

**EAST MANCHESTER TOWNSHIP**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2021**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**

**HAMILTON & MUSSER, P.C.**  
*Certified Public Accountants*

**EAST MANCHESTER TOWNSHIP**

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# HAMILTON & MUSSER, PC

*Certified Public Accountants • Consultants to Management*

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JAMES A. KRIMMEL, MBA, CPA, CFE, CFF • ROBERT D. MAST, CPA • WILLIAM P. ASHMAN, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
East Manchester Township  
Mount Wolf, Pennsylvania

### Opinion

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Manchester Township (the Township), York County, Pennsylvania, 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 financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of East Manchester Township, York County, Pennsylvania, as of December 31, 2021 and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 opinion.

### Emphasis of a Matter

#### *Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### *COVID-19 Pandemic*

As described in Note 8, the Township is operating in an environment that has been economically impacted by the COVID-19 pandemic. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Responsibilities of Management for the Financial Statements (Continued)**

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 within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

## **Other Matters**

### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the Management's Discussion and Analysis on pages 3-9, the budgetary comparison information on pages 27-31, the combining schedules on pages 32-33, and the Schedule of Changes in the Township's Net Pension Liability (Asset) and Related Ratios and Schedule of Employer Contributions on pages 34-35, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

August 29, 2022

Mechanicsburg, Pennsylvania



*Certified Public Accountant*

**EAST MANCHESTER TOWNSHIP**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2021

**Introduction:**

The following discussion and analysis of East Manchester Township's (the Township) financial statements provide a narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2021. Readers are encouraged to consider the information presented here in conjunction with the year-end financial statements and accompanying notes following this analysis.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June 1999. Certain comparative information between the current year and prior year is required to be presented in this section.

**Financial highlights of 2021:**

- The assets of the Township exceeded its liabilities at the close of the fiscal year ended December 31, 2021 by \$6,744,992 (net position). The Township's net position increased \$1,309,037 from the December 31, 2020 total net position of \$5,435,955. The majority of the Township's net position (\$5,740,009 or 85.10%) is unrestricted and available for future spending
- Fund balances increased in the General Fund by \$927,971 from \$3,800,809 to \$4,728,780 as of December 31, 2021.
- The General Fund exceeded its budget expectations by \$5,263,071.

**Overview of financial statements:**

This MD&A section is intended to serve as an introduction to the Township's basic financial statements and provides an overview of the Township's financial activities. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

*Government-wide financial statements* - The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Township's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position (revenues and expenses) are reported when cash is received or disbursed. The focus of this statement is on the net cost of providing various activities to the citizens of the Township.

Both the statement of net position and the statement of activities distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- Governmental activities - The activities reflected in this section are general government, public safety (police, fire, and emergency management), roads, health and sanitation, cultural and recreation and other departments and programs. These activities are primarily supported by operating grants and contributions, charges for services, real estate taxes and departmental revenues.

**EAST MANCHESTER TOWNSHIP**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2021

**Overview of financial statements (Continued):**

*Fund financial statements* - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. State law requires some funds be segregated, while other funds are established to control and manage resources designated for specific purposes.

The Township has one type of fund:

- Governmental funds - Most of the Township's basic services are included in governmental funds, which focus on 1) the flow of cash and other financial assets that can readily be converted into cash and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed near-term view that helps determine the financial requirements for current Township's programs. The Township's major governmental funds are the General fund and Recreation fund. The State Street Light, Highway Aid, and Fire funds are non-major governmental funds of the Township.

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

The Township adopts an annual appropriated budget for its General, State Highway Aid, Fire Protection, Street Light, and Recreation in-lieu funds. A budgetary comparison statement for the all funds has been provided as supplementary information for each fund to demonstrate compliance with its budgets.

The government-wide financial statements include not only the primary government, but also legally separate, discretely presented entities for which the Township is financially accountable. Financial information for *discretely presented component units* is reported separately from the financial information presented for the primary government itself. The Township has no discretely presented component units

*Notes to basic financial statements and other information* - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's progress in funding its obligation to provide other postemployment benefits to its employees, and combining schedules of net position and activities for the individual funds of the Township.

**EAST MANCHESTER TOWNSHIP**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2021

**Government wide financial analysis:**

*Net position* - The following is a condensed presentation of the Township's net position as of December 31, 2021 and 2020:

	Government activities	
	2021	2020 (as restated)
Assets:		
Current assets	\$ 8,457,234	\$ 7,093,331
 Total Assets	<u>8,457,234</u>	<u>7,093,331</u>
Liabilities:		
Current liabilities	<u>1,712,242</u>	<u>1,657,376</u>
 Total Liabilities	<u>1,712,242</u>	<u>1,657,376</u>
Net Position:		
Restricted	1,004,983	893,928
Unrestricted	<u>5,740,009</u>	<u>4,542,027</u>
 Total Net position	<u>6,744,992</u>	<u>5,435,955</u>
 Total Liabilities and net position	<u>\$ 8,457,234</u>	<u>\$ 7,093,331</u>

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$6,744,992 at the close of the fiscal year.

The Township's total net position is comprised of two different components. The largest portion of the Township's combined net position reflects its unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current year, the Township can report positive balances in both net position categories for both reported years.

**EAST MANCHESTER TOWNSHIP**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2021

**Government wide financial analysis (Continued):**

*Changes in net position* - The following is a condensed presentation of the Township's changes in net position for the years ended December 31, 2021 and 2020:

	Government activities	
	2021	2020 (as restated)
Revenues:		
Program revenues:		
Charges for Services	\$ 686,571	\$ 677,672
Operating Grants and Contributions	816,172	390,696
General revenues:		
Taxes:		
Property	3,123,007	3,100,180
Investment Earnings	1,299	34,266
Gain (Loss) on Sale of Capital Assets	<u>1,500</u>	<u>-</u>
Total revenues	<u>4,628,549</u>	<u>4,202,814</u>
Expenses		
Governmental Activities		
General Government	491,259	1,228,390
Public Safety	1,706,412	1,656,413
Public Works	1,001,589	924,818
Culture and Recreation	<u>120,252</u>	<u>61,100</u>
Total Expenses	<u>3,319,512</u>	<u>3,870,721</u>
Changes in Net Position	<u>1,309,037</u>	<u>332,093</u>
Net Position		
Beginning	<u>5,435,955</u>	<u>5,103,862</u>
Ending	<u>\$ 6,744,992</u>	<u>\$ 5,435,955</u>

During the current fiscal year, net position for governmental activities increased by \$1,309,037, primarily the result of decreased expenses related to capital purchases in general governmental services in the prior year.

**Financial analysis of the Township's funds:**

The Township uses fund accounting to ensure and demonstrate compliance with local government regulations.

