

Upper Macungie Township

Financial Statements and
Supplementary Information

December 31, 2021

Upper Macungie Township

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Independent Auditors' Report

To the Board of Supervisors of
Upper Macungie Township

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Upper Macungie Township (the Township), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township as of December 31, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Baker Tilly US, LLP

Allentown, Pennsylvania
November 4, 2022

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2021

This discussion and analysis of Upper Macungie Township's (the Township) financial performance provides an overview of the Township's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. Please read it in conjunction with the Township's basic financial statements, as noted in the table of contents.

Financial Highlights

- Real estate property tax remained at 0.64 mills and the earned income tax rate shared with the Parkland School District remained at 1.0% for the Township in 2021.
- The Township continues to have no outstanding debt.
- The assets of the Township exceeded its liabilities by \$125,445,638 (net position).
- The Township's governmental activities total net position increased from 2020 by \$4.2 million or 5.3% and unrestricted net position increased by \$1.1 million or 3.2% in 2021.
- Business-type activities (Sewer and Refuse Funds) net positions increased by \$4.1 million or by 11.1%. The unrestricted portion of net position increased by \$3.6 million or by 15.9%.
- Total current and other assets for both governmental and business-type activities increased by \$8.4 million or 6.8%. This increase in assets is represented by mostly cash and investments.
- The Township was a recipient of the first tranche of ARPA funds in the amount of \$1,318,884.

Using This Annual Report

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

Overview of the Financial Statements

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

Entity-Wide Financial Statements

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

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

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2021

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

Based on the following demographic table (Table 1), the Township is an enviable environment to live, work and transact business.

Table 1 - Demographic Data

	<u>Upper Macungie Township</u>	<u>Lehigh County</u>	<u>Pennsylvania</u>	<u>United States</u>
Per capita income	\$ 48,103	\$ 34,629	\$ 35,518	\$ 35,384
Median family income	94,033	66,214	63,627	64,994
Percent of population below poverty level	2.9%	11.7%	10.9%	11.4%

Source: U.S. Census Bureau, QuickFacts 2016 - 2020

The graph on the next page provides an overview of the various taxes collected during the years 2016 through 2021. Earned income tax (EIT) and local services tax (LST) provide data regarding our residents and employees that live and/or work within the Township's boundaries. Analysis of the EIT revenue shows growth of residents working and living in the Township.

Property tax revenue decreased by \$16,262 as compared to 2020. Attributable to this decrease was an increase in delinquent taxes that were turned over to Portnoff & Associates for collections. Normally, additional commercial and residential growth causes tax revenue to increase slightly, given the same millage.

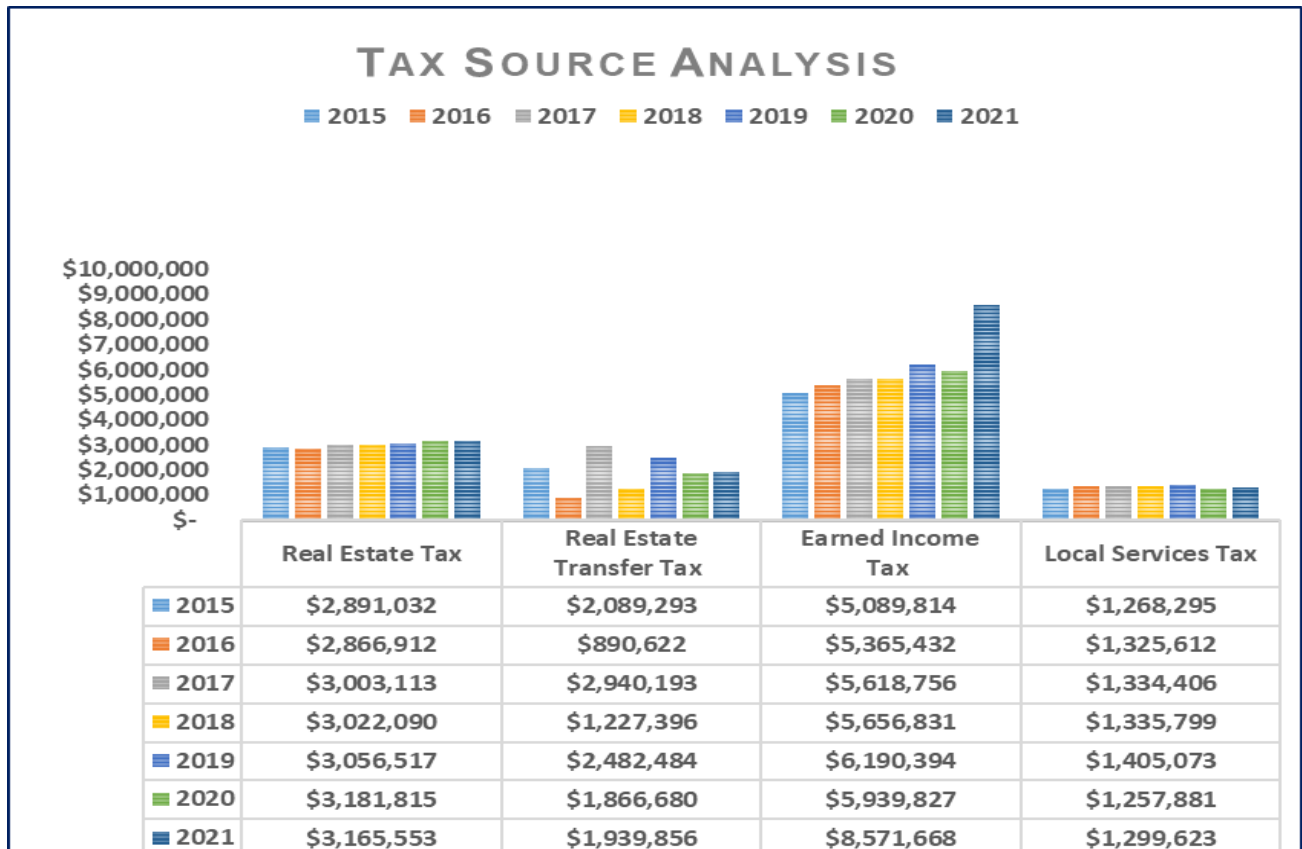
Real estate transfer tax for 2021 totaled \$1,939,856 as a result of \$399,285,933 of real estate sales.

Earned income tax for 2021 increased by \$2,631,841. In 2021, the Township included the February 2022 EIT receipts as an accrual totaling \$1,715,151.

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)
 Year Ended December 31, 2021

Table 2 - Tax Source Analysis
 Years Ended December 31, 2015 through December 31, 2021



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

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

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2021

Table 3 - Sewer & Refuse Rates
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Sewer		
Residential:		
Base rate (annually)	\$ 356.00	\$ 356.00
Discount (5% discount if paid by March 31st)	338.20	338.20
Quarterly	89.00	89.00
Per gallon additional use over 27,000 gallons per quarter	4.18	4.18
Small commercial	91.52	91.52
School/institutional	148.79	148.79
Commercial		
Base rate (monthly)	105.09	105.09
Per 1,000 gallon additional	4.90	4.90
BOD (per pound)	0.32	0.29
TSS (per pound)	0.29	0.35
TKN (per pound)	0.41	0.36
FOG (per pound)	0.52	0.52
Refuse		
Residential:		
Annually:		
Under 65	\$ 295.00	\$ 288.00
65 and over	270.00	258.00
Quarterly:		
Under 65	73.75	72.00
65 and over	67.50	64.50

Fund Level Financial Statements

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

- **Governmental Funds** - Most of the Township's activities are reported in Governmental Funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental Funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Funds statements provide a detailed short-term view of the Township's operations and the services it provides.

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2021

Governmental Funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the Governmental Funds is reconciled in the financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Effective January 1, 2021, the Township combined and consolidated some of its funds to streamline and simplify financial reporting, which reduced the number of governmental funds by four. The funds that were removed include Fund 21 - Medical Expense Fund; Fund 30 - Capital Reserve Fund; Fund 50 - Volunteer Fire Relief Aid Fund and Operating Reserve Fund 95. The medical tax, volunteer fire and operating reserve funds were moved to the General Fund. Fund 30 - Capital Reserve Fund was combined with the Recreation Fund 19. The Township's remaining Governmental Funds are the General Fund, Street Light Fund, Fire Protection Fund, Fire Alarm Fund, Stormwater Maintenance Fund, Highway Aid Fund, Capital Equipment Fund, Open Space Preservation Fund and Traffic Improvement Fund.

- **Proprietary Funds** - These funds are used to account for Township activities that are similar to business operations in the private sector or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the Township charges customers for services it provides, whether to outside customers or to other units in the Township, these services generally are reported in the Proprietary Funds. The township now has two Proprietary Funds, which include the Sewer Fund and Refuse and Recycling Fund. Prior to 2021, the Sewer Capital Reserve Fund was its own fund. It is now part of Fund 08 - Sewer Fund to streamline financial reporting.
- **Fiduciary Funds** - The Township is the trustee, or fiduciary, for the Nonuniformed Employees' Pension Plan, and escrow funds. All the Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations.

Entity-Wide Financial Analysis of the Township

The total net position for the Township's primary government activities, both governmental and business-type, was \$125,445,638 on December 31, 2021. Governmental activities totaled \$84,153,890 and business-type activities was \$41,291,748. The overall increase in net position in 2021 was \$8,357,415. Governmental activities increased \$4,242,507 and business-type activities increased \$4,114,908. Our analysis focuses on the net position (Table 4) and changes in net position (Table 5) of the Township's governmental and business-type activities.

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2021

**Table 4 - Net Position
December 31, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 50,252,787	\$ 45,025,861	\$ 28,266,615	\$ 25,443,620	\$ 78,519,402	\$ 70,469,481
Capital and related assets	38,669,134	38,721,058	15,071,394	14,552,452	53,740,528	53,273,510
Total assets	88,921,921	83,746,919	43,338,009	39,996,072	132,259,930	123,742,991
Deferred outflows of resources	1,416,448	1,493,479	133,064	175,407	1,549,512	1,668,886
Liabilities:						
Long-term liabilities	655,097	1,515,700	177,837	435,008	832,934	1,950,708
Other liabilities	2,459,633	1,771,571	1,776,130	2,445,502	4,235,763	4,217,073
Total liabilities	3,114,730	3,287,271	1,953,967	2,880,510	5,068,697	6,167,781
Deferred inflows of resources	2,590,063	2,041,744	225,359	114,129	2,815,422	2,155,873
Net position:						
Net investment in capital assets	38,669,134	38,721,058	15,071,394	14,552,452	53,740,528	53,273,510
Restricted	10,073,502	6,877,022	-	-	10,073,502	6,877,022
Unrestricted	35,411,254	34,313,303	26,220,354	22,624,388	61,631,608	56,937,691
Total net position	\$ 84,153,890	\$ 79,911,383	\$ 41,291,748	\$ 37,176,840	\$ 125,445,638	\$ 117,088,223

A more detailed view of net position of the Township finds that the largest portion is comprised of unrestricted net position. This amount of \$61,631,608 or 49.1%, is the Township's net position other than land, buildings, vehicles, equipment and infrastructure, and restricted net position. The Township uses these assets to meet general expenses or to fund any other legitimate purpose of the Township.

