

**LOWER PAXTON TOWNSHIP**

**YEAR ENDED DECEMBER 31, 2019**



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

# ***LOWER PAXTON TOWNSHIP***

YEAR ENDED DECEMBER 31, 2019

## TABLE OF CONTENTS

	Page
Independent auditor's report	1-3
Management's discussion and analysis	4-14
Basic financial statements:	
Government-wide financial statements:	
Statement of net position	15-16
Statement of activities	17-18
Fund financial statements:	
Balance sheet – governmental funds	19
Reconciliation of the governmental funds balance sheet to the statement of net position	20
Statement of revenues, expenditures and changes in fund balances – governmental funds	21
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	22
Statement of net position – proprietary funds	23-24
Statement of revenues, expenses and changes in net position – proprietary funds	25
Statement of cash flows – proprietary funds	26-27
Statement of fiduciary net position	28
Statement of changes in fiduciary net position	29
Notes to financial statements	30-85

(continued)

***LOWER PAXTON TOWNSHIP***

YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS (CONTINUED)

	Page
Required supplementary information:	
Schedule of revenues, expenditures and changes in fund balance - budget and actual - general fund	86
Schedules of changes in the net pension liability and related ratios- last ten years	87-90
Schedules of employer contributions- last ten years	91-92
Schedule of investment returns- last ten years	93
Schedule of changes in the total OPEB liability and related ratios- last ten years	94
Supplementary information:	
Combining balance sheet - non major governmental funds	95
Combining statement of revenues, expenditures and changes in fund balances - non major governmental funds	96
Combining statements of fiduciary net position - fiduciary funds	97
Combining statements of changes in plan net position - fiduciary funds	98



## Independent Auditor's Report

Board of Supervisors  
Lower Paxton Township  
Harrisburg, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lower Paxton Township (the Township), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township, as of December 31, 2019, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; budgetary comparison information; schedules of changes in net pension liability and related ratio and employer contributions; schedule of investment returns for the pension plans and schedule of changes in total OPEB liability and related ratios on pages 4-14, 87, 88-93, 94 and 95, respectively, be presented to supplement the basic financial statements. Such information, 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.

### *Other 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 combining nonmajor governmental fund financial statements and the combining statements of fiduciary funds on pages 96 through 99 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor governmental fund financial statements and the combining schedules of fiduciary funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Correction of errors*

As described in Note 21 to the financial statements, the beginning net position of the Township has been restated to correct errors related to Lower Paxton Township Authority's failure to record developer contributions for the years ending December 31, 2013 through December 31, 2018. Our opinion is not modified with respect to this matter.

*Brown Schultz Steindam's Fritz*

Camp Hill, Pennsylvania  
September 15, 2020

## ***LOWER PAXTON TOWNSHIP***

### **MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2019**

The Management's Discussion and Analysis (MD&A) is a component of the reporting model adopted by the Government Accounting Standards Board (GASB), as referenced in Statement No. 34 issued in June 1999. The intent of the MD&A is to summarize Lower Paxton Township's (the Township) financial performance as a whole, in part, using comparative information from the current year analyzed against prior years.

The MD&A presents a narrative overview and analysis of the Township's financial performance for the fiscal year ended December 31, 2019. It is recommended that it be read in conjunction with the accompanying basic financial statements and notes to the financial statements in order to obtain a thorough understanding of the Township's financial condition as of December 31, 2019.

The financial statements of Lower Paxton Township include the financial position and results of operations of the Township and the financial position and results of operations of Lower Paxton Township Authority (the Authority), which is a blended component unit of the Township, and the Friendship Community Center (FCC).

#### **Using these financial statements**

The financial statements are organized to provide an understanding of Lower Paxton Township as an entire operating entity, while also providing a detailed look at specific financial activities. The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide short-term and long-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's operations. The governmental fund financial statements describes how general Township services are financed in the short term, as well as what remains for future spending. The other types of funds shown in the financial statements are enterprise and fiduciary funds. Enterprise fund statements provide financial information regarding funds for services that the Township operates like a business. Fiduciary fund statements provide financial information regarding funds where the Township acts solely as a trustee for the benefit of others.