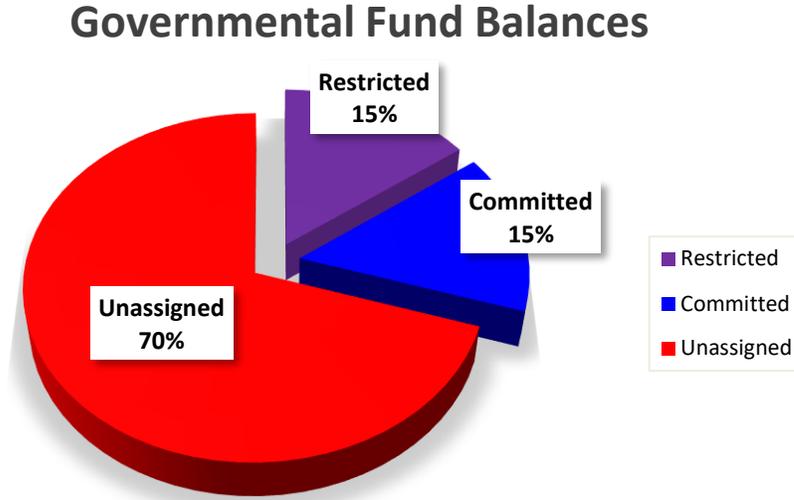
*Governmental funds* - The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net spendable, "available" resources at the end of the fiscal year.

At the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$6,744,922, of which \$1,004,983 (14.90%) was externally restricted, such as by legal restrictions and \$1,011,229 (14.99%) which is internally committed. The remaining \$4,728,780 (70.11%) is unassigned and can be used for any lawful purpose.

**EAST MANCHESTER TOWNSHIP**  
 Management's Discussion and Analysis (Unaudited)  
 For the Year Ended December 31, 2021

**Financial analysis of the Township's funds (Continued):**

The following graphic summarizes fund balances as of December 31, 2021 by relative percentage:



The General Fund is the Township's primary operating fund. It tracks services of administration, police, fire, emergency management, planning, health and sanitation, highways, recreation and parks, shade trees, public events and insurance costs. At the end of the current fiscal year, unassigned fund balance of the General Fund and total fund balance was \$4,728,780, reflecting a \$927,971 (24.42%) increase over the prior year. This increase was primarily due to an increase in intergovernmental revenues received during the year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned General Fund balance to General Fund expenditures. Unassigned General Fund balance represents 157.27% of total governmental fund expenditures.

The condensed changes in fund balance for the General Fund were as follows for the years ended December 31:

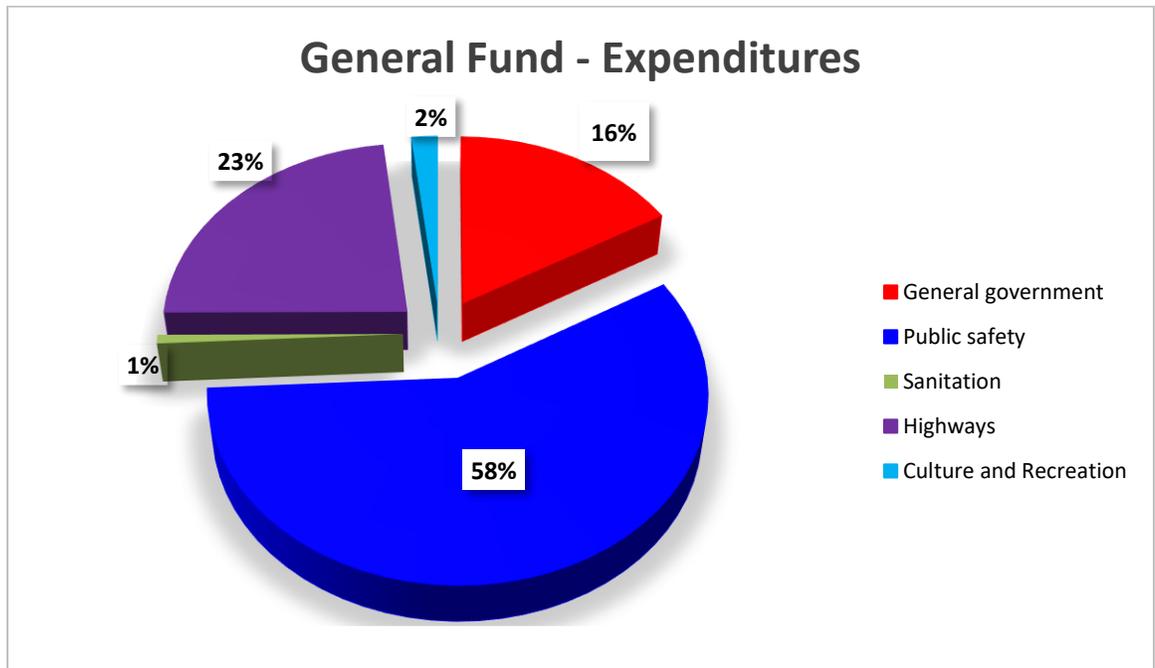
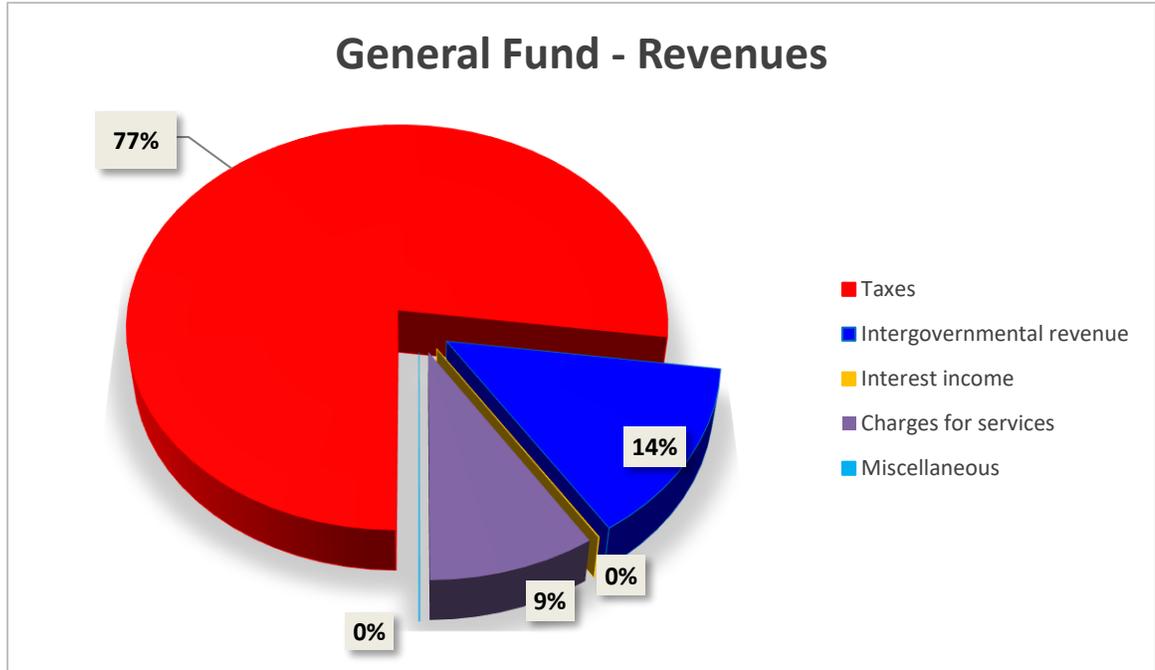
	2021	2020
Revenues	\$ 3,934,797	\$ 3,479,993
Expenses	3,006,826	3,329,788
Changes in fund balance	<u>\$ 927,971</u>	<u>\$ 150,204</u>

The \$454,804 increase in revenues in 2021 primarily related to an increase in intergovernmental revenue activity in 2021. Expenses decreased by \$322,962 in 2021, primarily related to decrease in capital expenses in general governmental activities.