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2021

**Table 5 - Changes in Net Position
Years Ended December 31, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 695,589	\$ 871,119	\$ 11,300,024	\$ 10,143,708	\$ 11,995,613	\$ 11,014,827
Operating grants and contributions	1,910,553	1,537,382	493,541	195,991	2,404,094	1,733,373
General revenues:						
Real estate taxes	3,165,553	3,181,815	-	-	3,165,553	3,181,815
Real estate transfer taxes	1,939,856	1,866,680	-	-	1,939,856	1,866,680
Earned income taxes	8,571,668	5,939,827	-	-	8,571,668	5,939,827
LST taxes	1,299,623	1,257,881	-	-	1,299,623	1,257,881
Licenses and permits	1,882,151	2,116,414	-	-	1,882,151	2,116,414
Fines and forfeits	204,554	192,086	-	-	204,554	192,086
Grants and contributions, nonprogram	-	295,405	-	-	-	295,405
Interest, rents and royalties	442,415	770,386	(18,506)	583,929	423,909	1,354,315
Other revenues	690,559	195,563	-	-	690,559	195,563
Gain (loss) on sale of assets	160,350	61,370	-	-	160,350	61,370
Transfers	(668,767)	325,460	668,767	(325,460)	-	-
Total revenues	<u>20,294,104</u>	<u>18,611,388</u>	<u>12,443,826</u>	<u>10,598,168</u>	<u>32,737,930</u>	<u>29,209,556</u>
Expenses:						
Current:						
General government	1,922,009	2,144,141	-	-	1,922,009	2,144,141
Public safety	8,601,204	7,531,198	-	-	8,601,204	7,531,198
Public works:						
Highways and streets	4,884,901	3,436,091	-	-	4,884,901	3,436,091
Culture and recreation	636,299	1,071,186	-	-	636,299	1,071,186
Miscellaneous expenses	7,184	688	-	-	7,184	688
Sewer	-	-	6,169,377	5,879,061	6,169,377	5,879,061
Sewer capital reserve	-	-	-	45,248	-	45,248
Refuse	-	-	2,159,541	1,985,923	2,159,541	1,985,923
Total expenses	<u>16,051,597</u>	<u>14,183,304</u>	<u>8,328,918</u>	<u>7,910,232</u>	<u>24,380,515</u>	<u>22,093,536</u>
Increase in net position	<u>\$ 4,242,507</u>	<u>\$ 4,428,084</u>	<u>\$ 4,114,908</u>	<u>\$ 2,687,936</u>	<u>\$ 8,357,415</u>	<u>\$ 7,116,020</u>

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2021

Governmental Activities

The costs of all governmental activities for 2021 was \$16,051,597. As shown in the Statement of Activities, the amount the Township's taxpayers ultimately financed for these activities through Township taxes was \$14,976,700, which is the sum of real estate, transfer, income and LST taxes. Other costs were paid by those who directly benefited from the programs in the amount of \$695,589, or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions in the amount of 1,910,553. Other income totaling \$2,711,262 is broken down as follows: Licenses and permits - \$1,882,151; Fines and forfeits - \$204,554; Pennsylvania State Police facility, land, cell tower and building rentals - \$408,335; interest earnings - \$34,080; gain on sale of assets - \$160,350; other revenue - \$690,559; and transfers from proprietary funds - \$(668,767).

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

Total revenue for governmental activities in 2021, was \$20,294,104. Charges for services, earned income taxes, real estate taxes, real estate transfer taxes and local services tax provide the majority of the source of revenue for governmental activities within the Township. As seen on the previous page, these sources account for \$15,672,289 or 77.2% of total revenues. Additionally, operating grants and contributions, nonprogram grants and contributions, licenses and permits, fines and forfeits, investment income, gain on sales of assets and other sources amount to \$4,621,815 or 12.8%.

Comparative revenue totals for 2021 versus 2020 reflect an increase of \$1,682,716 or 9.0%. Governmental revenue items necessitating an explanation are as follows:

- Real estate transfer tax, a tax of 0.50% assessed to any property purchase within the Township, increased \$73,176 in 2021 as a result of increased residential transactions. Residential, commercial and industrial property transacted in 2021 totaled \$399,285,933, which was \$4,070,300 more than 2020. See Table 6, which provides real estate sales comparisons from 2013 through 2021 for both residential and commercial property.
- Real estate tax, a tax of 0.64 mils assessed on taxable properties both residential, commercial and industrial, decreased \$12,262 or by 0.4% compared to 2020.
- Earned income tax, which is collected from any employed Township resident at the rate of 1.0% of their wages and is divided equally between the Township and Parkland School District, increased by \$2,631,841 or 44.3% compared to 2020. This large increase is as a result of accrual of 2021 receipts collected in February 2022.
- Operating grants and contributions increased in 2021, by \$373,171 as a result of the first tranche receipt of ARP funds totaling \$1,318,884.
- License and permits decreased a total of \$234,263 in 2021. Building permit fluctuation of negative \$271,074 caused this item to decrease from 2020.
- Interest, rents and royalties decreased by \$327,971 as a direct result of lower interest earnings and capital appreciation in investment accounts.
- Other revenue had an increase of \$494,996 resulting from our insurance cooperative PHMIC dividend of \$570,218 for 2020.

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2021

Total expenses for all governmental activities in 2021 totaled \$16,051,597, which was more than 2020 expenses by \$1,868,293.

- General government expenses decreased from \$2,144,141 in 2020 to \$1,922,009 in 2021. Professional fees for legal and engineering both decreased \$36,289 and \$29,088 respectively. Capital and building upgrades made to the township administrative building decreased \$166,325 as well.
- Public safety expenses increased by \$1,070,006 in 2021. Department costs that are included in public safety expenses comprise of police, fire, code enforcement and zoning. Wages for all departments increased \$348,371 as additional personnel were added in 2021. Volunteer fire relief aid was added to this group when the township removed Fund 50. This added another \$221,471. Specific police expenses including gasoline and K-9 increased \$21,157 and \$17,374 respectively. Zoning board legal services in 2021 increased by \$19,709 due to additional hearings involving zoning issues.
- Public works experienced an increase in expenses for 2021. Expenses for this department increased \$1,448,810 versus last year. As mentioned above regarding gasoline for the police, both gasoline and fuel charges were higher in 2021 by a cumulative amount of \$33,155. Resurfacing of streets, not included in PA Liquid Fuels, grew by \$72,110. Other road improvements including boundary road upgrades increased \$168,401. Equipment purchases charged to Fund 35 increased by \$182,510 for the purchase of a single axle 2022 Mack Dump Truck, as well as road construction of \$743,018.

**Table 6 - Real Estate Transfer Tax Schedule
Sales - 2013 Through 2021**

	Residential		Commercial		Totals	
	Sale Price	Quantity	Sale Price	Quantity	Sale Price	Quantity
Year:						
2013	\$ 113,674,119	432	\$ 58,769,317	8	\$ 172,443,436	440
2014	117,909,285	434	118,559,937	17	236,469,222	451
2015	124,819,900	442	291,304,469	35	416,124,369	477
2016	148,099,172	499	45,224,850	12	193,324,022	511
2017	147,869,077	497	471,492,744	24	619,361,821	521
2018	139,163,350	471	132,962,806	23	272,126,156	494
2019	134,293,349	438	384,584,462	27	518,877,811	465
2020	142,692,021	430	260,664,212	22	403,356,233	452
2021	176,550,414	475	222,735,519	20	399,285,933	495
Total	<u>\$ 1,245,070,687</u>	<u>\$ 4,118</u>	<u>\$ 1,986,298,316</u>	<u>\$ 188</u>	<u>\$ 3,231,369,003</u>	<u>\$ 4,306</u>

Source: County of Lehigh - Recorder of Deeds Division

Business-Type Activities

Total revenue in 2021 from the Township's business-type activities was \$12,443,826 as compared to 2020, which totaled \$10,598,168. Based on these numbers, revenue increased \$1,845,658 from 2020 to 2021.

- The increase of sewer revenue for 2021, was due exclusively to additional revenue from the township's industrial and commercial customers. This line item increased by \$1,295,800 due to the additional flow use by various commercial customers.
- Sewer Interest and investment revenue decreased \$240,546 in 2021 primarily due to losses associated with the capital reserve investment account.
- Total revenue for refuse and recycling in 2021 was \$2,656,429 versus \$2,370,401. The largest difference for revenue in 2021 versus 2020 was grant revenue of \$297,550 received for both 902 and 904 grants.

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2021

Total expenses in 2021 for Sewer and Refuse & Recycling was \$8,328,918 as compared to \$7,910,232 in 2020.

- Sewer expenses increased \$245,069 in 2021. A combined total of professional fees comprised of engineering, legal and testing of flow increased by \$127,940 and depreciation of sewer equipment increased by \$32,485.
- Refuse and recycling expenses increased \$173,619 primarily as a result of contracted services (payment to Whitetail Disposal), which increased \$83,190 due to additional costs associated with a new hauler contract effective January 1, 2021. Depreciation expenses increased also by \$36,107.

Financial Analysis of the Township's Funds

As referred to in the table of contents, the Township's Governmental Funds reported combined ending balances of \$45,746,140. The unassigned balance totals \$30,268,782, which represents funds available for spending at the Township's discretion. The remainder of the fund balances are segregated into four categories. Nonspendable, Restricted for, Committed to and Assigned to. The following Table 7 provides definition of each of these categories.

Table 7 - Components of Fund Balance for Governmental Funds

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

The following information can be followed in more detail in the Balance Sheet - Governmental Funds and in the Supplementary Information Section as referred to in the table of contents.

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2021

General Fund

The General Fund is the chief operating fund of the Township. As of December 31, 2021, the total fund balance of the General Fund was \$33,808,535. The assets that comprise the fund balance for the General Fund are predominately held in bank accounts as cash and investments. The General Fund has an unassigned fund balance of \$31,133,768 and assigned fund balance of \$2,392,779 related to operating reserves and employee benefits.

Recreation Capital Fund

This fund provides an accounting of capital enhancements, structures, and land improvements to the Township's ten parks. Revenue is generated by developer fees and grant funds. Expenses include equipment purchases directly associated with park and recreation maintenance and development, recreation project costs, including engineering and in-house or contracted services. This fund is also used to account for financial resources planned for use in the acquisition of capital equipment and capital improvements for the Township. The Recreation Capital Fund has a restricted fund balance of \$5,929,584.

Street Light Fund

A special revenue fund called the Street Light Fund is used by the Township to account for the revenue inflow of tax dollars to pay for the PPL electric and maintenance charges associated with public street lighting in various locations and developments in the township. The Street Lighting Fund has a unassigned fund deficit of \$537,831 at year-end 2021. Many Township streetlights cannot be assessed to tax payers since these lights are located in public places, thus the deficit is covered by the General Fund.

Fire Protection Fund

This special revenue fund accounts for the fire hydrant tax assessed to each property owner that has a residence situated within 780 feet of a public fire hydrant. The outflow for expenses is paid to Lehigh County Authority for the maintenance and water flow for each hydrant. The Fire Protection Fund has a restricted fund balance of \$1,228,880.

Fire Alarm Fund

This fund provides for the funding of firefighters' gratuity, which is annually distributed to the three township volunteer fire companies: Trexlertown Station #25; Fogelsville Station #8; and Upper Macungie Township Station #56. Fees for false alarms are accounted for in this fund and are the majority income source. Historically, this fund has run a deficit fund balance and has transferred adequate cash from the General Fund to pay the gratuity. The Fire Alarm Fund has an unassigned deficit of \$327,155.

Stormwater Maintenance Fund

This fund is earmarked to account for the revenue and costs associated with run-off stormwater mandates as promulgated under the Federal and Commonwealth Departments of Environmental Protection. Current revenue is derived from developer contributions. The Stormwater Maintenance Fund has an assigned fund balance of \$99,092.

Highway Aid Fund

The Township's Highway Aids Fund is used to separately account for both revenue received from the Commonwealth of Pennsylvania in the form of liquid fuels allocations and the expenses associated with road improvements, snow removal and capital purchases for the Public Works Department. The Highway Aid Fund has a restricted fund balance of \$1,701,828 as of December 31, 2021.

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2021

Open Space Preservation Fund

This fund is used to account for funds set aside for the acquisition and preservation of open space within the Township. The Open Space Preservation Fund has an assigned fund balance of \$855,033 as of December 31, 2021.