#### **Financial highlights:**

The following items detail Lower Paxton Township's financial highlights for the fiscal year ended December 31, 2019:

- Earned income tax (EIT) revenues, the Township's single largest revenue source, have been difficult to budget over the past several years. At the end of the 2019 fiscal year, the Township had recorded \$7,388,829 from EIT, \$711,671 less than budgeted and 2.6% less than recorded in 2018, due to reducing the time period of the EIT Receivable from 120 days of collections into the following year to 60 days in 2019. Without the adjustment, EIT was 3.5% higher in 2019 than in 2018.
- The Township's real estate tax rate was 1.95 mills, in addition to the Local Services tax (LST) of \$52 per employee working in Lower Paxton Township.
- The Township's bond rating was Aa2, as set by Moody's.

## ***LOWER PAXTON TOWNSHIP***

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2019

#### **Financial highlights (continued):**

- The Township issued \$52,040,000 of debt in 2019 to refinance \$42,465,000 of existing Series of 2009D debt and to finance capital purchases and improvements of the Township, Authority and FCC. \$48,150,000 of the 2019 borrowing is the responsibility of the Authority through a subsidy agreement and \$3,890,000 is payable by the Township, of which \$317,000 is to be paid by the FCC.
- At December 31, 2019, the Township has \$137,619,480 in outstanding general obligation bond and loan debt. \$116,895,452 of this debt is the responsibility of the Lower Paxton Township Authority through subsidy agreements.
- The Township's General Fund ended the 2019 calendar year with expenditures and other financing sources (uses) exceeding revenues by \$2,662,714 resulting in a net decrease in fund balance. The majority of the decrease is attributable to the forgiveness of debt owed to the general fund from the FCC which totaled \$2,282,330. Other notable transfers include \$125,000 to the FCC for current year operations and \$361,374 to the General Improvement fund.
- In 2019, the Authority implemented the Stormwater Management Program as a separate fund within the Authority. Following the amendments to the Articles of Incorporation, the Authority filed a Quit Claim Deed to transfer the stormwater system assets included in the Township to the Authority effective January 1, 2019, and amended the Management Agreement with the Township to add in operations of the Authority stormwater system. The net book value of the assets transferred to the Authority from the Township was \$15,434,586. This amount, and the FCC debt forgiveness discussed above, are reported as a Township contribution on the statement of activities.

The unassigned fund balance for the General Fund as of December 31, 2019 was \$4,856,687, or 19.92% of the total general fund operating expenditures for the 2019 year.

#### **Overview of the financial statements**

This section is intended to serve as an introduction to the Township's basic financial statements which are comprised of the following components: management's discussion and analysis, government-wide financial statements, fund financial statements and notes to the financial statements. The report also contains other required supplementary information related to pension and OPEB plans and combining schedules for certain funds.

## ***LOWER PAXTON TOWNSHIP***

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2019

#### **Government-wide statements:**

The government-wide financial statements of the Township are divided into two categories: governmental activities and business activities. The government-wide statements report information about the Township and its blended component unit using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is paid or received. The two government-wide statements report the Township's net position and how it has changed. An increase or decrease in the Township's net position is an indication of whether its financial health overall is improving or deteriorating. The two business-type activities of Lower Paxton Township are the Lower Paxton Township Authority and the Friendship Community Center.

#### **Fund financial statements:**

The Township's fund financial statements provide more detailed information about the most significant funds, not the Township as a whole. The fund financial statements include:

- *Governmental funds* financial statements, which explain how services, such as public safety and public works, are financed. The governmental funds include the General Fund, General Improvement Fund and the Fire Equipment Capital Fund as well as the nonmajor State Highway Aid and Firemen's Length of Service Award Program (LOSAP) funds.
- *Enterprise funds* financial statements offer information about the activities that the Township operates like a business. There are two Township enterprise funds: the Lower Paxton Township Authority and Friendship Community Center.
- *Fiduciary funds* financial statements reflect activities involving resources that are held by the Township as trustee for future employee pension payments. The Township has two pension funds: one covering sworn police officers and one for full-time, non-uniformed employees. Fiduciary funds are not reflected in the government-wide statements because resources cannot be used to support the Township's operations.
- The Township's total net position was \$63,486,686 and \$64,293,763 at December 31, 2019 and 2018 (restated), respectively. Restatements resulted in an increase in total net position of \$2,546,838 for 2018 compared to the amount previously reported.