**EAST MANCHESTER TOWNSHIP**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2021

**Financial analysis of the Township's funds (continued):**

The following charts summarize revenues and expenditures by major source for the General Fund by relative percentage for the year ended December 31, 2021:



**EAST MANCHESTER TOWNSHIP**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended December 31, 2021

**General fund budgetary highlights:**

The original budget for the General Fund was not amended by the Township Board of Supervisors during 2021. Overall, actual change in fund balance during the current fiscal year exceeded budget expectations by \$5,263,071, primarily due to increased taxes received, increased permits assessed and the growing greener grant.

Overall, expenditures were \$3,340,274 less than planned, primarily due to the following:

- General government expenses were less than budget by \$1,641,630, primarily related to capital purchases being delayed.
- Public safety expenses were less than budget by \$68,494, primarily due to budgeted police service contracts being lower than expected.
- Public works expenses were less than budget by \$1,473,317, primarily due to less projects completed during the year than expected.

**Economic factors and next year's budget and rates:**

The calendar year 2022 budget leverages positive economic trends by continuing long overdue investments in infrastructure and equipment. The local economy provides a stable fiscal environment, though growth is limited.

The Township continues to experience challenges meeting a balanced budget, particularly in the General Fund, as capital expenditures continue to rise and economic factors affect the prices of labor, materials and supplies. The requirement to fund and improve infrastructure also provides budgetary stress. Key economic factors and trends affecting the Township in 2022 and future years include the following:

- General Fund - There were no changes to the Township's tax rates for the 2022 budget as adopted. Earned income tax is the single largest source of revenue for the Township and represents 34.34% of total General Fund budgeted revenue. Collections of the current income tax and collection of delinquent income taxes remained strong.

**Contact the Township's financial management:**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances. Questions about this report or requests for additional information can be directed to East Manchester Township, Attn: Kristie Masemer, Township Manager at East Manchester Township, 5080 North Sherman St Ext, Mount Wolf, PA 17347.

**EAST MANCHESTER TOWNSHIP**  
Statement of Net Position – Modified Cash Basis  
December 31, 2021

	<u>Governmental Activities</u>	<u>Total</u>
<b>Assets</b>		
Cash and Cash Equivalents (Note 2)	\$ 7,152,439	\$ 7,152,439
Restricted Cash and Cash Equivalents (Note 2)	1,004,983	1,004,983
Investments (Note 2)	<u>299,812</u>	<u>299,812</u>
Total Assets	<u>\$ 8,457,234</u>	<u>\$ 8,457,234</u>
<b>Liabilities</b>		
Escrow Payable	<u>\$ 1,712,242</u>	<u>\$ 1,712,242</u>
Total Liabilities	<u>1,712,242</u>	<u>1,712,242</u>
<b>Net Position</b>		
Restricted	1,004,983	1,004,983
Unrestricted	<u>5,740,009</u>	<u>5,740,009</u>
Total Net Position	<u>\$ 6,744,992</u>	<u>\$ 6,744,992</u>

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The Accompanying Notes are an Integral Part of the Financial Statements

**EAST MANCHESTER TOWNSHIP**  
Statement of Activities – Modified Cash Basis  
For the Year Ended December 31, 2021

Functions/Programs	<u>Expenses</u>	Program Revenue		<u>Net (Expense) Revenue and Changes In Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General Government	\$ 491,259	\$ 117,790	\$ 460,654	\$ 87,185
Public Safety	1,706,412	240,108	55,006	(1,411,298)
Public Works	1,001,589	-	300,512	(701,077)
Culture and Recreation	<u>120,252</u>	<u>328,673</u>	<u>-</u>	<u>208,421</u>
Total Governmental Activities	<u>\$ 3,319,512</u>	<u>\$ 686,571</u>	<u>\$ 816,172</u>	<u>(1,816,769)</u>
General Revenues:				
Taxes				3,123,007
Interest Earnings				1,299
Gain/Loss on Sale of Assets				<u>1,500</u>
Total General Revenues				<u>3,125,806</u>
Change in Net Position				1,309,037
Net Position – Beginning of Year				<u>5,435,955</u>
Net Position – End of Year				<u>\$ 6,744,992</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**EAST MANCHESTER TOWNSHIP**  
 Balance Sheet – Governmental Funds – Modified Cash Basis  
 December 31, 2021

	Major Funds		Non-Major Funds	Total Governmental Funds
	<u>General</u>	<u>Recreation</u>		
<b>Assets</b>				
Cash and Cash				
Equivalents (Note 2)	\$ 6,141,210	\$ 1,011,229	\$ -	\$ 7,152,439
Restricted Cash and Cash				
Equivalents (Note 2)	-	-	1,004,983	1,004,983
Investments (Note 2)	<u>299,812</u>	<u>-</u>	<u>-</u>	<u>299,812</u>
<b>Total Assets</b>	<b><u>\$ 6,441,022</u></b>	<b><u>\$ 1,011,229</u></b>	<b><u>\$ 1,004,983</u></b>	<b><u>\$ 8,457,234</u></b>
<b>Liabilities</b>				
Escrow Payable	<u>\$ 1,712,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,712,242</u>
<b>Total Liabilities</b>	<b><u>1,712,242</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,712,242</u></b>
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted	-	-	1,004,983	1,004,983
Committed	-	1,011,229	-	1,011,229
Assigned	-	-	-	-
Unassigned	<u>4,728,780</u>	<u>-</u>	<u>-</u>	<u>4,728,780</u>
<b>Total Fund Balances</b>	<b><u>4,728,780</u></b>	<b><u>1,011,229</u></b>	<b><u>1,004,983</u></b>	<b><u>6,744,992</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 6,441,022</u></b>	<b><u>\$ 1,011,229</u></b>	<b><u>\$ 1,004,983</u></b>	<b><u>\$ 8,457,234</u></b>

The Accompanying Notes are an Integral Part of the Financial Statements

**EAST MANCHESTER TOWNSHIP**  
Reconciliation of the Balance Sheet – Governmental Funds – Modified Cash Basis  
to the Statement of Net Position – Modified Cash Basis  
December 31, 2021

Total Fund Balances – Governmental Funds	\$ 6,744,992
Total net position reported for governmental activities in the Statement of Net Position – Modified Cash Basis is different because:	
No Differences	_____ -
Total Net Position – Governmental Activities	<u>\$ 6,744,992</u>