Volunteer Fire Relief Aid Fund

This fund is used as a conduit to record the receipt of state aid for our three volunteer fire companies and the subsequent disbursement of all funds to the same. No balance is shown as of year-end 2021.

Capital Equipment Fund

The establishment of this fund was done to segregate monies set aside to purchase various capital items for each department in the General Fund. Revenue is provided directly by various funds within the Township. The Capital Equipment Fund has an assigned fund balance of \$1,774,964 as of December 31, 2021.

Traffic Improvement Fund

Revenue for this fund accrues from various escrow accounts that have been partially funded by both developers and through state grants for traffic improvements. The Traffic Improvement Fund has a restricted fund balance of \$1,213,210 as of December 31, 2021.

Fiduciary Funds

The Township has two fiduciary funds. The Pension Trust Fund is used to segregate the assets and account for the earnings, expenses and retirement payments of the Township's Nonuniformed Employees' Defined Benefit Pension Plan and had a net fund balance of \$9,364,933. The Escrow Fund is used to also segregate the assets and accounting for builders and developers escrow funds and had a net fund balance of \$0 as of December 31, 2021.

Proprietary Funds

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

The unrestricted net position portions not designated or assigned to other functions of the Sewer and Refuse Funds are \$23,194,473 and \$3,025,881, respectively, as of December 31, 2021.

General Fund Budgetary Highlights

The statement comparing the Township's budget and actual results can be found in the Required Supplementary Information section of this document as referred to in the table of contents. The Board of Supervisors of the Township adopts the budget for all funds annually. No amendments may be made without the approval of the governing body.

The 2021 General Fund budget was adopted on December 3, 2020, with a net balance of zero. To provide for a balanced budget in 2021, it was anticipated that prior year earnings would be used in the amount of \$465,436.

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2021

Revenue

Revenue for the 2021 General Fund Budget was approved at a total funding amount of \$14,123,864. This amount is \$804,335 more than 2020's General Fund Budget of \$13,319,529. Budgeted revenue items of mention are listed below.

- Taxes including real estate, real estate transfer, earned income and local services totaled \$10,243,000 (72.5%) of all budgeted revenues and provided the majority of funding for the General Fund. In 2020, the Township budgeted a total of \$10,110,000 for these revenue items.
- Charges for services, including licenses, permits, inspections and developer fees totaled \$305,200 (2.2%) of all budgeted revenue as compared to \$306,200 in 2020.
- Intergovernmental revenue sources, which included pension state aid, public utility tax, retail liquor license fees and police grant programs accounted for \$1,310,384 of 2021's budget. Last year's budget (2020), this line item totaled \$550,229.
- Interest, rents and royalties for 2021 totaled \$520,380 based on the expected bank earnings and investment return on cash accounts, rental of Township land and buildings, Pennsylvania State Police building rental and cell tower rental income.
- Fines and forfeits totaled \$171,500 based on expected receipts collected by local magisterial offices as well as Lehigh and Berks County Courts. In 2020, these revenues were budgeted at \$189,500.

Expenditures

Approved expenses for the General Fund 2021 budget were \$13,483,260. Various expenses associated with the 2021 budget will be discussed below.

- General government administration costs were \$2,094,738 or 15.5% of budget, including supervisor, financial, clerical, management, accounting, legal and engineering expenses. The amount budgeted for 2020 was \$1,585,780.
- Public safety expenses were \$7,847,708 or 58.2% of budget for police, fire and code enforcement. In 2020, the budgeted amount was \$7,453,561.
- Public works expenses were \$2,641,729 or 19.6% of budget, which includes highway and streets maintenance and traffic signal operation and maintenance. The amount of \$2,521,159 was budgeted in 2020.
- Culture and recreation expenses were \$896,485 or 6.6% of budget, which includes park maintenance, administration of recreational activities and functions. \$887,142 was budgeted in 2020.

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2021

Budget Comparison

Actual revenues for the year exceeded budgeted revenues by \$5,093,758 and actual expenses for the year were less than budgeted by \$648,557, resulting in a net positive difference of \$5,742,335. Some of the major factors contributing to this difference will be explained below.

Revenue

- Earned income tax collection through the Township's tax collection agency, Berkheimer and Associates, totaled \$8,571,668, which exceeded budget by \$2,971,668 or 53.1%. Note that the township accrued 2021 receipts received in February 2022.
- Real estate transfer taxes, collected by the County of Lehigh, exceeded budget by \$1,139,856 or 242.5% on a total amount of \$1,939,856.
- Charges for services including licenses, permits, inspections and developer fees exceeded budget by \$458,851 on total revenue of \$1,882,151. Development in the Township continues to expand in both residential and commercial areas. Table 8 depicts both budgeted revenues versus actual for 2021.

Table 8 - Permit Revenues Actual Comparison to Budget

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>	<u>Over (Under) Budget Percentage</u>
Building, electrical and plumbing permits	\$ 1,324,000	\$ 1,676,905	\$ 352,905	26.7 %
Sprinkler permits	25,000	61,367	36,367	145.5
Mechanical, grading permits	60,000	109,146	49,146	81.9
Road occupancy permits	10,000	10,908	908	9.1
Other permits	4,300	23,825	19,525	454.1
Total	<u>\$ 1,423,300</u>	<u>\$ 1,882,151</u>	<u>\$ 458,851</u>	<u>32.2 %</u>

Expenditures

Total expenditures for all departments in the General Fund totaled \$12,834,683 or \$648,577 less than budget for 2021. Wages and benefits comprise the majority of these expenditures. A summarized breakdown of these costs can be seen on Table 9.

General Fund wages, in total for 2021, as compared to budget were right on budget. Individual departments were over or under budget. Both general government and public works came in under budget as some budgeted position were vacated during the year and not filled quickly.

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2021

Table 9 - Salaries and Wages (Budget to Actual Comparison)

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>	<u>Over (Under) Budget Percentage</u>
Department:				
General government	\$ 524,622	\$ 498,677	\$ (25,945)	(4.9) %
Public safety	3,551,628	3,626,450	74,822	2.1
Public works	861,833	772,466	(89,367)	(10.4)
Culture and recreation	409,096	434,014	24,918	6.1
Total	<u>\$ 5,347,179</u>	<u>\$ 5,331,607</u>	<u>\$ 24,918</u>	<u>(0.3) %</u>

Fringe benefits for all departments totaled \$3,283,032, which was \$107,248 less than budget. Both medical insurance and employer FICA were under budget by a total of \$111,754. Table 10 provides more departmental detail on these costs.

Table 10 - Fringe Benefits (Budget to Actual Comparison)

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>	<u>Over (Under) Budget Percentage</u>
Department:				
General government	\$ 274,047	\$ 277,593	\$ 3,546	(4.9) %
Public safety	2,044,525	1,957,491	(87,034)	2.1
Public works	683,207	642,563	(40,644)	(10.4)
Culture and recreation	281,253	298,137	16,884	6.1
Total	<u>\$ 3,283,032</u>	<u>\$ 3,175,784</u>	<u>\$ (107,248)</u>	<u>(0.3) %</u>

- All other general fund expenses excluding wages and benefits totaled \$4,327,292 versus the budget amount of \$4,853,049.
- A number of operating expenditures in the police department were under budget by a cumulative total of \$64,149. These costs include legal fees - \$16,182; training - \$11,396; vehicle maintenance (third party) - \$10,943; and uniforms.
- Fire department expenses that were significantly under budget include vehicle repair & maintenance (Trexlerstown) - \$15,214; recruitment and retention - \$18,401 and general building maintenance and repair - \$46,013.
- Township plan updates in the economic development department was budgeted at \$140,500 but had very little activity and only spent \$15,925 or was \$124,575 under budget. Another item in economic development was under budget was zoning and code enforcement third party costs. This line item was under budget by \$86,788 due to in-house coverage of these responsibilities.
- Salting, cindering and plowing costs for 2021 totaled \$113,751, which was below budget of \$160,000 by \$46,249 or 28.9%.

Upper Macungie Township

Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2021

Capital Assets

Upper Macungie Township's investment in capital assets for both its governmental and business-type activities as of December 31, 2021 and 2020, totaled \$53,742,528 and \$53,273,510, respectively, (net of accumulated depreciation). Township investment in capital assets include land, buildings and improvements, infrastructure (roads, bridges, stormwater and sewer lines and traffic signals), machinery, equipment and vehicles. (See Table 11).

Table 11 - Capital Assets
Years Ended December 31, 2021 and 2020

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 9,400,396	\$ 9,400,396	\$ -	\$ -	\$ 9,400,396	\$ 9,400,396
Buildings	12,394,111	11,971,739	245,983	245,983	12,640,094	12,217,722
Improvements other than buildings	5,824,782	5,372,285	-	-	5,824,782	5,372,285
Infrastructure	40,644,088	40,108,049	20,438,762	20,113,363	61,082,850	60,221,412
Construction in progress	2,446,721	1,943,555	2,179,884	1,557,190	4,626,605	3,500,745
Machinery, equipment and vehicles and furniture	12,918,660	13,029,018	4,148,506	4,165,620	17,067,166	17,194,638
Total capital assets	83,628,758	81,825,042	27,013,135	26,082,156	110,641,893	107,907,198
Total accumulated depreciation	(44,957,624)	(43,103,984)	(11,941,741)	(11,529,704)	(56,899,365)	(54,633,688)
Capital assets, net	<u>\$ 38,671,134</u>	<u>\$ 38,721,058</u>	<u>\$ 15,071,394</u>	<u>\$ 14,552,452</u>	<u>\$ 53,742,528</u>	<u>\$ 53,273,510</u>

Future Outlook

Beyond 2021, the outlook for the township bodes very well indeed. Residential and nonresidential development continues to expand in the township.

Residential single family and townhomes continue to be built in the township. Over 850 dwelling units have been approved for the near future.

There are currently six nonresidential development projects that are approved for construction. Additionally, eight nonresidential developments are in the construction phase.

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

It is expected that the new township community center will begin to be built in 2022 and upon completion, provide additional recreation facilities for the resident of the township.