## **LOWER PAXTON TOWNSHIP**

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2019

#### **Financial analysis of the Township as a whole:**

Table A-1 is a condensed summary of the statement of net position

Table A-1  
Statements of net position  
December 31, 2019 and 2018

	2019			2018 (restated)		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Current and other assets	\$ 6,646,911	\$ 29,477,725	\$ 36,124,636	\$ 12,570,525	\$ 22,133,752	\$ 34,704,277
Capital assets	35,030,655	152,108,486	187,139,141	49,569,906	136,539,432	186,109,338
Other noncurrent assets	4,751,249	11,786,103	16,537,352	2,106,328	4,435,515	6,541,843
<b>Total assets</b>	<b>\$ 46,428,815</b>	<b>\$ 193,372,314</b>	<b>\$ 239,801,129</b>	<b>\$ 64,246,759</b>	<b>\$ 163,108,699</b>	<b>\$ 227,355,458</b>
<b>Deferred outflows of resources</b>	<b>\$ 5,917,793</b>	<b>\$ 284,986</b>	<b>\$ 6,202,779</b>	<b>\$ 4,022,498</b>	<b>\$ 367,317</b>	<b>\$ 4,389,815</b>
Current liabilities	3,628,228	9,415,050	13,043,278	6,624,883	6,024,869	12,649,752
Long-term liabilities	39,216,663	123,927,516	163,144,179	37,090,851	116,610,937	153,701,788
<b>Total liabilities</b>	<b>\$ 42,844,891</b>	<b>\$ 133,342,566</b>	<b>\$ 176,187,457</b>	<b>\$ 43,715,734</b>	<b>\$ 122,635,806</b>	<b>\$ 166,351,540</b>
<b>Deferred inflows of resources</b>	<b>\$ 6,329,765</b>	<b>\$ -</b>	<b>\$ 6,329,765</b>	<b>\$ 1,099,970</b>	<b>\$ -</b>	<b>\$ 1,099,970</b>
Net investment in capital assets	\$ 15,245,593	\$ 33,148,260	\$ 48,393,853	\$ 31,666,111	\$ 16,963,645	\$ 48,629,756
Restricted	4,025,795	11,786,103	15,811,898	2,106,328	4,435,515	6,541,843
Unrestricted	(16,099,436)	15,380,371	(719,065)	(10,318,886)	19,441,050	9,122,164
<b>Total net position</b>	<b>\$ 3,171,952</b>	<b>\$ 60,314,734</b>	<b>\$ 63,486,686</b>	<b>\$ 23,453,553</b>	<b>\$ 40,840,210</b>	<b>\$ 64,293,763</b>

Over time, net position may serve as a useful indication of a government's financial position. In the case of Lower Paxton Township, total assets and deferred outflows of resources exceeded total liabilities by \$63,486,686. The largest portion of the Township's net position, 76.23%, is net investment in capital assets which reflects total capital assets offset by debt incurred to acquire the assets. Restricted net position of \$15,811,898 or 24.91%, represents unspent bond proceeds, escrow funds and restricted investments. The remaining balance of net position (deficit) of (\$719,065) or -1.13%, represents resources that may be used (or are needed) to meet the government's ongoing obligations to its citizens.

The results of this year's operations as a whole are reported in the statement of activities. All expenses are reported in the first column of the statement of activities. Specific charges, grants and subsidies that directly relate to specific expense categories are presented to determine the final amount of the Township's activities that are supported by general revenues. The two largest sources of general revenues are earned income tax and real estate tax.

# LOWER PAXTON TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2019

### Financial analysis of the Township as a whole (continued):

Table A-2 takes the information from the statement of activities and rearranges it slightly, to depict the changes in net position. There was a decrease in net position from 2018 to 2019 in the amount of \$807,077.

