488	9,171	179,371	
<b>Total Fund Balance</b>	<b>17,422</b>	<b>247,660</b>	<b>107,320</b>	<b>1,353</b>	<b>15,950</b>	<b>4,883</b>	<b>157,064</b>	<b>2,412</b>	<b>4,488</b>	<b>9,171</b>	<b>567,723</b>	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 20,059</b>	<b>\$ 260,854</b>	<b>\$ 126,293</b>	<b>\$ 1,353</b>	<b>\$ 15,950</b>	<b>\$ 4,883</b>	<b>\$ 165,814</b>	<b>\$ 2,412</b>	<b>\$ 4,488</b>	<b>\$ 9,171</b>	<b>\$ 611,277</b>	

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

YEAR ENDED DECEMBER 31, 2007

	Streetlight Fund	Fire Services Fund	Highway Aid Fund	Picnic Fund	Road Improvement Fund	Beacon Hill Recreation Fund	LAP Recreation Fund	Friends of Fun Fort Fund	Yetter Memorial Field Fund	Dog Park Escrow Fund	Totals
<b>Revenues:</b>											
Real estate taxes	\$ 95,307	\$ 616,243	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 711,550
Investment earnings	1,550	12,550	16,009	126	671	231	6,856	152	85	350	38,580
Intergovernmental revenue	-	-	337,957	-	-	-	-	-	-	-	337,957
Charges for services	776	-	28,295	-	-	-	-	-	-	-	29,071
Miscellaneous revenues	792	-	-	1,021	9,000	-	56,000	300	4,126	200	71,439
<b>Total revenues</b>	<b>98,425</b>	<b>628,793</b>	<b>382,261</b>	<b>1,147</b>	<b>9,671</b>	<b>231</b>	<b>62,856</b>	<b>452</b>	<b>4,211</b>	<b>550</b>	<b>1,188,597</b>
<b>Expenditures:</b>											
Public safety	-	243,547	-	-	-	-	-	-	-	-	243,547
Public works	94,745	-	468,595	-	-	-	-	-	-	-	563,340
Parks and recreation	-	-	-	3,201	-	-	1,070	2,192	109	22	6,594
Debt service principal	-	-	86,924	-	-	-	-	-	-	-	86,924
Debt service interest and fiscal charges	-	-	7,300	-	-	-	-	-	-	-	7,300
<b>Total expenditures</b>	<b>94,745</b>	<b>243,547</b>	<b>562,819</b>	<b>3,201</b>	<b>-</b>	<b>-</b>	<b>1,070</b>	<b>2,192</b>	<b>109</b>	<b>22</b>	<b>907,705</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>3,680</b>	<b>385,246</b>	<b>(180,558)</b>	<b>(2,054)</b>	<b>9,671</b>	<b>231</b>	<b>61,786</b>	<b>(1,740)</b>	<b>4,102</b>	<b>528</b>	<b>280,892</b>
<b>Other Financing Sources (Uses)</b>											
Transfers in	-	-	-	-	-	-	-	-	-	3,690	3,690
Transfers out	-	(137,586)	-	-	-	-	(8,750)	-	-	-	(146,336)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(137,586)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,750)</b>	<b>-</b>	<b>-</b>	<b>3,690</b>	<b>(142,646)</b>
<b>Net Change in Fund Balance</b>	<b>3,680</b>	<b>247,660</b>	<b>(180,558)</b>	<b>(2,054)</b>	<b>9,671</b>	<b>231</b>	<b>53,036</b>	<b>(1,740)</b>	<b>4,102</b>	<b>4,218</b>	<b>138,246</b>
<b>Fund Balance:</b>											
Beginning of year	13,742	-	287,878	3,407	6,279	4,652	104,028	4,152	386	4,953	429,477
End of year	<b>\$ 17,422</b>	<b>\$ 247,660</b>	<b>\$ 107,320</b>	<b>\$ 1,353</b>	<b>\$ 15,950</b>	<b>\$ 4,883</b>	<b>\$ 157,064</b>	<b>\$ 2,412</b>	<b>\$ 4,488</b>	<b>\$ 9,171</b>	<b>\$ 567,723</b>

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL

### NONMAJOR GOVERNMENTAL FUND - STREETLIGHT FUND

YEAR ENDED DECEMBER 31, 2007

	Budget		Actual Amounts	Variance of Actual with Final Budget Positive (Negative)
	Original Amounts	Final Amounts		
<b>Revenues:</b>				
Real estate taxes	\$ 101,000	\$ 101,000	\$ 95,307	\$ (5,693)
Investment earnings	1,000	1,000	1,550	550
Charges for services	1,200	1,200	776	(424)
Miscellaneous revenues	-	-	792	792
<b>Total revenues</b>	<b>103,200</b>	<b>103,200</b>	<b>98,425</b>	<b>(4,775)</b>
<b>Expenditures:</b>				
Public works	95,989	95,989	94,745	1,244
<b>Net Change in Fund Balance</b>	<b>7,211</b>	<b>7,211</b>	<b>3,680</b>	<b>(3,531)</b>
<b>Fund Balance:</b>				
Beginning of year	13,742	13,742	13,742	-
End of year	<u>\$ 20,953</u>	<u>\$ 20,953</u>	<u>\$ 17,422</u>	<u>\$ (3,531)</u>