Financial Management

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

Upper Macungie Township

Statement of Net Position

December 31, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 13,865,103	\$ 4,903,597	\$ 18,768,700
Investments	30,622,155	20,899,032	51,521,187
Taxes receivable, net	2,785,030	-	2,785,030
Escrow cash	361,285	-	361,285
Accounts receivable, net	142,592	2,692,972	2,835,564
Internal balances	263,369	(254,799)	8,570
Net pension asset	1,873,017	-	1,873,017
Prepaid items	281,988	25,813	307,801
Capital assets, net	38,669,134	15,071,394	53,740,528
	<u>88,863,673</u>	<u>43,338,009</u>	<u>132,201,682</u>
Total assets			
Deferred Outflows of Resources			
Deferred outflows of resources, pension	1,416,448	133,064	1,549,512
	<u>1,416,448</u>	<u>133,064</u>	<u>1,549,512</u>
Liabilities			
Accounts payable and accrued expenses	1,213,735	1,776,130	2,989,865
Grant funds not spent	1,245,898	-	1,245,898
Long-term liabilities:			
Net pension liability	315,146	80,270	395,416
Early retirement benefits	339,951	97,567	437,518
	<u>3,114,730</u>	<u>1,953,967</u>	<u>5,068,697</u>
Total liabilities			
Deferred Inflows of Resources			
Deferred inflows of resources, pension	2,895,752	225,358	3,121,110
Deferred inflows of resources, unavailable revenue	115,749	-	115,749
	<u>3,011,501</u>	<u>225,358</u>	<u>3,236,859</u>
Total deferred inflows of resources			
Net Position			
Net investment in capital assets	38,669,134	15,071,394	53,740,528
Restricted	10,073,502	-	10,073,502
Unrestricted	35,411,254	26,220,354	61,631,608
	<u>\$ 84,153,890</u>	<u>\$ 41,291,748</u>	<u>\$ 125,445,638</u>
Total net position			

See notes to financial statements

Upper Macungie Township

Statement of Activities

Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities						
General government	\$ 1,922,009	\$ 10	\$ 797,376	\$ (1,124,623)	\$ -	\$ (1,124,623)
Public safety	8,601,204	360,145	334,019	(7,907,040)	-	(7,907,040)
Public works, highways and streets	4,884,901	-	779,158	(4,105,743)	-	(4,105,743)
Culture and recreation	636,299	335,434	-	(300,865)	-	(300,865)
Miscellaneous expense	7,184	-	-	(7,184)	-	(7,184)
Total governmental activities	16,051,597	695,589	1,910,553	(13,445,455)	-	(13,445,455)
Business-Type Activities						
Sewer Fund	6,169,377	9,161,161	-	-	2,991,784	2,991,784
Refuse Fund	2,159,541	2,138,863	493,541	-	472,863	472,863
Total business-type activities	8,328,918	11,300,024	493,541	-	3,464,647	3,464,647
Total Primary Government	\$ 24,380,515	\$ 11,995,613	\$ 2,404,094	(13,445,455)	3,464,647	(9,980,808)
General Revenue						
Taxes:						
Property taxes				3,165,553	-	3,165,553
Real estate transfer taxes				1,939,856	-	1,939,856
Earned income taxes				8,571,668	-	8,571,668
Local services taxes				1,299,623	-	1,299,623
Licenses and permits				1,882,151	-	1,882,151
Fines and forfeits				204,554	-	204,554
Interest, rents and royalties				442,415	(18,506)	423,909
Miscellaneous				690,559	-	690,559
Gain on sale of asset				160,350	-	160,350
Transfers				(668,767)	668,767	-
Total general revenue and transfers				17,687,962	650,261	18,338,223
Changes in net position				4,242,507	4,114,908	8,357,415
Net Position, January 1, 2021				79,911,383	37,176,840	117,088,223
Net Position, December 31, 2021				\$ 84,153,890	\$ 41,291,748	\$ 125,445,638

See notes to financial statements

Upper Macungie Township

Balance Sheet - Governmental Funds

December 31, 2021

	General Fund	Recreation Capital Fund	Fire Alarm Fund	Street Light Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Assets						
Cash and cash equivalents	\$ 12,922,958	\$ 5,927	\$ 2,277	\$ -	\$ 933,941	\$ 13,865,103
Investments	18,005,686	5,907,564	-	-	6,708,905	30,622,155
Taxes receivable, net	2,785,030	-	-	-	-	2,785,030
Escrow cash	361,285	-	-	-	-	361,285
Due from other funds	1,663,639	8,834	-	-	12,921	1,685,394
Other receivables	114,336	14,756	13,500	-	-	142,592
Prepaid expenses	281,988	-	-	-	-	281,988
Total assets	<u>\$ 36,134,922</u>	<u>\$ 5,937,081</u>	<u>\$ 15,777</u>	<u>\$ -</u>	<u>\$ 7,655,767</u>	<u>\$ 49,743,547</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable and other current liabilities	\$ 957,536	\$ 5,518	\$ -	\$ 100,683	\$ 149,998	\$ 1,213,735
Grant funds not spent	1,245,898	-	-	-	-	1,245,898
Due to other funds	7,204	1,979	342,932	437,148	632,762	1,422,025
Total liabilities	<u>2,210,638</u>	<u>7,497</u>	<u>342,932</u>	<u>537,831</u>	<u>782,760</u>	<u>3,881,658</u>
Deferred Inflows of Resources						
Unavailable revenues, property and earned income taxes	115,749	-	-	-	-	115,749
Fund Balances						
Nonspendable:						
Prepaid expenses	281,988	-	-	-	-	281,988
Restricted for:						
Road and street improvements	-	-	-	-	2,915,038	2,915,038
Fire protection	-	-	-	-	1,228,880	1,228,880
Recreational activities	-	5,929,584	-	-	-	5,929,584
Assigned to:						
Stormwater	-	-	-	-	99,092	99,092
Employee benefits	1,395,581	-	-	-	-	1,395,581
Capital projects	-	-	-	-	1,774,964	1,774,964
Operations	997,198	-	-	-	855,033	1,852,231
Unassigned (deficit)	31,133,768	-	(327,155)	(537,831)	-	30,268,782
Total fund balances	<u>33,808,535</u>	<u>5,929,584</u>	<u>(327,155)</u>	<u>(537,831)</u>	<u>6,873,007</u>	<u>45,746,140</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 36,134,922</u>	<u>\$ 5,937,081</u>	<u>\$ 15,777</u>	<u>\$ -</u>	<u>\$ 7,655,767</u>	<u>\$ 49,743,547</u>

See notes to financial statements

Upper Macungie Township

Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities

December 31, 2021

Total Governmental Funds Balances	\$ 45,746,140
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds	
These assets consist of:	
Land	9,400,396
Construction in progress	2,446,721
Depreciable capital assets, net	26,822,017
Deferred inflows and outflows of resources related to pension activities are not financial resources, and therefore, not reported in the governmental funds	(1,479,304)
Net pension asset is not recorded as an asset in the governmental funds; however, this item is reported as an asset in the government-wide financial statements	1,873,017
Some liabilities are not due and payable in the current period, and therefore, are not reported in the funds	
These liabilities consist of:	
Net pension liability	(315,146)
Early retirement benefits	(339,951)
Net Position of Governmental Activities	<u>\$ 84,153,890</u>

Upper Macungie Township

Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2021

	General Fund	Recreation Capital Reserve Fund	Fire Alarm Fund	Street Light Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 14,518,575	\$ -	\$ -	\$ 107,969	\$ 350,156	\$ 14,976,700
Fines and forfeits	163,720	-	51,567	-	-	215,287
Licenses and permits	1,882,151	-	-	-	-	1,882,151
Intergovernmental	1,084,335	-	-	-	779,158	1,863,493
Charges for services	387,512	221,709	-	-	86,368	695,589
Interest, rents and royalties	455,729	(16,707)	-	-	3,393	442,415
Refund of prior year expenditures	678,658	-	-	-	-	678,658
Miscellaneous	46,942	1,286	-	-	-	48,228
Total revenues	19,217,622	206,288	51,567	107,969	1,219,075	20,802,521
Expenditures						
Current:						
General government	1,859,489	-	-	-	309,101	2,168,590
Public safety	7,702,036	-	151,690	-	606,059	8,459,785
Public works	2,389,617	-	-	177,313	1,237,817	3,804,747
Culture and recreation	878,357	499,779	-	-	-	1,378,136
Miscellaneous	5,184	-	2,000	-	-	7,184
Total expenditures	12,834,683	499,779	153,690	177,313	2,152,977	15,818,442
Excess (deficiency) of revenues over expenditures	6,382,939	(293,491)	(102,123)	(69,344)	(933,902)	4,984,079
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	-	-	-	-	237,359	237,359
Interfund transfers in	325,459	(0)	-	-	1,041,006	1,366,465
Interfund transfers out	(2,035,232)	-	-	-	-	(2,035,232)
Total other financing sources (uses)	(1,709,773)	-	-	-	1,278,365	(431,408)
Net change in fund balances (deficit)	4,673,166	(293,491)	(102,123)	(69,344)	344,463	4,552,671
Fund Balances (Deficit), Beginning	29,135,369	6,223,075	(225,032)	(468,487)	6,528,544	41,193,469
Fund Balances (Deficit), Ending	\$ 33,808,535	\$ 5,929,584	\$ (327,155)	\$ (537,831)	\$ 6,873,007	\$ 45,746,140

See notes to financial statements

Upper Macungie Township

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and

Changes in Fund Balances to the Statement of Activities

Year Ended December 31, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 4,552,671
Capital outlays are reported in governmental funds as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation ((\$2,339,489)) exceeds capital outlays (\$2,289,574) in the current period.	(49,915)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and disposals) is to decrease net position.	(77,009)
Expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:	
Early retirement benefits	19,033
Pension expense	<u>(202,273)</u>
Change in Net Position of Governmental Activities	<u>\$ 4,242,507</u>

Upper Macungie Township

Statement of Net Position - Proprietary Funds
December 31, 2021

	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	\$ 4,631,404	\$ 272,193	\$ 4,903,597
Investments	18,698,634	2,200,398	20,899,032
Accounts receivable, net	1,957,955	735,017	2,692,972
Prepaid expenses	19,258	6,555	25,813
Due from other funds	-	667	667
	<u>25,307,251</u>	<u>3,214,830</u>	<u>28,522,081</u>
Capital Assets			
Utility system	20,438,762	-	20,438,762
Construction in progress	2,177,136	2,748	2,179,884
Buildings	-	245,983	245,983
Equipment and furniture	3,291,644	856,862	4,148,506
Accumulated depreciation	(11,605,455)	(336,286)	(11,941,741)
	<u>14,302,087</u>	<u>769,307</u>	<u>15,071,394</u>
Total capital assets	<u>14,302,087</u>	<u>769,307</u>	<u>15,071,394</u>
Total assets	39,609,338	3,984,137	43,593,475
Deferred Outflows of Resources			
Deferred outflows of resources, pension	<u>122,576</u>	<u>10,488</u>	<u>133,064</u>
Total assets and deferred outflows of resources	<u>\$ 39,731,914</u>	<u>\$ 3,994,625</u>	<u>\$ 43,726,539</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Accounts payable and other liabilities	\$ 1,620,813	\$ 155,317	\$ 1,776,130
Due to other funds	<u>240,248</u>	<u>15,218</u>	<u>255,466</u>
Total current liabilities	<u>1,861,061</u>	<u>170,535</u>	<u>2,031,596</u>
Noncurrent Liabilities			
Net pension liability	73,943	6,327	80,270
Early retirement benefits	<u>92,754</u>	<u>4,813</u>	<u>97,567</u>
Total noncurrent liabilities	<u>166,697</u>	<u>11,140</u>	<u>177,837</u>
Total liabilities	<u>2,027,758</u>	<u>181,675</u>	<u>2,209,433</u>
Deferred Inflows of Resources			
Deferred inflows of resources, pension	<u>207,596</u>	<u>17,762</u>	<u>225,358</u>
Net Position			
Investment in capital assets	14,302,087	769,307	15,071,394
Unrestricted	<u>23,194,473</u>	<u>3,025,881</u>	<u>26,220,354</u>
Total net position	<u>37,496,560</u>	<u>3,795,188</u>	<u>41,291,748</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 39,731,914</u>	<u>\$ 3,994,625</u>	<u>\$ 43,726,539</u>

See notes to financial statements

Upper Macungie Township

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds

Year Ended December 31, 2021

	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 8,969,753	\$ 2,138,863	\$ 11,108,616
Other operating revenue	191,408	-	191,408
	<u>9,161,161</u>	<u>2,138,863</u>	<u>11,300,024</u>
Operating Expenses			
Administration	145,665	-	145,665
Salaries and wages	627,380	182,895	810,275
Treatment expense	4,189,675	-	4,189,675
Contracted services	302,349	1,750,695	2,053,044
Fuel and utilities	58,800	-	58,800
Repairs and maintenance	216,201	42,653	258,854
Insurance expense	48,595	36,528	85,123
Supplies expense	22,723	32,436	55,159
Depreciation	557,989	114,334	672,323
	<u>6,169,377</u>	<u>2,159,541</u>	<u>8,328,918</u>
Operating income (loss)	<u>2,991,784</u>	<u>(20,678)</u>	<u>2,971,106</u>
Nonoperating Revenues			
Interest and investment revenue	(42,531)	24,025	(18,506)
Intergovernmental	-	493,541	493,541
	<u>(42,531)</u>	<u>517,566</u>	<u>475,035</u>
Transfers			
Transfers in	994,226	-	994,226
Transfers out	(171,844)	(153,615)	(325,459)
	<u>822,382</u>	<u>(153,615)</u>	<u>668,767</u>
Change in net position	3,771,635	343,273	4,114,908
Net Position, Beginning	<u>33,724,925</u>	<u>3,451,915</u>	<u>37,176,840</u>
Net Position, Ending	<u>\$ 37,496,560</u>	<u>\$ 3,795,188</u>	<u>\$ 41,291,748</u>