Table A-2  
Statements of changes in net position  
December 31, 2019 and 2018

	2019			2018 (restated)		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Revenues:						
Program revenues:						
Charges for service	\$ 6,803,364	\$ 21,931,687	\$ 28,735,051	\$ 5,430,358	\$ 18,687,913	\$ 24,118,271
Operating grants and contributions	1,604,979		1,604,979	1,371,934		1,371,934
Capital grants and contributions	1,665,232		1,665,232	2,737,719		2,737,719
General revenues:						
Property taxes	6,274,780		6,274,780	6,199,759		6,199,759
Other taxes	9,997,272		9,997,272	10,177,109		10,177,109
Interest and rents	171,317	1,102,127	1,273,444	169,320	1,083,516	1,252,836
Net investment gain (loss)	(2,511,185)		(2,511,185)	(1,561,237)		(1,561,237)
Miscellaneous	61,135		61,135	11,455		11,455
Transfers and other revenues (expense):						
Transfers	(125,000)	125,000	-	(125,000)	125,000	-
Other	45,000	40,642	85,642	(8,832)	36,085	27,253
Total revenues	23,986,894	23,199,456	47,186,350	24,402,585	19,932,514	44,335,099
Expenses:						
Operating expenses:						
General government	2,155,196		2,155,196	2,214,038		2,214,038
Police department	11,481,603		11,481,603	10,397,013		10,397,013
Highways and streets	627,279		627,279	1,393,857		1,393,857
Fire and ambulance	1,454,617		1,454,617	1,356,515		1,356,515
Community development	905,128		905,128	895,534		895,534
Health and sanitation	3,128,822		3,128,822	2,530,906		2,530,906
Public works	3,742,032		3,742,032	3,458,227		3,458,227
Parks and recreation	1,148,302		1,148,302	1,032,557		1,032,557
Interest	509,660		509,660	503,426		503,426
Depreciation, unallocated	1,495,690		1,495,690	1,517,164		1,517,164
Friendship Center		2,422,443	2,422,443		2,397,686	2,397,686
Lower Paton Township Authority		19,553,118	19,553,118		15,676,370	15,676,370
Total operating expenses	26,648,329	21,975,561	48,623,890	25,299,237	18,074,056	43,373,293
Excess (deficiency) of revenues over expenses	(2,661,435)	1,223,895	(1,437,540)	(896,652)	1,858,458	961,806
Other financing sources (uses):						
Contributions	(17,620,166)	18,775,017	1,154,851		2,546,838	2,546,838
Bond issue costs		(524,388)	(524,388)			
Total other financing sources (uses)	(17,620,166)	18,250,629	630,463		2,546,838	2,546,838
Change in net position	(20,281,601)	19,474,524	(807,077)	(896,652)	4,405,296	3,508,644
Net position, beginning of year (2019 restated)	23,453,553	40,840,210	64,293,763	24,350,205	36,434,914	60,785,119
Net position, end of year	\$ 3,171,952	\$ 60,314,734	\$ 63,486,686	\$ 23,453,553	\$ 40,840,210	\$ 64,293,763

## **LOWER PAXTON TOWNSHIP**

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2019

#### **Financial analysis of the Township as a whole (continued):**

Table A-3 shows the Township's operations by function, as well as each function's net cost (total cost less revenues generated by the activities). This table indicates net costs offset by other grants, subsidies and contributions to show the remaining financial needs to be supported by general revenues.

Table A-3  
Governmental Activities  
December 31, 2019 and 2018

Functions/programs	2019		2018	
	Total cost of services	Net cost of services	Total cost of services	Net cost of services
General government	\$ 2,155,196	\$ (35,065)	\$ 2,214,038	\$ 124,364
Police department	11,481,603	11,206,106	10,397,013	10,120,675
Highways and streets	627,279	627,279	1,393,857	1,393,857
Fire and ambulance	1,454,617	1,157,824	1,356,515	1,080,353
Community development	905,128	905,128	895,534	895,534
Health and sanitation	3,128,822	(1,854,039)	2,530,906	(1,001,923)
Public works	3,742,032	2,037,844	3,458,227	584,709
Parks and recreation	1,148,302	524,327	1,032,557	541,067
Interest	1,495,690	1,495,690	503,426	503,426
Depreciation, unallocated	509,660	509,660	1,517,164	1,517,164
Total governmental activities	<u>\$ 26,648,329</u>		<u>\$ 25,299,237</u>	
Total needs from local taxes and other revenues		<u>\$ 16,574,754</u>		<u>\$ 15,759,226</u>

The 2019 net costs of services for the governmental activities are 5.2% higher than 2018 year's activities. The government functions and funding for those services did not change.

## **LOWER PAXTON TOWNSHIP**

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2019

#### **Financial analysis of the Township as a whole (continued):**

Table A-4 reflects the activities of the two enterprise funds of the Township, the Lower Paxton Township Authority and Friendship Community Center.