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The Accompanying Notes are an Integral Part of the Financial Statements

**EAST MANCHESTER TOWNSHIP**  
Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Governmental Funds – Modified Cash Basis  
For the Year Ended December 31, 2021

	<u>Major Funds</u>		<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Recreation</u>		
<b>Revenues</b>				
Taxes	\$ 3,034,179	\$ -	\$ 67,845	\$ 3,102,024
Interest and Rents	1,089	87	123	1,299
Intergovernmental Revenue	540,131	-	276,041	816,172
Charges for Services	357,898	328,673	20,983	707,554
Gain/Loss on Sale of Assets	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
 Total Revenues	 <u>3,934,797</u>	 <u>328,760</u>	 <u>364,992</u>	 <u>4,628,549</u>
<b>Expenditures</b>				
General Government	496,249	-	-	496,249
Public Safety	1,734,284	-	77,320	1,811,604
Public Works				
Sanitation	22,664	-	-	22,664
Highways, Roads and Streets	697,626	-	176,617	874,243
Culture and Recreation	<u>56,003</u>	<u>58,749</u>	<u>-</u>	<u>114,752</u>
 Total Expenditures	 <u>3,006,826</u>	 <u>58,749</u>	 <u>253,937</u>	 <u>3,319,512</u>
 Net Change in Fund Balances	 927,971	 270,011	 111,055	 1,309,037
 Fund Balances, Beginning of Year	 <u>3,800,809</u>	 <u>741,218</u>	 <u>893,928</u>	 <u>5,435,955</u>
 Fund Balances, End of Year	 <u>\$ 4,728,780</u>	 <u>\$ 1,011,229</u>	 <u>\$ 1,004,983</u>	 <u>\$ 6,744,992</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**EAST MANCHESTER TOWNSHIP**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Governmental Funds – Modified Cash Basis to the Statement of Activities – Modified Cash Basis  
For the Year Ended December 31, 2021

Net Change in Fund Balances – Governmental Funds \$ 1,309,037

The change in net position reported for governmental activities in the  
Statement of Activities – Modified Cash Basis is different because:

No Differences \_\_\_\_\_ -

Change in Net Position – Governmental Activities \$ 1,309,037

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The Accompanying Notes are an Integral Part of the Financial Statements

**EAST MANCHESTER TOWNSHIP**  
Notes to Financial Statements  
For the Year Ended December 31, 2021

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

East Manchester Township (the Township) is located in York County, Pennsylvania and operates under the Second Class Township Code under the laws of the Commonwealth of Pennsylvania. It is located north of the City of York, Pennsylvania and encompasses an area of approximately 17.5 square miles. Its governing board consists of three supervisors elected by the citizens of the Township. The Township has the authority under the laws of the Commonwealth of Pennsylvania to levy taxes upon the property and residents within the Township limits in order to provide police and fire protection, parks and recreational facilities, and maintain its streets and highways.

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

**Reporting Entity:**

Consistent with the guidance contained in GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment to GASB-14, *The Reporting Entity*, the criteria used by the Township to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Township reviews the applicability of the following criteria.

The Township is financially accountable for:

- Organizations that make up the legal Township entity.
- Legally separate organizations if Township officials appoint a voting majority of the organization's governing body and the Township is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Township as defined below.

Impose its Will – If the Township can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Financial Benefit or Burden – Exists if the Township (1) is entitled to the organization's resources, or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the Township. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the Township.

There are no component units that meet all of the above criteria for inclusion in this reporting entity.

**Joint Venture:**

A joint venture is a legal entity or other organization that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The following are joint ventures of the Township:

Northeastern York County Sewer Authority

The Northeastern York County Sewer Authority (the Authority) is an independent operating authority incorporated for the purpose of expanding and operating a sanitary sewer collection system and treatment plant. The Authority was created by the municipalities of East Manchester Township, Manchester Borough, and Mount Wolf Borough. Each municipality appoints two board members.

**EAST MANCHESTER TOWNSHIP**  
Notes to Financial Statements  
For the Year Ended December 31, 2021

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

York Area Regional Police Department

The York Area Regional Police Department (the Police Department) is a full service, primary response, local law enforcement agency. The priority of the Police Department is to protect and preserve life, and property through effective enforcement of the law, commitment to public safety, and service to our community. The Police Department serves residents of 9 municipalities in York County.

Manchester Union Fire Company and Mount Wolf Eagle Fire Company

Manchester Union Fire Company and Mount Wolf Eagle Fire Company are full service, primary response, local fire companies. The priority of the two companies is to provide for the safety and welfare of the public through the preservation of life, property, and the environment.

**Basis of Presentation:**

The accounts of the Township are organized on the fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The various funds are summarized by type in the financial statements. The Township's Governmental Funds are the General Fund, Recreation Fund, Highway Aid Fund, Fire Fund, and Street Light Fund.

**Government-Wide and Fund Financial Statements:**

The government-wide financial statements (i.e., the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis) report information on all activities of the primary government. The effect of material interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenue.

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

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated, when applicable, and presented in a single column.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis accounting as explained in the paragraph below.

The Township presents its financial statements on the modified cash basis method of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when the related liability is incurred. Consequently, accounts receivable, accounts payable and accrued expenses are not included in the financial statements.

**EAST MANCHESTER TOWNSHIP**  
Notes to Financial Statements  
For the Year Ended December 31, 2021

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):**

As discussed in the preceding paragraph, these financial statements are presented on the modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements.

Township accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity.

The Township reports the following major governmental funds:

- General Fund – This Fund is used to account for all financial transactions not accounted for in another fund. Revenue is primarily derived from local property, per capita, and other taxes, user fees and intergovernmental distributions.
- Recreation Fund – This Recreation Fund is used to account for fees paid by developers for development and maintenance of Township recreation facilities.

The Township reports the following non-major governmental funds:

- Street Light Fund – This Special Revenue Fund is used to account for revenue that is restricted to expenditures for the improvement and maintenance of Township street lights.
- Highway Aid Fund – This Special Revenue Fund is used to account for revenue that is restricted to expenditures for the improvement and maintenance of Township roads, bridges, curbs and gutters.
- Fire Fund – This Special Revenue Fund is used to account for legally restricted sources and expenditures related to the fire tax and public safety expenditures.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance to the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

**Budgets:**

Prior to the beginning of each fiscal year, an annual budget is adopted for the General Fund, Recreation Fund, Street Light Fund, Highway Aid Fund, and Fire Fund. Appropriations lapse at the close of the fiscal year to the extent they have not been expended.

**Use of Estimates:**

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**EAST MANCHESTER TOWNSHIP**  
Notes to Financial Statements  
For the Year Ended December 31, 2021

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting:**

The accounting and financial reporting treatment is determined by the basis of accounting. The basis of accounting indicates the timing of transaction or events for recognition in the financial reports.