See notes to financial statements

Upper Macungie Township

Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2021

	Sewer Fund	Refuse Fund	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 9,339,506	\$ 2,045,758	\$ 11,385,264
Payments to employees	(730,956)	(182,918)	(913,874)
Payments to suppliers	(5,907,119)	(2,426,513)	(8,333,632)
Net cash provided by (used in) operating activities	<u>2,701,431</u>	<u>(563,673)</u>	<u>2,137,758</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition, construction and improvements of capital assets	(737,553)	(83,920)	(821,473)
Proceeds from grant	-	493,541	493,541
Transfers (to) from other funds	822,382	(153,615)	668,767
Net cash used in capital and related financing activities	<u>84,829</u>	<u>256,006</u>	<u>340,835</u>
Cash Flows From Investing Activities			
Purchase of investments	(6,347,911)	(207,681)	(6,555,592)
Proceeds from sale of investments	6,800,013	628,627	7,428,640
Earnings on investments	(42,531)	24,025	(18,506)
Net cash provided by investing activities	<u>409,571</u>	<u>444,971</u>	<u>854,542</u>
Net increase in cash and cash equivalents	3,195,831	137,304	3,333,135
Cash and Cash Equivalents, Beginning	<u>1,435,573</u>	<u>134,889</u>	<u>1,570,462</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,631,404</u>	<u>\$ 272,193</u>	<u>\$ 4,903,597</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ 2,991,784	\$ (20,678)	\$ 2,971,106
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	557,989	114,334	672,323
(Increase) decrease in:			
Accounts receivable	178,345	(93,105)	85,240
Prepaid expenses	19,629	(239)	19,390
Due from other funds	-	(667)	(667)
Increase (decrease) in:			
Accounts payable and other liabilities	(858,840)	(180,324)	(1,039,164)
Pension related liabilities, deferred inflows and deferred outflows	(98,383)	246	(98,137)
Early retirement benefits	(5,193)	(269)	(5,462)
Due to other funds	(83,900)	(382,971)	(466,871)
Net cash provided by (used in) operating activities	<u>\$ 2,701,431</u>	<u>\$ (563,673)</u>	<u>\$ 2,137,758</u>
Supplemental Disclosure of Noncash Investing and Financing Activities			
Acquisition, construction and improvements of capital assets in accounts payable	<u>\$ 369,792</u>	<u>\$ -</u>	<u>\$ 369,792</u>

See notes to financial statements

Upper Macungie Township

Statement of Fiduciary Net Position - Fiduciary Funds

December 31, 2021

	Pension Trust Fund	Escrow Fund	Total
Assets			
Cash and cash equivalents	\$ 177,265	\$ 3,376,021	\$ 3,553,286
Investments:			
Mutual funds, equity	5,651,227	-	5,651,227
Mutual funds, fixed income	3,536,295	-	3,536,295
Total investments	9,187,522	-	9,187,522
Accounts receivable	146	-	146
Total assets	\$ 9,364,933	\$ 3,376,021	\$ 12,740,954
Liabilities			
Payable from restricted assets:			
Escrow deposits	\$ -	\$ 3,376,021	\$ 3,376,021
Trustee fees	18,116	-	18,116
Due to General Fund	8,570	-	8,570
Total liabilities	26,686	3,376,021	3,402,707
Net Position			
Total net position	9,338,247	-	9,338,247
Total liabilities and net position	\$ 9,364,933	\$ 3,376,021	\$ 12,740,954

See notes to financial statements

Upper Macungie Township

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
Year Ended December 31, 2021

	Pension Trust Fund	Escrow Fund	Total
Contributions			
Employer contributions	\$ 638,436	\$ -	\$ 638,436
Escrow deposits	-	3,368,965	3,368,965
Total contributions	<u>638,436</u>	<u>3,368,965</u>	<u>4,007,401</u>
Investment Earnings			
Net increase in fair value of investments	727,638	-	727,638
Interest	97,018	-	97,018
Dividends	47,800	-	47,800
Investment activity expense	<u>(56,971)</u>	<u>-</u>	<u>(56,971)</u>
Total investment earnings, net	<u>815,485</u>	<u>-</u>	<u>815,485</u>
Total additions	<u>1,453,921</u>	<u>3,368,965</u>	<u>4,822,886</u>
Deductions			
Benefits	391,058	-	391,058
Escrow payments	<u>-</u>	<u>3,368,965</u>	<u>3,368,965</u>
Total deductions	<u>391,058</u>	<u>3,368,965</u>	<u>3,760,023</u>
Change in net position	1,062,863	-	1,062,863
Net Position, Beginning	<u>8,275,384</u>	<u>-</u>	<u>8,275,384</u>
Net Position, Ending	<u><u>\$ 9,338,247</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,338,247</u></u>

See notes to financial statements

Upper Macungie Township

Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

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

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

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program, and therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues, which are not classified as program revenues, are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

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

Upper Macungie Township

Notes to Financial Statements

December 31, 2021

Governmental Funds

All Governmental Funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major Governmental Funds of the Township include the General Fund, the Recreation Capital Fund, the Fire Alarm Fund, and the Street Light Fund. All other Governmental Funds are grouped together and presented in a separate column as Other Governmental Funds. Details of the other governmental funds can be found in the supplementary section starting as referenced in the table of contents.

Revenue Recognition

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

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

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

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

Expenditure Recognition

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

Fund Financial Statements

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

Upper Macungie Township

Notes to Financial Statements

December 31, 2021

The Township reports the following major Governmental Funds:

- The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Recreation Capital Fund* is used to account for financial resources to be used for the acquisition of capital equipment and improvements related to the Township's ten parks.
- The *Fire Alarm Fund* is used to provide funding of firefighter's gratuity which is annually distributed to the Township's three volunteer fire companies.
- The *Street Light Fund* is used to account for the revenue inflow of tax dollars to pay for the PPL electric and maintenance charges associated with public street lighting in various locations and developments in the Township.

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

Effective January 1, 2021, the Township combined certain Governmental Funds to streamline and simplify financial reporting. The effects on the beginning fund balance for the year ended December 31, 2021 are as follows:

Fund balance as of December 31, 2020	
Medical Expense Fund	\$ 1,395,581
Operating Reserve Fund	997,198
General Fund	<u>26,742,590</u>
Fund balance of General Fund as of January 1, 2021	<u>\$ 29,135,369</u>
Fund balance as of December 31, 2020	
Capital Reserve Fund	\$ 3,478,040
Recreation Capital Fund	<u>2,745,035</u>
Fund balance of Recreational Capital Fund as of January 1, 2021	<u>\$ 6,223,075</u>

Proprietary Funds

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

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

The Township reports the following Proprietary Funds:

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

Upper Macungie Township

Notes to Financial Statements

December 31, 2021

Effective January 1, 2021, the Township combined certain Proprietary Funds to streamline and simplify financial reporting. The effects on the beginning fund balance for the year ended December 31, 2021 are as follows:

Fund balance as of December 31, 2020	
Sewer Fund	\$ 25,545,783
Sewer Capital Reserve Fund	<u>8,179,142</u>
Fund balance of Sewer Fund as of January 1, 2021	<u>\$ 33,724,925</u>

Fiduciary Funds

Trust and Custodial Funds

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

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

Budgets and Budgetary Accounting

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

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

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

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

Upper Macungie Township

Notes to Financial Statements
December 31, 2021

Cash and Cash Equivalents

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

Investments

With the exception of Pension Trust Funds, statutes authorize the Township to invest in: (1) obligations, participations and other instruments of any Federal agency, (2) repurchase agreements with respect to U.S. Treasury bills or obligations, (3) negotiable certificates of deposit, (4) bankers' acceptances, (5) commercial paper, (6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 and (7) certificates of deposit of banks, savings and loans and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository under PA Act 72. Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the FDIC. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at December 31, 2021, was in excess of the minimum requirements just described.

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

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

Transactions Between Funds

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

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

Upper Macungie Township

Notes to Financial Statements

December 31, 2021

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

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

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has two items that qualify for reporting in this category. The deferred inflow of resources related to pensions is the result of changes in plan assumptions, the net difference between projected and actual earnings on pension plan investments, and the differences between expected and actual experience of the pension plan. The item, *unavailable revenue*, which arises only under a modified accrual basis of accounting, is also reported in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan and changes in plan assumptions.

Net Position Flow Assumption

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

Upper Macungie Township

Notes to Financial Statements
December 31, 2021

Fund Balances/Net Position

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

- **Nonspendable Fund Balances** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balances** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- **Committed Fund Balances** - Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Township Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balances** - Amounts the Township intends to use for a specific purpose. Intent can be expressed by Township Board of Supervisors or by an official or body to which the Township Board of Supervisors delegates the authority. The Board has not delegated the authority to assign fund balances as of December 31, 2021.
- **Unassigned Fund Balances** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

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

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

- **Deficit Fund Balances** - The Street Light Fund and other nonmajor funds have a net deficit balance at December 31, 2021 and results from the Township not funding 100% of the operating deficits of these funds in the current or past years. These deficit funds will be funded in future by operating subsidy payments.

Restricted Net Position

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

2. Taxes

For 2021, tax was levied on the assessed value of real estate at a total of 0.64 mills.

The taxable assessed valuation of property as of January 1, 2021 was \$4,492,921,100.

The real estate tax collection calendar is as follows:

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

Upper Macungie Township

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Other taxes levied in 2021 are as follows:

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

3. Deposits and Investments

Deposits

Custodial Credit Risk

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

At December 31, 2021, the carrying amount of the Township's deposits was \$18,768,700 and the bank balance was \$19,510,061. Of the bank balance, \$750,000 was covered by federal depository insurance, \$18,620,542 was collateralized under Act 72 and \$139,519 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Township's name.

Investments

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

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

As of December 31, 2021, the Township's Governmental Funds had the following investments and maturities:

	Maturities		
	Fair Value	0 to 5 Years	5 to 10 Years
U.S. Treasury notes/bills	\$ 3,357,228	\$ 3,357,228	\$ -
Certificates of deposit	14,546,223	14,546,223	-
State investment pools	11,772,934	11,772,934	-
Federal Home Loan Bank (FHLB) bonds	240,399	240,399	-
Federal Home Loan Mortgage Corporation (FHLMC) bonds	204,396	204,396	-
Federal National Mortgage Association (FNMA) bonds	500,975	500,975	-
Total	\$ 30,622,155	\$ 30,622,155	\$ -

Upper Macungie Township

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As of December 31, 2021, the Township's Proprietary Funds had the following investments and maturities:

	Maturities		
	Fair Value	0 to 5 Years	5 to 10 Years
U.S. Treasury notes/bills	\$ 6,117,017	\$ 6,117,017	\$ -
Certificates of deposit	8,788,734	8,788,734	-
State investment pools	3,761,382	3,761,382	-
Federal Home Loan Bank (FHLB) bonds	258,985	258,985	-
Federal Home Loan Mortgage Corporation (FHLMC) bonds	540,362	540,362	-
Federal National Mortgage Association (FNMA) bonds	1,432,552	1,432,552	-
Total	\$ 20,899,032	\$ 20,899,032	\$ -

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

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

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

GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF and PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at December 31, 2021, is \$6,401,106. These assets maintain a stable net asset value of \$1 per share. PSDLAF and PLGIT are not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. The Township had \$4,523,732 invested in a PSDLAF MAX account at December 31, 2021. This investment incurs a penalty if funds, other than state aid, are withdrawn within 14 days of deposit. In addition, the Township had \$12,410,119 invested in a PLGIT Prime account, which only permits two withdrawals per month.