**LOWER ALLEN TOWNSHIP, PENNSYLVANIA**  
**BUDGETARY COMPARISON SCHEDULE -**  
**BUDGET AND ACTUAL**  
**NONMAJOR GOVERNMENTAL FUND - FIRE SERVICES FUND**  
**YEAR ENDED DECEMBER 31, 2007**

	Budget		Actual Amounts	Variance of Actual with Final Budget Positive (Negative)
	Original Amounts	Final Amounts		
<b>Revenues:</b>				
Real estate taxes	\$ 610,769	\$ 610,769	\$ 616,243	\$ 5,474
Investment earnings	10,000	10,000	12,550	2,550
Total revenues	<u>620,769</u>	<u>620,769</u>	<u>628,793</u>	<u>8,024</u>
<b>Expenditures:</b>				
Public Safety	240,123	240,123	243,547	(3,424)
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	380,646	380,646	385,246	4,600
<b>Other Financing Uses:</b>				
Transfers out	(137,586)	(137,586)	(137,586)	-
<b>Net Change in Fund Balance</b>	243,060	243,060	247,660	4,600
<b>Fund Balance:</b>				
Beginning of year	-	-	-	-
End of year	<u>\$ 243,060</u>	<u>\$ 243,060</u>	<u>\$ 247,660</u>	<u>\$ 4,600</u>

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL

### NONMAJOR GOVERNMENTAL FUND - HIGHWAY AID FUND

YEAR ENDED DECEMBER 31, 2007

	Budget		Actual Amounts	Variance of Actual with Final Budget Positive (Negative)
	Original Amounts	Final Amounts		
<b>Revenues:</b>				
Investment earnings	\$ 7,000	\$ 7,000	\$ 16,009	\$ 9,009
Intergovernmental revenue	336,529	336,529	337,957	1,428
Charges for services	27,500	27,500	28,295	795
 Total revenues	 371,029	 371,029	 382,261	 11,232
<b>Expenditures:</b>				
Public works	440,105	440,105	468,595	(28,490)
Debt service				
Principal	82,925	82,925	86,924	(3,999)
Interest and fiscal charges	7,300	7,300	7,300	-
 Total expenditures	 530,330	 530,330	 562,819	 (32,489)
<b>Net Change in Fund Balance</b>	(159,301)	(159,301)	(180,558)	(21,257)
<b>Fund Balance:</b>				
Beginning of year	287,878	287,878	287,878	-
 End of year	 <u>\$ 128,577</u>	 <u>\$ 128,577</u>	 <u>\$ 107,320</u>	 <u>\$ (21,257)</u>

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL

### NONMAJOR GOVERNMENTAL FUND - PICNIC FUND

YEAR ENDED DECEMBER 31, 2007

	Budget		Actual Amounts	Variance of Actual with Final Budget Positive (Negative)
	Original Amounts	Final Amounts		
<b>Revenues:</b>				
Investment earnings	\$ 100	\$ 100	\$ 126	\$ 26
Miscellaneous revenues	900	900	1,021	121
Total revenues	1,000	1,000	1,147	147
<b>Expenditures:</b>				
Parks and recreation	3,600	3,600	3,201	399
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(2,600)	(2,600)	(2,054)	546
<b>Other Financing Sources:</b>				
Transfers in	2,600	2,600	-	(2,600)
<b>Net Change in Fund Balance</b>	-	-	(2,054)	(2,054)
<b>Fund Balance:</b>				
Beginning of year	3,407	3,407	3,407	-
End of year	\$ 3,407	\$ 3,407	\$ 1,353	\$ (2,054)

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL

### MAJOR GOVERNMENTAL FUND - CAPITAL IMPROVEMENT FUND

YEAR ENDED DECEMBER 31, 2007

	Budget		Actual Amounts	Variance of Actual with Final Budget Positive (Negative)
	Original Amounts	Final Amounts		
<b>Revenues:</b>				
Real estate taxes	\$ 618,469	\$ 618,469	\$ 626,710	\$ 8,241
Investment earnings	322,000	322,000	427,576	105,576
Rents	-	-	5,000	5,000
Intergovernmental revenue	401,000	401,000	75,000	(326,000)
Miscellaneous revenues	-	-	500	500
<b>Total Revenues</b>	<b>1,341,469</b>	<b>1,341,469</b>	<b>1,134,786</b>	<b>(206,683)</b>
<b>Expenditures:</b>				
General government	6,200	6,200	92,889	(86,689)
Capital outlay	8,823,159	8,823,159	6,350,089	2,473,070
Debt service				
Principal	507,496	507,496	507,809	(313)
Interest and fiscal charges	457,106	457,106	558,361	(101,255)
<b>Total Expenditures</b>	<b>9,793,961</b>	<b>9,793,961</b>	<b>7,509,148</b>	<b>2,284,813</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(8,452,492)</b>	<b>(8,452,492)</b>	<b>(6,374,362)</b>	<b>2,078,130</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	472,871	472,871	460,000	(12,871)
Issuance of general long-term debt	1,644,796	1,644,796	3,267,485	1,622,689
Payment to refunded bond escrow agent	-	-	(1,566,040)	(1,566,040)
<b>Total other financing sources (uses)</b>	<b>2,117,667</b>	<b>2,117,667</b>	<b>2,161,445</b>	<b>43,778</b>
<b>Net Change in Fund Balance</b>	<b>(6,334,825)</b>	<b>(6,334,825)</b>	<b>(4,212,917)</b>	<b>2,121,908</b>
<b>Fund Balance:</b>				
Beginning of year	8,943,751	8,943,751	8,943,751	-
End of year	<u>\$2,608,926</u>	<u>\$2,608,926</u>	<u>\$4,730,834</u>	<u>\$2,121,908</u>