The government-wide financial statements and the fund financial statements are reported using the modified cash basis of accounting. Revenues resulting from exchange and nonexchange transactions are recorded when received and expenses are recorded when paid. Exchange transactions involve both parties giving and receiving essentially equal value. Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, earned income taxes, grants, entitlements, and donations. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt is reported as other financing sources. The recording of escrow payables are modifications from the pure cash basis of accounting.

**Interfund Transactions:**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers.

**Cash and Cash Equivalents:**

Cash and cash equivalents consist of cash on hand and various accounts maintained at local financial institutions, some of which are restricted.

**Escrow Deposits:**

Assets include amounts held by the Township on behalf of developers to insure construction is in compliance with the Township's ordinances. This cash includes amounts held in escrow in an interest-bearing bank account.

**Fund Balances:**

In accordance with Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Township classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors, contributors, or laws and regulations of other governments, or amounts constrained by law through constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned – includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes.

**EAST MANCHESTER TOWNSHIP**  
Notes to Financial Statements  
For the Year Ended December 31, 2021

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balances (Continued):**

Approval of an official motion at a formal meeting by the Board of Supervisors is required to establish, modify, or rescind committed fund balance. The Board of Supervisors or the Township Manager has the authority to express intended uses of resources that result in assigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the Township's policy is to spend resources in the following order:

1. Restricted
2. Unrestricted

Unless the Board of Supervisors specifically approves the use of committed resources, or the Board of Supervisors or the authorized body or official specifically approves the use of assigned resources, the Township's policy is to spend unrestricted resources in the following order:

1. Unassigned
2. Assigned
3. Committed

The Township does not have a formal minimum fund balance policy.

**Tax Revenue:**

Real estate, per capita and earned income taxes are recorded at gross amounts collected with collection costs recorded as an expenditure under tax collection. Real estate transfer and delinquent taxes are recorded at the net amount received from the collecting agency after deduction of fees and expenses.

**Use of Restricted/Unrestricted Net Position:**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Township's policy is to apply restricted net position first.

**NOTE 2 DEPOSITS AND INVESTMENTS**

Investing is performed in accordance with investment policies complying with State Statutes and the Township Charter. Township funds may be invested in: (1) United States Treasury Bills, (2) short-term obligations of the Federal Government or its agencies or instrumentalities, (3) Deposits in savings accounts or time deposits, to the extent fully insured, (4) Obligations of the United States of any of its agencies or instrumentalities backed by its full faith and credit, (5) Shares of an investment company registered under the Investment Company Act of 1940, and (6) Certificates of deposit to the extent secured by acceptable collateral. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

**Deposits:**

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Township's deposits may not be returned to them. The Township does not have a policy for custodial credit risk on deposits.

**EAST MANCHESTER TOWNSHIP**  
Notes to Financial Statements  
For the Year Ended December 31, 2021

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposits (Continued):**

For public unit accounts, the federal deposit insurance coverage depends upon the type of deposit, and the location of the insured depository institution. Under these provisions, \$7,910,471 of the Township's bank balance of \$8,160,477 was exposed to custodial credit risk, but \$1,293,922 was collateralized by the pledging bank's trust department as permitted by Act 72. Of the bank balance, \$250,005 was covered by federal depository insurance.

In addition, \$5,977,738 was invested in an external investment pool with the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT separately issues audited financial statements which are available to the public at <https://www.plgit.com>. The fair value of the Township's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth is the formal external regulatory oversight for the pool. At December 31, 2021, PLGIT carried a rating of AAAM and had an average maturity of less than one year.

The reconciliation of deposits to the financial statements at December 31, 2021 is as follows:

Uninsured but Collateralized in Accordance with Act 72		\$ 1,293,922
Plus: Amount Insured by FDIC		<u>250,005</u>
		1,543,927
Plus: Deposits in Pooled Investments		5,977,738
Plus: Government Money Market		638,812
Less: Outstanding Checks		<u>(3,555)</u>
Total Deposits		8,156,922
Plus: Cash on Hand		<u>500</u>
		<u>\$ 8,157,422</u>
Cash and Cash Equivalents		\$ 7,152,439
Restricted Cash and Cash Equivalents		<u>1,004,983</u>
Total Cash and Cash Equivalents per Financial Statements		<u>\$ 8,157,422</u>

**Investments:**

Investments classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Investments classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Investments classified as Level 3 have no observable inputs for an asset or liability. The Township has no investments classified in Level 3.

The Township's fair value hierarchy of investments of \$299,812 by type as of December 31, 2021 was as follows:

	<u>Fair Value</u>	Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Certificates of Deposit	\$ 299,812	\$ -	\$ 299,812
Total Investments	<u>\$ 299,812</u>	<u>\$ -</u>	<u>\$ 299,812</u>

**EAST MANCHESTER TOWNSHIP**  
Notes to Financial Statements  
For the Year Ended December 31, 2021

**NOTE 3            PROPERTY TAXES**

The Township’s property tax is levied each January 1 on the assessed value as of that date as maintained by York County for all nonexempt real property located in the Township. The taxes are collected by a Tax Collector who is elected by the voters of the Township. All property taxes collected prior to April 15 are given a 2% discount and those collected after June 15 include a 10% penalty. All unpaid property taxes as of the last working day in December must be turned over by the Tax Collector to the York County Delinquent Tax Claim Bureau by January 15, and at that time enforceable liens can be attached to the properties.

The following is a breakdown of the 2021 property tax levy:

Total Assessed Value for Real Estate Tax Purposes	\$ 785,665,238
Exempt Valuation	\$ 20,311,480
Taxable Net Appraised Valuation	\$ 765,353,758
Taxable Valuation in Dollars	\$ 795,968
Rates – General Purposes	1.04 Mills
Rates – Fire Hydrants	.11 Mills

**NOTE 4            PENSION PLAN**

**Plan Description:**

The Non-uniform Defined Benefit Pension Plan provides retirement benefits, as well as disability and death benefits, to full-time employees. All benefits vest after 5 years of credited service. Employees who retire at or after age 55 are entitled to a monthly retirement benefit, payable for life, in an amount equal to 2.0% times credited service times final average salary (FAS), but in no event is the basic benefit greater than 50% of FAS. FAS is based upon the last 3 years of annualized wages. A member who completes 20 years of credited service and terminates prior to reaching the normal retirement may receive an immediate pension. The pension is the accrued pension, reduced by an actuarial factor to account for early payment.

The disability pension is available to members who are unable to perform gainful employment regardless of age or service. The disability pension is equal to 50% of the average monthly pay, offset by available workers’ compensation benefits. A non-service-related benefit of 30% is available to a member who has at least 10 years of service and who is unable to perform gainful employment.

The Plan also provides certain death benefits to the surviving spouse and/or dependents. If a member has at least 1 year of credited service at time of death, the beneficiary receives the present value of the accrued benefit. At retirement, members may select a survivor benefit.

The Plan is controlled by the provisions of Ordinance No. 383 adopted pursuant to Act 15. The Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple- employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office.

**Funding Policy:**

As a condition of participation, members are required to contribute 5% of compensation to the Plan.