Upper Macungie Township

Notes to Financial Statements

December 31, 2021

As of December 31, 2021, the Township's Nonuniformed Employees' Pension Plan had the following investments and maturities:

	Fair Value	Maturities		
		0 to 5 Years	5 to 10 Years	More Than 10 Years
Mutual funds, equity	\$ 5,651,227	\$ 5,651,227	\$ -	\$ -
Mutual funds, fixed income	3,536,295	3,536,295	-	-
	<u>\$ 9,187,522</u>	<u>\$ 9,187,522</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value Measurement

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

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

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

Level 3 - Valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

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

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

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

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

No investments were classified as Level 3 as of December 31, 2021.

Certificates of deposit held by banks of \$13,685,295 are stated at cost which approximates their fair value.

Upper Macungie Township

Notes to Financial Statements
December 31, 2021

The following tables summarize the Township's investments measured by the hierarchy levels as of December 31, 2021:

Investment Type	Investments in Governmental Funds Measured at Fair Value			
	Level 1	Level 2	Level 3	Fair Value
U.S. Treasury notes/bills	\$ 3,357,228	\$ -	\$ -	\$ 3,357,228
State investment pools	14,546,223	-	-	14,546,223
Certificates of deposit	10,538,934	1,234,000	-	11,772,934
Federal Home Loan Bank (FHLB)	240,399	-	-	240,399
Federal Home Loan Mortgage Corporation (FHLMC)	204,396	-	-	204,396
Federal National Mortgage Association (FNMA)	500,975	-	-	500,975
	<u>\$ 29,388,155</u>	<u>\$ 1,234,000</u>	<u>\$ -</u>	<u>\$ 30,622,155</u>

Investment Type	Investments in Proprietary Funds Measured at Fair Value			
	Level 1	Level 2	Level 3	Fair Value
U.S. Treasury notes/bills	\$ 6,117,017	\$ -	\$ -	\$ 6,117,017
State investment pools	8,788,734	-	-	8,788,734
Certificates of deposit	1,066,382	2,695,000	-	3,761,382
Federal Home Loan Bank (FHLB)	258,985	-	-	258,985
Federal Home Loan Mortgage Corporation (FHLMC)	540,362	-	-	540,362
Federal National Mortgage Association (FNMA)	1,432,552	-	-	1,432,552
	<u>\$ 18,204,032</u>	<u>\$ 2,695,000</u>	<u>\$ -</u>	<u>\$ 20,899,032</u>

The Township's Nonuniformed Employees' Pension Plan consisted entirely of Level 1 mutual funds and corporate bonds as of December 31, 2021.

Interest Rate Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Upper Macungie Township

Notes to Financial Statements
December 31, 2021

4. Interfund Receivables, Payables and Transfers

The balance of short-term interfund receivables and payables at December 31, 2021 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	\$ 1,663,639	\$ 7,204
Street Light Fund	-	437,148
Fire Alarm Fund	-	342,932
Recreation Capital Fund	8,834	1,979
Sewer Fund	-	240,248
Refuse Fund	667	15,218
Stormwater Maintenance Fund	-	1,970
Capital Equipment Fund	12,921	7,609
Traffic Improvement Fund	-	623,183
Pension Trust Fund	-	8,570
	<u>\$ 1,686,061</u>	<u>\$ 1,686,061</u>

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

Interfund transfers at December 31, 2021, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 325,459	\$ 2,035,232
Other Governmental Funds	1,041,006	-
Sewer Fund	994,226	171,844
Refuse Fund	-	153,615
	<u>\$ 2,360,691</u>	<u>\$ 2,360,691</u>

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

Upper Macungie Township

Notes to Financial Statements

December 31, 2021

5. Capital Assets

	January 1, 2021	Additions	Deletions	Transfers	December 31, 2021
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 9,400,396	\$ -	\$ -	\$ -	\$ 9,400,396
Construction in progress	1,943,555	561,524	-	(58,358)	2,446,721
Total capital assets not being depreciated	11,343,951	561,524	-	(58,358)	11,847,117
Capital assets being depreciated:					
Land improvements	5,372,285	452,497	-	-	5,824,782
Buildings and improvements	11,971,739	364,014	-	58,358	12,394,111
Machinery, equipment and vehicles	13,029,018	375,500	(485,858)	-	12,918,660
Infrastructure	40,108,049	536,039	-	-	40,644,088
Total capital assets being depreciated	70,481,091	1,728,050	(485,858)	58,358	71,781,641
Accumulated depreciation:					
Land improvements	(3,716,530)	(204,556)	-	-	(3,921,086)
Buildings and improvements	(3,348,346)	(290,911)	-	-	(3,639,257)
Machinery, equipment and vehicles	(8,708,001)	(760,285)	483,849	-	(8,984,437)
Infrastructure	(27,331,107)	(1,083,737)	-	-	(28,414,844)
Total accumulated depreciation	(43,103,984)	(2,339,489)	483,849	-	(44,959,624)
Total capital assets being depreciated, net	27,377,107	(611,439)	(2,009)	58,358	26,822,017
Governmental activities capital assets, net	\$ 38,721,058	\$ (49,915)	\$ (2,009)	\$ -	\$ 38,669,134

Upper Macungie Township

Notes to Financial Statements
December 31, 2021

	January 1, 2021	Additions	Deletions	Transfers	December 31, 2021
Business-Type Activities					
Capital assets not being depreciated:					
Construction in progress	\$ 1,557,190	\$ 952,254	\$ (70,943)	\$ (258,617)	\$ 2,179,884
Capital assets being depreciated:					
Sewer collection system infrastructure	20,113,363	66,782	-	258,617	20,438,762
Buildings	245,983	-	-	-	245,983
Machinery and equipment	684,707	-	-	-	684,707
Vehicles	3,214,802	243,172	(260,286)	-	3,197,688
Office equipment and furniture	266,114	-	-	-	266,114
Total capital assets being depreciated	24,524,969	309,954	(260,286)	258,617	24,833,254
Accumulated depreciation:					
Sewer collection system infrastructure	(8,661,001)	(401,741)	-	-	(9,062,742)
Buildings	(40,654)	(12,299)	-	-	(52,953)
Machinery and equipment	(625,138)	(8,012)	-	-	(633,150)
Vehicles	(1,966,457)	(235,468)	260,286	-	(1,941,639)
Office equipment and furniture	(236,457)	(14,803)	-	-	(251,260)
Total accumulated depreciation	(11,529,707)	(672,323)	260,286	-	(11,941,744)
Total capital assets being depreciated, net	12,995,262	(362,369)	-	258,617	12,891,510
Business-type activities capital assets, net	\$ 14,552,452	\$ 589,885	\$ (70,943)	\$ -	\$ 15,071,394

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 58,953
Public safety	630,320
Public works	1,320,857
Culture and recreation	329,359
Total	\$ 2,339,489

Upper Macungie Township

Notes to Financial Statements
December 31, 2021

6. Defined Benefit Pension Plan (Nonuniformed Employees' Pension Plan)

Summary of Significant Accounting Policies

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

Plan Description

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

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

Plan Membership - At December 31, 2021, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	24
Inactive plan members entitled to but not year receiving benefits	13
Active plan members	<u>46</u>
	<u>83</u>
Number of participating employers	<u>1</u>

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

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

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

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

Upper Macungie Township

Notes to Financial Statements

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Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Township was required to contribute \$638,436 to the plan for the year 2021. Township and Commonwealth contributions in 2021 were \$432,153 and \$206,283, respectively.

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

Investments

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees by a majority vote of its members. It is the policy of the Board of Trustees to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	48.0 %
International equity	12.0
Fixed income	33.0
Cash	7.0
	<u>100.0 %</u>

Concentrations - The plan places no limit on the amount that may be invested in any one issuer. At December 31, 2021, the Plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position.

Rate of Return - For the year ended December 31, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 10.43%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2021, were as follows:

Total pension liability	\$ 9,763,867
Plan fiduciary net position	<u>(9,368,451)</u>
Net pension liability	<u>\$ 395,416</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>95.9%</u>

Upper Macungie Township

Notes to Financial Statements
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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into this table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

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

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2021 (see the plan's investment policy) are summarized in the following table:

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

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

Changes in the Net Position Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balance, December 31, 2020	\$ 9,767,592	\$ 8,278,897	\$ 1,488,695
Changes for the year:			
Service cost	326,416	-	326,416
Interest	694,842	-	694,842
Changes for experience	(633,925)	-	(633,925)
Contributions:			
Employer	-	638,436	(638,436)
Net investment income	-	842,176	(842,176)
Benefit payments	(391,058)	(391,058)	-
Net changes	(3,725)	1,089,554	(1,093,279)
Balance, December 31, 2021	\$ 9,763,867	\$ 9,368,451	\$ 395,416

Upper Macungie Township

Notes to Financial Statements

December 31, 2021

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

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net pension liability	\$ 1,573,985	\$ 395,416	\$ (603,964)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2021, the Township recognized pension expense of \$274,611 for the Nonuniformed Employees' Pension Plan. At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 201,032	\$ (635,823)
Change of actuarial assumptions	454,454	-
Net difference between projected and actual earnings on pension plan investments	-	(474,316)
	<u>\$ 655,486</u>	<u>\$ (1,110,139)</u>

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

Years ending December 31:	
2022	\$ (57,451)
2023	(236,130)
2024	(63,905)
2025	9,459
2026	51,853
Thereafter	<u>(158,479)</u>
Total	<u>\$ (454,653)</u>

7. Defined Benefit Pension Plan (Police Pension Plan)

Summary of Significant Accounting Policies

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

Upper Macungie Township

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

Plan Description

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

Plan Membership

Membership of the Plan consisted of the following at December 31, 2020:

Inactive plan members or beneficiaries currently receiving benefits	10
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	28
	<hr/>
	39
	<hr/>

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

If a member dies in service, a benefit will be paid per Act 30 equal to 100% of salary. For total and permanent disablement, a monthly benefit equal to 75% of Final Monthly Average Salary at date of disablement regardless of age or service. Covered employees are required to contribute a percentage of their compensation to the plan, which was 3.0% for 2020 and 2019. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan.

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

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

The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205. Administrative costs, including the investment manager, custodial trustee and actuarial services are charged to the Plan and funded through investment earnings. In accordance with Act 205, the Township was required to contribute \$248,064 to the Plan for the year 2021. Township and Commonwealth contributions in 2021 were \$248,064 and \$0, respectively.

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

Upper Macungie Township

Notes to Financial Statements

December 31, 2021

Investments

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

The following was the plan's adopted asset allocation policy as of December 31, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Large cap domestic equities	25 %
Small cap domestic equities	15
International developed markets securities	15
International emerging markets equities	10
Fixed income	15
Timber	5
Real estate	15
	<u>100.0 %</u>

Investments are reported at quoted market price. The plan's fair value of investments as of December 31, 2020 was \$15,047,365. Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and funded through investment earnings.

Concentrations - At December 31, 2020, none of the plan's individual investments exceeded 5.0% of the total portfolio.

Rate of Return - For the year ended December 31, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 7.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

Total pension liability	\$ 13,174,618
Plan fiduciary net position	<u>(15,047,635)</u>
Net pension liability (asset)	<u>\$ (1,873,017)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>114.22%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.8%
Salary increases	Age related scale with merit and inflation component
Investment rate of return	5.25%

Upper Macungie Township

Notes to Financial Statements

December 31, 2021

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the PMRS Experience Study completed in 2015, as well as subsequent Board approved changes, including the decrease in the regular interest rate to 5.25% for the January 1, 2017 valuation.