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## TRUST FUNDS - DESCRIPTION OF FUNDS

YEAR ENDED DECEMBER 31, 2007

### Township Non-Uniform Pension Trust Fund

This fund is used to account for the accumulation of resources for pension benefit payments and the withdrawals of qualified distributions of Township personnel.

### Police Pension Trust Fund

This fund is used to account for the accumulation of resources for pension benefit payments and the withdrawals of qualified distributions of police personnel.

### Volunteer Firefighter's Service Award Program

This fund is used to account for the accumulation of resources for pension benefit payments and the withdrawals of qualified distributions of Township firefighters.

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUNDS

DECEMBER 31, 2007

	Township Non-Uniform Pension Trust Fund	Police Pension Trust Fund	Volunteer Firefighter's Service Award Program	Total Pension Trust Funds
<b>Assets</b>				
<hr/>				
Investments:				
Money market funds	\$ -	\$ -	\$ 5,419	\$ 5,419
Mutual funds - equities	-	-	117,682	117,682
Mutual funds - fixed income	1,128,659	2,255,204	-	3,383,863
Other investments	2,132,226	4,560,983	-	6,693,209
<b>Total Assets</b>	<b>3,260,885</b>	<b>6,816,187</b>	<b>123,101</b>	<b>10,200,173</b>
<b>Net Assets</b>				
<hr/>				
Held in trust for pension benefits	<u>\$3,260,885</u>	<u>\$6,816,187</u>	<u>\$ 123,101</u>	<u>\$10,200,173</u>
(a summary of the funding progress for each plan is presented on page 43)				

**LOWER ALLEN TOWNSHIP, PENNSYLVANIA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -**  
**PENSION TRUST FUNDS**

YEAR ENDED DECEMBER 31, 2007

	Township Non-Uniform Pension Trust Fund	Police Pension Trust Fund	Volunteer Firefighter's Service Award Program	Totals
<b>Additions:</b>				
<hr/>				
Contributions:				
Employer contributions	\$ 93,784	\$ 156,626	\$ 18,000	\$ 268,410
Investment income:				
Net appreciation in fair value of investments	219,548	483,559	823	703,930
Interest earnings	-	-	7,445	7,445
Net investment income	219,548	483,559	8,268	711,375
Total additions	313,332	640,185	26,268	979,785
<b>Deductions:</b>				
<hr/>				
Benefits	90,853	238,554	9,897	339,304
Administrative expenses	23,342	28,361	-	51,703
Total deductions	114,195	266,915	9,897	391,007
 <b>Increase in Plan Net Assets</b>	 199,137	 373,270	 16,371	 588,778
<b>Net Assets:</b>				
<hr/>				
Beginning of year	3,061,748	6,442,917	106,730	9,611,395
End of year	<u>\$3,260,885</u>	<u>\$6,816,187</u>	<u>\$ 123,101</u>	<u>\$10,200,173</u>

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## AGENCY FUNDS - DESCRIPTION OF FUNDS

YEAR ENDED DECEMBER 31, 2007

### Developer's Escrow Fund

This fund is used to account for funds received from certain developers pursuant to security agreements. The agreements provide the Township with a stated sum of money which will be returned with interest to the developers upon completion of certain construction.

# LOWER ALLEN TOWNSHIP, PENNSYLVANIA

## COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS

DECEMBER 31, 2007

	<u>Developer's Escrow Fund</u>
<b>Assets</b>	
<hr/>	
Cash and cash equivalents	\$ 110,986
<b>Total Assets</b>	<u>110,986</u>
<b>Liabilities</b>	
<hr/>	
Other payables	<u>110,986</u>
<b>Total Liabilities</b>	<u><u>\$ 110,986</u></u>

**LOWER ALLEN TOWNSHIP, PENNSYLVANIA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -**  
**AGENCY FUNDS**

YEAR ENDED DECEMBER 31, 2007

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
<b>Developer's Escrow Fund</b>				
<b>Assets:</b>				
Cash in bank	\$ 113,002	\$ 30,574	\$ (32,590)	\$ 110,986
<b>Liabilities:</b>				
Due to developers	\$ 113,002	\$ 30,574	\$ (32,590)	\$ 110,986