**EAST MANCHESTER TOWNSHIP**  
Notes to Financial Statements  
For the Year Ended December 31, 2021

**NOTE 4 PENSION PLAN (CONTINUED)**

**Funding Policy (Continued):**

The Non-uniform Defined Benefit Pension Plan is also funded by annual entitlements received from the Commonwealth of Pennsylvania and contributions from the Township. East Manchester Township complied in full with the Commonwealth of Pennsylvania's Minimum Municipal Obligation (MMO) funding and reporting requirements for 2020.

The annual required contribution for the current year was determined through an actuarial calculation as mandated by Act 205 based on estimated 2020 payroll of \$3,387,790.

**Actuarial Assumptions:**

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	2.80%	
Salary Increases	3.30%	(average, including inflation)
Investment Rate of Return	5.25%	(including inflation)
Postretirement Cost of Living Increase	0.00%	

Mortality Rates were based on the RP2000 Table for males and females. This table does not include projected mortality improvements.

The long-term expected rate of return on the pension plan investments was determined using a build block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity (Large Capitalized Firms)	25%	4.70%
Domestic Equity (Small Capitalized Firms)	15%	7.10%
International Equity (International Developed Markets)	15%	2.90%
International Equity (Emerging Markets)	10%	7.60%
Real Estate	20%	5.30%
Fixed Income	15%	0.00%

**Discount Rate:**

The discount rate used to measure the total pension liability was 5.25%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

**EAST MANCHESTER TOWNSHIP**  
Notes to Financial Statements  
For the Year Ended December 31, 2021

**NOTE 4 PENSION PLAN (CONTINUED)**

**Changes in the Net Pension Liability**

	Total Pension <u>Liability</u>	Increase <u>(Decrease)</u> Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability (Asset)</u>
	(a)	(b)	(a)-(b)
Balances at 1/1/2021	\$ 1,769,425	\$ 1,908,796	\$ (139,371)
Service Cost	57,071	-	57,021
Interest Cost	92,702	-	92,702
Changes of Benefit Terms	-	-	-
Changes of Experience	126,995	-	126,995
Changes of Assumptions	79,159	-	79,159
Contributions – Employer	-	38,123	-
Contributions – Member	-	18,130	-
PMRS Investment Income	-	90,973	-
Net Investment Income	-	269,839	-
Benefit Payments	(117,651)	(117,651)	-
PMRS Administrative Expense	-	(400)	400
Administrative Expense	-	(3,964)	-
Net Changes	<u>238,276</u>	<u>295,050</u>	<u>(56,774)</u>
Balances at 12/31/2021	<u>\$ 2,007,701</u>	<u>\$ 2,203,846</u>	<u>\$ (196,145)</u>

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

The following presents the net pension liability of the non-uniform defined benefit plan, calculates using the discount rate of 5.25%, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate.

	<u>1% Decrease</u>	Increase <u>(Decrease)</u> Current <u>Discount Rate</u>	<u>1% Increase</u>
	(4.25%)	(5.25%)	(6.25%)
Net Pension Liability	\$ 41,702	\$ (196,145)	\$ (395,626)

**EAST MANCHESTER TOWNSHIP**  
Notes to Financial Statements  
For the Year Ended December 31, 2021

**NOTE 4 PENSION PLAN (CONTINUED)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Continued):**

The Township reported deferred outflows and deferred inflows of resources related to the Non-uniform Pension Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ -	\$ 116,816
Change of Assumptions	-	65,966
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>351,425</u>	<u>-</u>
Total	<u>\$ 351,425</u>	<u>\$ 182,782</u>

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

2021	\$ (75,243)
2022	(38,393)
2023	(69,758)
2024	(19,608)
2025	34,359
Thereafter	-

**NOTE 5 COMMITMENTS AND CONTINGENCIES**

A guarantee agreement was entered into September 16, 2013 between East Manchester Township, Manchester Borough and Mount Wolf Borough to guarantee the Guaranteed Sewer Revenue Bonds, 2013 Series issued by the Northeastern York County Sewer Authority in the amount of \$4,700,000. This issue has a final maturity date of April 25, 2042 and its purpose was for refunding the Guaranteed Sewer Revenue Bonds, Series 2009, purchasing the sinking Springs Farm Land, and other capital additions. The outstanding balance of the bond was \$3,432,000 as of December 31, 2021.

A guarantee agreement was entered into September 24, 2015 between East Manchester Township, Manchester Borough and Mount Wolf Borough to guarantee the Guaranteed Sewer Revenue Bonds, 2015 Series issued by the Northeastern York County Sewer Authority in the amount of \$10,370,000. This issue has a final maturity date of 2027 and its purpose was for refunding the Guaranteed Sewer Revenue Bonds, Series 2005 and payment of development planning costs, cost of acquisition, and cost of construction of the 2015 capital additions. The outstanding balance of the bond was \$6,213,000 as of December 31, 2021.

A guarantee agreement was entered into February 23, 2021 between East Manchester Township, Manchester Borough and Mount Wolf Borough to guarantee the Guaranteed Sewer Revenue Bonds, 2021 Series issued by the Northeastern York County Sewer Authority in the amount of \$10,000,000. This issue has a final maturity date of February 25, 2036 and its purpose was for the payment of the costs and expenses of the 2021 additions, the payment of costs and expenses of issuance of the 2021 Bond, and the establishment of necessary reserves, to the extent available. The outstanding balance of the bond was \$10,000,000 as of December 31, 2021.

**EAST MANCHESTER TOWNSHIP**  
Notes to Financial Statements  
For the Year Ended December 31, 2021

**NOTE 5 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Developers operating in the Township are required to obtain letters of credit, payment of insurance bonds or other escrow agreements to provide assurance that projects will be completed according to approved specifications and on a timely basis. Should one or more of these instruments expire and a default occurs, it may be necessary for the Township to take over the defaulted project.

In the normal course of operations, the Township is involved in various civil disputes. It is the opinion of management that the potential claims against the Township not covered by insurance would not materially affect the financial statements.

**NOTE 6 RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township.

**NOTE 7 TAX ABATEMENTS**

The Township provides tax abatements through the Local Economic Revitalization Tax Assistance Program (LERTA). The purpose of this program is to provide real estate exemptions to the portion of the additional assessments attributable to the actual cost of improvements for property located within a specified Industrial Zone of the Township. The exemptions are based on a set schedule for 10 years where the level of exemption decreases each year until there is no exemption in year 10. Applications for exemptions were allowed through January 4, 2021, at which time the LERTA program expired. For fiscal year 2021, the Township had 3 different LERTA agreements and the net amount of taxes abated was \$77,677.