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

Best estimates of arithmetic real rates of return for each major asset included in the Plan's target asset allocation as of December 31, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap domestic equities	5.31 %
Small cap domestic equities	6.06
International developed markets securities	5.53
International emerging markets equities	5.95
Fixed income	1.87
Timber	3.78
Real estate	5.25

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

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

Upper Macungie Township

Notes to Financial Statements

December 31, 2021

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, December 31, 2019	\$ 11,392,906	\$ 13,324,171	\$ (1,931,265)
Changes for the year:			
Service cost	507,780	-	507,780
Interest	617,635	-	617,635
Difference between expected and actual experience	17,829	-	17,829
Changes of benefits	978,288	-	978,288
Changes of assumptions	(64,153)	-	(64,153)
Contributions:			
Employer	-	248,064	(248,064)
Member	-	116,131	(116,131)
Net investment income (loss)	-	1,664,329	(1,664,329)
Benefit payments	(275,937)	(275,937)	-
Administrative expenses	-	(29,533)	29,533
Net changes	1,781,442	1,723,054	58,388
Balance, December 31, 2020	<u>\$ 13,174,348</u>	<u>\$ 15,047,225</u>	<u>\$ (1,872,877)</u>

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

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net pension (asset) liability	\$ 587,590	\$ (1,873,017)	\$ (3,844,761)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

Related to Pensions - For the year ended December 31, 2020, the Township recognized pension expense of \$778,600 for the Police Pension Plan. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 197,834	\$ 224,510
Changes in assumptions	173,602	210,642
Net difference between projected and actual earnings on pension plan investments	-	1,575,819
Contributions subsequent to the measurement date	522,590	-
Total	<u>\$ 894,026</u>	<u>\$ 2,010,971</u>

\$522,590 reported as deferred outflows of resources related to pensions resulting from Township contributions made subsequent to the measurement date will be recognized as a reduction of the pension liability in the year ended December 31, 2022.

Upper Macungie Township

Notes to Financial Statements

December 31, 2021

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

Years ending December 31:		
2022	\$	(508,913)
2023		(324,917)
2024		(564,752)
2025		(226,667)
2026		(24,782)
Thereafter		<u>10,496</u>
Total	\$	<u>(1,639,535)</u>

8. Early Retirement Benefits

The Township implemented a policy for early retirement benefits under which employees with at least 25 years of service qualify for three years of health insurance if the employee retires at age 62. There is no formal plan and no assets have been set aside to cover future costs. Management has estimated the net present value of the future benefits to be \$339,951. Accordingly, a liability has been reported in fund level statements for the Enterprise Funds and the government-wide statements for the governmental and business-type activities.

9. Risk Management

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

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

10. New Accounting Pronouncements

The GASB has approved the following statements:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 87, *Leases*
- Statement No. 92, *Omnibus*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87, which was postponed by one and a half years.

Upper Macungie Township

Notes to Financial Statements

December 31, 2021

11. COVID-19

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

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

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

The Township continues to monitor the effects that the COVID-19 pandemic has had and will have on its operations, but the full duration and extent of this disruption cannot be estimated.

12. Subsequent Events

The Township has evaluated subsequent events and transactions for potential recognition and disclosure through November 4, 2022, which is the date the financial statements were available to be issued.

Upper Macungie Township

Budgetary Comparison Schedule - General Fund (Unaudited)

Year Ended December 31, 2021

	Original and Final Budget (Unaudited)	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues			
Taxes	\$ 10,243,000	\$ 14,518,575	\$ 4,275,575
Fines and forfeits	171,500	163,720	(7,780)
Licenses and permits	1,369,300	1,882,151	512,851
Intergovernmental	1,310,384	1,084,335	(226,049)
Charges for services	305,200	387,512	82,312
Interest, rents and royalties	520,380	455,729	(64,651)
Refund of prior year expenditures	200,000	678,658	478,658
Miscellaneous	4,100	46,942	42,842
Total revenues	14,123,864	19,217,622	5,093,758
Expenditures			
Current:			
General government	2,094,738	1,859,489	235,249
Public safety	7,847,708	7,702,036	145,672
Public works	2,641,729	2,389,617	252,112
Culture and recreation	896,485	878,357	18,128
Miscellaneous	2,600	5,184	(2,584)
Total expenditures	13,483,260	12,834,683	648,577
Excess of revenues over expenditures	640,604	6,382,939	5,742,335
Other Financing Sources (Uses)			
Interfund transfers in	(790,895)	325,459	1,116,354
Interfund transfers out	(1,180,956)	(2,035,232)	(854,276)
Total other financing sources (uses)	(1,971,851)	(1,709,773)	262,078
Total change in fund balances	(1,331,247)	4,673,166	6,004,413
Fund Balances, Beginning	23,151,713	26,742,590	3,590,877
Fund Balances, Ending	\$ 21,820,466	\$ 31,415,756	\$ 2,413,536

Upper Macungie Township

Note to the Budgetary Comparison Schedule - General Fund
Year Ended December 31, 2021

1. Budgetary Policy

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

Upper Macungie Township

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

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 326,416	\$ 320,013	\$ 304,774	\$ 259,688	\$ 247,322	\$ 205,872	\$ 196,069
Interest	694,842	696,219	655,455	564,932	538,719	490,504	468,561
Changes for experience	(633,925)	-	55,461	-	332,740	-	(365,122)
Changes of assumptions	-	-	727,127	-	-	-	-
Benefit payments	(391,058)	(423,093)	(440,813)	(449,814)	(447,981)	(407,434)	(356,284)
Net change in total pension liability	(3,725)	593,139	1,302,004	374,806	670,800	288,942	(56,776)
Total Pension Liability, Beginning	<u>9,767,592</u>	<u>9,174,453</u>	<u>7,872,449</u>	<u>7,497,643</u>	<u>6,826,843</u>	<u>6,537,901</u>	<u>6,594,677</u>
Total Pension Liability, Ending (a)	<u>\$ 9,763,867</u>	<u>\$ 9,767,592</u>	<u>\$ 9,174,453</u>	<u>\$ 7,872,449</u>	<u>\$ 7,497,643</u>	<u>\$ 6,826,843</u>	<u>\$ 6,537,901</u>
Plan Fiduciary Net Position							
Contributions, employer	\$ 638,436	\$ 435,746	\$ 426,885	\$ 334,212	\$ 315,529	\$ 295,561	\$ 380,731
Net investment income (loss)	842,176	918,397	1,125,471	(391,941)	749,554	303,205	(37,799)
Benefit payments, including refunds of member contributions	(391,058)	(423,093)	(440,813)	(449,814)	(447,981)	(407,434)	(356,284)
Net change in plan fiduciary net position	1,089,554	931,050	1,111,543	(507,543)	617,102	191,332	(13,352)
Plan Fiduciary Net Position, Beginning	<u>8,278,897</u>	<u>7,347,847</u>	<u>6,236,304</u>	<u>6,743,847</u>	<u>6,126,745</u>	<u>5,935,413</u>	<u>5,948,765</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 9,368,451</u>	<u>\$ 8,278,897</u>	<u>\$ 7,347,847</u>	<u>\$ 6,236,304</u>	<u>\$ 6,743,847</u>	<u>\$ 6,126,745</u>	<u>\$ 5,935,413</u>
Net Pension Liability (asset), Ending (a) - (b)	<u>\$ 395,416</u>	<u>\$ 1,488,695</u>	<u>\$ 1,826,606</u>	<u>\$ 1,636,145</u>	<u>\$ 753,796</u>	<u>\$ 700,098</u>	<u>\$ 602,488</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>95.95%</u>	<u>84.76%</u>	<u>80.09%</u>	<u>79.22%</u>	<u>89.95%</u>	<u>89.74%</u>	<u>90.78%</u>
Covered-Employee Payroll	<u>\$ 2,759,291</u>	<u>\$ 2,472,729</u>	<u>\$ 2,545,135</u>	<u>\$ 2,447,739</u>	<u>\$ 2,412,665</u>	<u>\$ 2,154,016</u>	<u>\$ 1,973,790</u>
Net Pension Liability as a Percentage of Covered-Employee Payroll	<u>14.33%</u>	<u>60.20%</u>	<u>71.77%</u>	<u>66.84%</u>	<u>31.24%</u>	<u>32.50%</u>	<u>30.52%</u>

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

Upper Macungie Township

Schedule of Nonuniformed Employees' Pension Plan Contributions (Unaudited)
Last Seven Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 638,436	\$ 435,746	\$ 426,885	\$ 334,212	\$ 315,529	\$ 295,561	\$ 380,731
Contributions in relation to the actuarially determined contribution	<u>638,436</u>	<u>435,746</u>	<u>426,885</u>	<u>334,212</u>	<u>315,529</u>	<u>295,561</u>	<u>380,731</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 2,759,291</u>	<u>\$ 2,472,729</u>	<u>\$ 2,545,135</u>	<u>\$ 2,447,739</u>	<u>\$ 2,412,665</u>	<u>\$ 2,154,016</u>	<u>\$ 1,973,790</u>
Contribution as a percentage of covered-employee payroll	<u>23.14%</u>	<u>17.62%</u>	<u>16.77%</u>	<u>13.65%</u>	<u>13.08%</u>	<u>13.72%</u>	<u>19.29%</u>

Notes to Schedule

Valuation date: January 1, 2019 January 1, 2015 January 1, 2013

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortized method	Level dollar, closed	Level dollar, closed	Level dollar, closed
Remaining amortization period	13 years	8 years	15 years
Asset valuation method inflation	Market Value	Market Value	Market Value
Inflation	3.00%	3.00%	3.00%
Salary increases	5% annual increase	5% annual increase	5% annual increase
Investment rate of return	7.50%	7.50%	7.50%
Retirement age	Normal retirement age	Normal retirement age	Normal retirement age
Mortality	PubG-2010 Mortality Tables	RP 2000 Mortality Tables	RP 2000 Mortality Tables

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

Upper Macungie Township

Schedule of Nonuniformed Employees' Pension Plan Investment Returns (Unaudited)
Last Seven Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	<u>10.43%</u>	<u>11.66%</u>	<u>16.85%</u>	<u>-5.45%</u>	<u>11.51%</u>	<u>5.38%</u>	<u>-0.13%</u>

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

Upper Macungie Township

Schedule of Changes in the Police Pension Plan Net Pension Liability and Related Ratios (Unaudited)
Last Six Fiscal Years

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 507,780	\$ 471,970	\$ 446,322	\$ 438,224	\$ 373,469	\$ 417,730
Interest	617,635	574,020	523,698	486,959	448,045	431,789
Differences between expected and actual experience	17,829	-	198,871	-	98,811	(22,879)
Changes of benefits	978,288	-	-	-	-	-
Changes of assumption	(64,153)	-	-	-	347,207	(337,961)
Transfers	-	-	-	-	-	-
Benefit payments	(275,937)	(226,748)	(245,093)	(222,149)	(184,555)	(159,230)
Net change in total pension liability	1,781,442	819,242	923,798	703,034	1,082,977	329,449
Total Pension Liability, Beginning	<u>11,392,906</u>	<u>10,573,664</u>	<u>9,649,866</u>	<u>8,946,832</u>	<u>7,863,855</u>	<u>7,534,406</u>
Total Pension Liability, Ending (a)	<u>\$ 13,174,348</u>	<u>\$ 11,392,906</u>	<u>\$ 10,573,664</u>	<u>\$ 9,649,866</u>	<u>\$ 8,946,832</u>	<u>\$ 7,863,855</u>
Plan Fiduciary Net Position						
Contributors:						
Employer	\$ 248,064	\$ 265,287	\$ 315,533	\$ 290,684	\$ 529,685	\$ 491,459
Member	116,131	102,997	84,380	70,994	75,895	105,289
Net investment income (loss)	1,664,329	2,303,414	(635,337)	1,696,674	636,045	(61,341)
Transfers	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(275,937)	(226,748)	(245,093)	(222,149)	(184,555)	(159,230)
Administrative expenses	(29,393)	(22,049)	(25,981)	(25,075)	(25,827)	(19,784)
Net change in plan fiduciary net position	1,723,194	2,422,901	(506,498)	1,811,128	1,031,243	356,393
Plan Fiduciary Net Position, Beginning	<u>13,324,171</u>	<u>10,901,270</u>	<u>11,407,768</u>	<u>9,596,640</u>	<u>8,565,397</u>	<u>8,209,004</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 15,047,365</u>	<u>\$ 13,324,171</u>	<u>\$ 10,901,270</u>	<u>\$ 11,407,768</u>	<u>\$ 9,596,640</u>	<u>\$ 8,565,397</u>
Net Pension Liability (asset), Ending (a) - (b)	<u>\$ (1,873,017)</u>	<u>\$ (1,931,265)</u>	<u>\$ (327,606)</u>	<u>\$ (1,757,902)</u>	<u>\$ (649,808)</u>	<u>\$ (701,542)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>114.22%</u>	<u>116.95%</u>	<u>103.10%</u>	<u>118.22%</u>	<u>107.26%</u>	<u>108.92%</u>
Covered-Employee Payroll	<u>\$ 2,770,283</u>	<u>\$ 2,574,914</u>	<u>\$ 2,410,835</u>	<u>\$ 2,367,092</u>	<u>\$ 2,148,165</u>	<u>\$ 2,105,760</u>
Net Pension (Asset) Liability as a Percentage of Covered-Employee Payroll	<u>-67.61%</u>	<u>-75.00%</u>	<u>-13.59%</u>	<u>-74.26%</u>	<u>-30.25%</u>	<u>-33.32%</u>

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is available only for 2015 through 2020.

Upper Macungie Township

Schedule of Police Pension Plan Contributions (Unaudited)
Last Six Fiscal Years

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 248,004	\$ 265,247	\$ 315,533	\$ 290,644	\$ 529,665	\$ 491,459
Contributions in relation to the actuarially determined contribution	248,064	265,287	315,533	290,684	529,685	491,459
Contribution (excess) deficiency	\$ (60)	\$ (40)	\$ -	\$ (40)	\$ (20)	\$ -
Covered-employee payroll	\$ 2,770,283	\$ 2,574,914	\$ 2,410,835	\$ 2,367,092	\$ 2,148,165	\$ 2,105,760
Contribution as a percentage of covered-employee payroll	8.95%	10.30%	13.09%	12.28%	24.66%	23.34%

Notes to Schedule

Valuation date: January 1, 2017 January 1, 2015 January 1, 2015 January 1, 2013 January 1, 2013

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

Methods and assumptions used to determine contribution rates:

	2020	2019	2018	2017	2016	2015
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortized method	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar
Remaining amortization period	N/A	N/A	N/A	N/A	N/A	N/A
Asset valuation method	Municipal reserves	Municipal reserves	Market Value	Market Value	Market Value	Market Value
Inflation	2.8%	2.8%	3.0%	3.0%	3.0%	3.0%
Salary increases	Age related scale with merit and inflation component	Age related scale with merit and inflation component	Age related scale with merit and inflation component	Age related scale with merit and inflation component	Age related scale with merit and inflation component	Age related scale with merit and inflation component
Investment rate of return	5.25%	5.25%	5.50%	5.25%	5.25%	5.50%
Retirement age	Age 60 or 55 with 20 years service	Age 60 or 55 with 20 years service	Age 60 or 55 with 20 years service	Age 60 or 55 with 20 years service	Age 60 or 55 with 20 years service	Age 60 or 55 with 20 years service
COLA increases	2.8% for those eligible	2.8% for those eligible	3.0% for those eligible	3.0% for those eligible	3.0% for those eligible	3.0% for those eligible
Mortality	RP 2000 Mortality Tables	RP 2000 Mortality Tables	RP 2000 Mortality Tables	RP 2000 Mortality Tables	RP 2000 Mortality Tables	RP 2000 Mortality Tables

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is available only for 2015 through 2020.

Upper Macungie TownshipSchedule of Police Pension Plan Investment Returns (Unaudited)
Last Six Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	<u>7.80%</u>	<u>6.70%</u>	<u>7.00%</u>	<u>17.84%</u>	<u>8.23%</u>	<u>-0.27%</u>

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available only for 2015 through 2020.

Upper Macungie Township

Combining Balance Sheet - Total Other Governmental Funds

December 31, 2021

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
Assets			
Cash and cash equivalents	\$ 183,946	\$ 749,995	\$ 933,941
Investments	3,752,725	2,956,180	6,708,905
Due from other funds	-	12,921	12,921
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,936,671</u>	<u>\$ 3,719,096</u>	<u>\$ 7,655,767</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable and other current liabilities	\$ 49,868	\$ 100,130	\$ 149,998
Due to other funds	1,970	630,792	632,762
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>51,838</u>	<u>730,922</u>	<u>782,760</u>
Fund Balances			
Restricted for:			
Road and street improvements	1,701,828	1,213,210	2,915,038
Fire protection	1,228,880	-	1,228,880
Assigned to:			
Stormwater	99,092	-	99,092
Capital projects	-	1,774,964	1,774,964
Operations	855,033	-	855,033
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>3,884,833</u>	<u>2,988,174</u>	<u>6,873,007</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 3,936,671</u>	<u>\$ 3,719,096</u>	<u>\$ 7,655,767</u>

Upper Macungie Township

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -

Total Other Governmental Funds

Year Ended December 31, 2021

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
Revenues			
Taxes	\$ 350,156	\$ -	\$ 350,156
Intergovernmental	779,158	-	779,158
Charges for services	-	86,368	86,368
Interest, rents and royalties	2,018	1,375	3,393
	<u>1,131,332</u>	<u>87,743</u>	<u>1,219,075</u>
Total revenues			
	1,131,332	87,743	1,219,075
Expenditures			
Current:			
General government	205,436	103,665	309,101
Public safety	-	606,059	606,059
Public works	815,946	421,871	1,237,817
	<u>1,021,382</u>	<u>1,131,595</u>	<u>2,152,977</u>
Total expenditures			
	1,021,382	1,131,595	2,152,977
Excess (deficiency) of revenues over expenditures	<u>109,950</u>	<u>(1,043,852)</u>	<u>(933,902)</u>
	109,950	(1,043,852)	(933,902)
Other Financing Sources (Uses)			
Proceeds from sale of fixed assets	-	237,359	237,359
Interfund transfers in	-	1,041,006	1,041,006
	<u>-</u>	<u>1,278,365</u>	<u>1,278,365</u>
Total other financing sources			
	-	1,278,365	1,278,365
Net change in fund balances	109,950	234,513	344,463
Fund Balances, Beginning	<u>3,774,883</u>	<u>2,753,661</u>	<u>6,528,544</u>
	3,774,883	2,753,661	6,528,544
Fund Balances, Ending	<u>\$ 3,884,833</u>	<u>\$ 2,988,174</u>	<u>\$ 6,873,007</u>
	\$ 3,884,833	\$ 2,988,174	\$ 6,873,007

Upper Macungie Township

Combining Balance Sheet - Other Governmental - Special Revenue Funds

December 31, 2021

	Special Revenue Funds				
	Fire Protection Fund	Stormwater Maintenance Fund	Highway Aid Fund	Open Space Preservation Fund	Total Special Revenue Funds
Assets					
Cash and cash equivalents	\$ 70,618	\$ 101,142	\$ 4,861	\$ 7,325	\$ 183,946
Investments	1,208,050	-	1,696,967	847,708	3,752,725
Total assets	\$ 1,278,668	\$ 101,142	\$ 1,701,828	\$ 855,033	\$ 3,936,671
Liabilities and Fund Balances					
Liabilities					
Accounts payable and other current liabilities	\$ 49,788	\$ 80	\$ -	\$ -	\$ 49,868
Due to other funds	-	1,970	-	-	1,970
Total liabilities	49,788	2,050	-	-	51,838
Fund Balances					
Restricted for:					
Road and street improvements	-	-	1,701,828	-	1,701,828
Fire protection	1,228,880	-	-	-	1,228,880
Assigned to:					
Stormwater	-	99,092	-	-	99,092
Operations	-	-	-	855,033	855,033
Total fund balances	\$ 1,228,880	\$ 99,092	\$ 1,701,828	\$ 855,033	\$ 3,884,833

Upper Macungie Township

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Other Governmental - Special Revenue Funds
Year Ended December 31, 2021

	Special Revenue Funds				Total Special Revenue Funds
	Fire Protection Fund	Stormwater Maintenance Fund	Highway Aid Fund	Open Space Preservation Fund	
Revenues					
Taxes	\$ 350,156	\$ -	\$ -	\$ -	\$ 350,156
Intergovernmental	-	-	779,158	-	779,158
Interest, rents and royalties	641	-	986	391	2,018
Total revenues	350,797	-	780,144	391	1,131,332
Expenditures					
Current:					
General government	199,283	6,153	-	-	205,436
Public works	-	6,865	809,081	-	815,946
Total expenditures	199,283	13,018	809,081	-	1,021,382
Net change in fund balances	151,514	(13,018)	(28,937)	391	109,950
Fund Balances, Beginning	1,077,366	112,110	1,730,765	854,642	3,774,883
Fund Balances, Ending	\$ 1,228,880	\$ 99,092	\$ 1,701,828	\$ 855,033	\$ 3,884,833

Upper Macungie Township

Combining Balance Sheet - Other Governmental - Capital Projects Funds

December 31, 2021

	Capital Projects Funds		Total Capital Projects Funds
	Capital Equipment Fund	Traffic Improvement Fund	
Assets			
Cash and cash equivalents	\$ 621,673	\$ 128,322	\$ 749,995
Investments	1,231,294	1,724,886	2,956,180
Due from other funds	12,921	-	12,921
Total assets	<u>\$ 1,865,888</u>	<u>\$ 1,853,208</u>	<u>\$ 3,719,096</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable and other current liabilities	\$ 83,315	\$ 16,815	\$ 100,130
Due to other funds	7,609	623,183	630,792
Total liabilities	<u>90,924</u>	<u>639,998</u>	<u>730,922</u>
Fund Balances			
Restricted for:			
Road and street improvements	-	1,213,210	1,213,210
Assigned to:			
Capital purchases	1,774,964	-	1,774,964
Total fund balances	<u>\$ 1,774,964</u>	<u>\$ 1,213,210</u>	<u>\$ 2,988,174</u>

Upper Macungie Township

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -

Other Governmental - Capital Projects Funds

Year Ended December 31, 2021

	Capital Projects Funds		Total Capital Projects Funds
	Capital Equipment Fund	Traffic Improvement Fund	
Revenues			
Charges for services	\$ -	\$ 86,368	\$ 86,368
Interest, rents and royalties	568	807	1,375
Total revenues	568	87,175	87,743
Expenditures			
Current:			
General government	103,665	-	103,665
Public safety	606,059	-	606,059
Public works	224,050	197,821	421,871
Total expenditures	933,774	197,821	1,131,595
Excess (deficiency) of revenues over expenditures	(933,206)	(110,646)	(1,043,852)
Other Financing Sources (Uses)			
Proceeds from sale of fixed assets	237,359	-	237,359
Interfund transfers in	1,041,006	-	1,041,006
Total other financing sources (uses)	1,278,365	-	1,278,365
Net change in fund balances	345,159	(110,646)	234,513
Fund Balances, Beginning	1,429,805	1,323,856	2,753,661
Fund Balances, Ending	\$ 1,774,964	\$ 1,213,210	\$ 2,988,174