**NOTE 8 PRIOR PERIOD ADJUSTMENT**

During 2021, management determined that the fair value of investments was understated by \$39,704 and escrow payable amounts of \$1,657,376 should have been recorded on the books for the year ended December 31, 2020. Adjustments were recorded as follows:

	Governmental Activities	General Fund
Beginning Net Position, as Previously Reported December 31, 2020	\$ 7,053,627	\$ 5,418,481
Prior Period Adjustments:		
Investments	39,704	39,704
Escrow Payables	<u>(1,657,376)</u>	<u>(1,657,376)</u>
Net Position, as Restated, January 1, 2021	<u>\$ 5,435,955</u>	<u>\$ 3,800,809</u>

**NOTE 9 SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 29, 2022, which is the date the financial statements were available to be issued.

Subsequent to December 31, 2021, the Township has been operating in an environment that has been economically impacted by the COVID-19 pandemic. The full impact of the pandemic on the Township is not known as of the release of these financial statements. However, management is monitoring the current conditions and their potential impact.

**SUPPLEMENTARY INFORMATION**

**EAST MANCHESTER TOWNSHIP**  
 Budgetary Comparison Schedule – General Fund  
 For the Year Ended December 31, 2021

	General Fund		
	Original/Final Appropriated <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$ 1,724,000	\$ 3,034,179	\$ 1,310,179
Interest and Rents	3,000	1,089	(1,911)
Intergovernmental Revenue	92,000	540,131	448,131
Charges for Services	192,500	357,898	165,398
Miscellaneous	1,000	-	(1,000)
Gain/Loss on Sale of Assets	<u>500</u>	<u>1,500</u>	<u>1,000</u>
Total Revenues	<u>2,013,000</u>	<u>3,934,797</u>	<u>1,921,797</u>
<b>Expenditures</b>			
General Government	2,137,879	496,249	1,641,630
Public Safety	1,802,778	1,734,284	68,494
Public Works			
Sanitation	135,000	22,664	112,336
Highways, Roads and Streets	2,170,943	697,626	1,473,317
Culture and Recreation	<u>100,500</u>	<u>56,003</u>	<u>44,497</u>
Total Expenditures	<u>6,347,100</u>	<u>3,006,826</u>	<u>3,340,274</u>
Net Change in Fund Balances	<u>\$ (4,334,100)</u>	927,971	<u>\$ 5,262,071</u>
Fund Balances, Beginning of Year		<u>3,800,809</u>	
Fund Balances, End of Year		<u>\$ 4,728,780</u>	

See Independent Auditor's Report

**EAST MANCHESTER TOWNSHIP**  
 Budgetary Comparison Schedule – Recreation Fund  
 For the Year Ended December 31, 2021

	Recreation Fund		
	Original/Final Appropriated <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Interest and Rents	\$ 1,000	\$ 87	\$ (913)
Charges for Services	<u>10,000</u>	<u>328,673</u>	<u>318,673</u>
Total Revenues	<u>11,000</u>	<u>328,760</u>	<u>317,760</u>
Expenditures			
Culture and Recreation	<u>741,000</u>	<u>58,749</u>	<u>682,251</u>
Total Expenditures	<u>741,000</u>	<u>58,749</u>	<u>682,251</u>
Net Change in Fund Balances	<u>\$ (730,000)</u>	270,011	<u>\$ 1,000,011</u>
Fund Balances, Beginning of Year		<u>741,218</u>	
Fund Balances, End of Year		<u>\$ 1,011,229</u>	

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**EAST MANCHESTER TOWNSHIP**  
 Budgetary Comparison Schedule – Street Light Fund  
 For the Year Ended December 31, 2021

	Street Light Fund		
	Original/Final Appropriated Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest and Rents	\$ 50	\$ 10	\$ (40)
Charges for Services	<u>20,000</u>	<u>20,983</u>	<u>983</u>
Total Revenues	<u>20,050</u>	<u>20,993</u>	<u>943</u>
Expenditures			
Public Safety	<u>108,050</u>	<u>7,828</u>	<u>100,222</u>
Total Expenditures	<u>108,050</u>	<u>7,828</u>	<u>100,222</u>
Net Change in Fund Balances	<u>\$ (88,000)</u>	13,165	<u>\$ 101,165</u>
Fund Balances, Beginning of Year		<u>87,821</u>	
Fund Balances, End of Year		<u>\$ 100,986</u>	

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**EAST MANCHESTER TOWNSHIP**  
 Budgetary Comparison Schedule – Highway Aid Fund  
 For the Year Ended December 31, 2021

	Highway Aid Fund		
	Original/Final Appropriated Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest and Rents	\$ 1,000	\$ 103	\$ (897)
Intergovernmental Revenue	<u>260,000</u>	<u>276,041</u>	<u>16,041</u>
Total Revenues	<u>261,000</u>	<u>276,144</u>	<u>15,144</u>
Expenditures			
Public Safety	50,000	1,267	48,733
Public Works			
Highways, Roads and Streets	<u>917,000</u>	<u>176,617</u>	<u>740,383</u>
Total Expenditures	<u>967,000</u>	<u>177,884</u>	<u>789,116</u>
Net Change in Fund Balances	<u>\$ (706,000)</u>	98,260	<u>\$ 804,260</u>
Fund Balances, Beginning of Year		<u>731,176</u>	
Fund Balances, End of Year		<u><u>\$ 829,436</u></u>	

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**EAST MANCHESTER TOWNSHIP**  
 Budgetary Comparison Schedule – Fire Fund  
 For the Year Ended December 31, 2021

	Fire Fund		
	Original/Final Appropriated <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 55,000	\$ 67,845	\$ 12,845
Interest and Rents	<u>500</u>	<u>10</u>	<u>(490)</u>
Total Revenues	<u>55,500</u>	<u>67,855</u>	<u>12,355</u>
Expenditures			
Public Safety	<u>126,100</u>	<u>68,225</u>	<u>57,875</u>
Total Expenditures	<u>126,100</u>	<u>68,225</u>	<u>57,875</u>
Net Change in Fund Balances	<u>\$ (70,600)</u>	(370)	<u>\$ 70,230</u>
Fund Balances, Beginning of Year		<u>74,931</u>	
Fund Balances, End of Year		<u>\$ 74,561</u>	

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**EAST MANCHESTER TOWNSHIP**  
Combining Balance Sheet –  
Non-Major Governmental Funds – Modified Cash Basis  
December 31, 2021

	Non-Major Funds			Total Non-Major Governmental Funds
	<u>Street Light</u>	<u>Highway Aid</u>	<u>Fire</u>	
<b>Assets</b>				
Restricted Cash and Cash Equivalents	\$ 100,986	\$ 829,436	\$ 74,561	\$ 1,004,983
<b>Total Assets</b>	<u>\$ 100,986</u>	<u>\$ 829,436</u>	<u>\$ 74,561</u>	<u>\$ 1,004,983</u>
<b>Liabilities</b>				
Total Liabilities	\$ -	\$ -	\$ -	\$ -
<b>Fund Balances</b>	<u>100,986</u>	<u>829,436</u>	<u>74,561</u>	<u>1,004,983</u>
<b>Total Fund Balances</b>	<u>100,986</u>	<u>829,436</u>	<u>74,561</u>	<u>1,004,983</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 100,986</u>	<u>\$ 829,436</u>	<u>\$ 74,561</u>	<u>\$ 1,004,983</u>

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**EAST MANCHESTER TOWNSHIP**

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances –  
 Non-Major Governmental Funds – Modified Cash Basis  
 For the Year Ended December 31, 2021

	Non-Major Funds			Total Non-Major Governmental Funds
	<u>Street Light</u>	<u>Highway Aid</u>	<u>Fire</u>	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 67,845	\$ 67,845
Interest and Rents	10	103	10	123
Intergovernmental Revenue	-	276,041	-	276,041
Charges for Services	<u>20,983</u>	<u>-</u>	<u>-</u>	<u>20,983</u>
 Total Revenues	 <u>20,993</u>	 <u>276,144</u>	 <u>67,855</u>	 <u>364,992</u>
<b>Expenditures</b>				
Public Safety	7,828	1,267	68,225	77,320
Public Works				
Highways, Roads and Streets	<u>-</u>	<u>176,617</u>	<u>-</u>	<u>176,617</u>
 Total Expenditures	 <u>7,828</u>	 <u>177,884</u>	 <u>68,225</u>	 <u>253,937</u>
 Net Change in Fund Balance	 13,165	 98,260	 (370)	 111,055
 Fund Balances, Beginning of Year	 <u>87,821</u>	 <u>731,176</u>	 <u>74,931</u>	 <u>893,928</u>
 Fund Balances, End of Year	 <u>\$ 100,986</u>	 <u>\$ 829,436</u>	 <u>\$ 74,561</u>	 <u>\$ 1,004,983</u>

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**EAST MANCHESTER TOWNSHIP**  
Pension Plan  
Schedule of Changes in the Township's Net Pension Liability (Asset) and Related Ratios  
Last 10 Fiscal Years  
Unaudited

<b>East Manchester Pension Plan</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability							
Service Costs	\$ 57,071	\$ 57,055	\$ 53,204	\$ 47,319	\$ 44,560	\$ 38,179	\$ 41,457
Interest	92,702	90,834	86,916	85,287	83,485	82,267	82,195
Changes of Benefit Terms	-	-	10,924	-	-	-	-
Changes in Experience	126,995	-	27,466	-	41,237	(633)	(12,349)
Changes in Assumptions	79,159	-	-	-	40,798	1,515	-
Benefit Payments	<u>(117,651)</u>	<u>(106,782)</u>	<u>(106,205)</u>	<u>(106,205)</u>	<u>(106,205)</u>	<u>(106,205)</u>	<u>(105,956)</u>
Net Changes in Total Pension Liability	238,276	41,107	72,305	26,401	103,875	15,123	5,347
Total Pension Liability - Beginning of Year	<u>1,769,425</u>	<u>1,728,318</u>	<u>1,656,013</u>	<u>1,629,612</u>	<u>1,525,737</u>	<u>1,510,614</u>	<u>1,505,267</u>
Total Pension Liability - End of Year	<u>\$ 2,007,701</u>	<u>\$ 1,769,425</u>	<u>\$ 1,728,318</u>	<u>\$ 1,656,013</u>	<u>\$ 1,629,612</u>	<u>\$ 1,525,737</u>	<u>\$ 1,510,614</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 38,123	\$ 38,812	\$ 44,262	\$ 30,641	\$ 29,186	\$ 22,753	\$ 26,794
Contributions - PMRS assessment	-	420	-	20	20	20	-
Contributions - Plan Members	18,130	17,841	14,892	11,582	11,484	9,827	7,794
Net Investment Income (Loss)	360,812	340,141	(46,159)	266,040	137,139	1,570	81,156
Benefit Payments	(117,651)	(106,782)	(106,205)	(106,205)	(106,205)	(106,205)	(105,956)
Administrative Expenses	<u>(4,364)</u>	<u>(3,510)</u>	<u>(4,113)</u>	<u>(4,121)</u>	<u>(4,465)</u>	<u>(3,798)</u>	<u>(3,577)</u>
Net Changes in Plan Fiduciary Net Position	295,050	286,922	(97,323)	197,957	67,159	(75,833)	6,211
Plan Fiduciary Net Position - Beginning of Y	<u>1,908,796</u>	<u>1,621,874</u>	<u>1,719,197</u>	<u>1,521,240</u>	<u>1,454,081</u>	<u>1,529,914</u>	<u>1,523,703</u>
Plan Fiduciary Net Position - End of Year	<u>\$ 2,203,846</u>	<u>\$ 1,908,796</u>	<u>\$ 1,621,874</u>	<u>\$ 1,719,197</u>	<u>\$ 1,521,240</u>	<u>\$ 1,454,081</u>	<u>\$ 1,529,914</u>
Township's Net Pension Liability (Asset)	<u>\$ (196,145)</u>	<u>\$ (139,371)</u>	<u>\$ 106,444</u>	<u>\$ (63,184)</u>	<u>\$ 108,372</u>	<u>\$ 71,656</u>	<u>\$ (19,300)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	109.77%	107.88%	93.84%	103.82%	93.35%	95.30%	101.28%
Covered-Employee Payroll	366,786	369,363	354,774	330,921	328,102	280,768	304,120
Township's Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	-53.48%	-37.73%	30.00%	-19.09%	33.03%	25.52%	-6.35%

**Notes to Schedule:**

This schedule will eventually cover the ten most-recent fiscal years; however, this is the information since the implementation year of GASB 68.

See Independent Auditor's Report

**EAST MANCHESTER TOWNSHIP**  
Pension Plan  
Schedule of Employer Contributions  
Last 10 Measurement Years

<b>East Manchester Pension Plan</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution (ADC)	\$ 38,026	\$ 36,230	\$ 29,254	\$ 26,803	\$ 26,473	\$ 14,625	\$ 21,150
Contribution in Relation to the ADC*	<u>38,123</u>	<u>39,232</u>	<u>44,262</u>	<u>30,661</u>	<u>29,206</u>	<u>22,773</u>	<u>26,794</u>
Contribution Deficiency / (Excess)	<u><u>\$ (97)</u></u>	<u><u>\$ (3,002)</u></u>	<u><u>\$ (15,008)</u></u>	<u><u>\$ (3,858)</u></u>	<u><u>\$ (2,733)</u></u>	<u><u>\$ (8,148)</u></u>	<u><u>\$ (5,644)</u></u>
Covered Employee Payroll**	\$ 366,786	\$ 369,363	\$ 354,774	\$ 330,921	\$ 328,102	\$ 280,768	\$ 304,120
Contributions as a Percentage of Covered Employee Payroll	10.39%	10.62%	12.48%	9.27%	8.90%	8.11%	8.81%

\* Information provided by PMRS and not reconciled to determine the cause of any deviation from the Actuarially Determined Contribution (if applicable).

\*\* Beginning in 2015, amount is actual payroll. In 2014, amount is expected payroll based on the most recent actuarial valuation.

Notes to Schedule:

This schedule will eventually cover the ten most-recent fiscal years; however, this is the information since the implementation year of GASB 68

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