Table A-4  
Business-type activities  
December 31, 2019 and 2018

Functions/programs	2019			2018 (restated)		
	Total cost of services	Total charges of services	Net income (loss) from services	Total cost of services	Total charges of services	Net income (loss) from services
Friendship Center	\$ 2,422,443	\$ 2,008,326	\$ (414,117)	\$ 2,397,686	\$ 2,025,414	\$ (372,272)
Lower Paton Township Authority	19,553,118	19,923,361	370,243	15,676,370	16,662,499	986,129
Other revenues (expenses):						
Interest and rents			1,102,127			1,083,516
Gain (loss) on disposal of assets			40,642			36,085
Transfers			125,000			125,000
Contributions:						
Township			17,716,916			
Developer			1,058,101			2,546,838
Bond issuance costs			(524,388)			
Total business-type activities net income			<u>\$ 19,474,524</u>			<u>\$ 4,405,296</u>

#### **Enterprise funds:**

Total business-type program revenues of \$21,931,687 in 2019 were derived from charges for services, with \$19,923,361 from the Township Authority and \$2,008,326 from the Friendship Center. The 2019 program expenses for these two business-type funds were \$19,553,118 for the Township Authority and \$2,422,443 for the Friendship Center. The table combines the change in net costs of services with other types of revenue, showing a combined end of year total change in net position for the enterprise funds of \$19,474,524, which is primarily the result of Township and developer contributions. The statement of revenues, expenses and changes in fund net position for these two enterprise funds further details the actual results of operation.

#### **Township governmental funds:**

Total governmental funds revenues of \$26,892,438 in 2019 were derived primarily from tax revenues at \$16,358,137, representing 60.83% of the total, followed by charges for services at \$4,321,699, representing 16.07% of the total, and intergovernmental at \$3,102,435, representing 11.54% of the total.

Total governmental fund expenditures in 2019 were \$28,522,315. The expenditures cover a wide range of services, with the largest being the police department at \$11,671,581, representing 40.92% of the total, public works at \$3,578,883, representing 12.55% of the total, and health and sanitation at \$3,173,282, representing 11.13% of the total.

## ***LOWER PAXTON TOWNSHIP***

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2019

#### **Township governmental funds (continued):**

##### *General fund budget*

A schedule showing the Township's budget compared to amounts actually paid and received is provided as required supplementary information. There were no revisions to the budget by the Board of Supervisors during 2019. Transfers into the general fund did not occur as budgeted and transfers out of the general fund occurred at lower levels than budgeted due to expenditures for work performed being covered by recent bond issuances and grants. Interfund transfers are shown as other financing sources and uses on the statement of revenues and expenditures.

##### *Revenue variances:*

###### Tax collection:

- 2019 real estate transfer tax distributions were \$8,851, or 0.6%, less than budgeted while real estate tax revenues were \$21,050, or 0.4%, less than budgeted.
- Local services tax distributions were \$66,603, or 5.8%, less than budgeted.
- Earned income tax (EIT) revenues have been difficult to budget over the past several years. At the end of 2019, the Township had recorded \$7,388,829 from EIT, \$711,171, or 8.8%, less than budgeted, and \$193,944, 2.6%, less than 2018, due to reducing the time period of the EIT Receivable from 120 days of collections into the following year to 60 days. Without that adjustment, EIT was actually 3.5% higher than in 2018

##### *Expense variances:*

###### Police:

- Overall 2019 expenditures were \$11,176,045 against a budget of \$10,947,047, representing 2.09% over budget for the year.

###### Public works:

- Overall 2019 expenditures were \$3,469,077 against a budget of \$3,869,020 representing 10.43% under budget for the year.

###### Health and sanitation:

- Overall 2019 expenditures were \$3,173,282 against a budget of \$2,882,291, representing 10.10% over budget for the year.

## **LOWER PAXTON TOWNSHIP**

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2019

#### **Capital assets:**

Lower Paxton Township's total capital assets stood at \$187,139,141 as of December 31, 2019. GASB Statement No. 34 requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements. The Township's capital assets for 2019 are as follows and are detailed in Note 5 to the financial statements:

	2019		2018 (restated)	
	Governmental activities	Business-type activities	Governmental activities	Business-type activities
Land	\$ 3,235,494	\$ 1,540,192	\$ 3,144,494	\$ 1,540,192
Intangibles, not depreciated	421,850	2,740,869	421,850	2,740,869
Construction in progress	1,838,901			
Buildings	12,463,251	11,364,555	12,463,251	11,190,455
Land Improvements	7,485,766		7,485,766	
Machinery and equipment	4,717,836	1,341,833	4,093,700	1,203,287
Vehicles	9,387,550		9,725,613	
Infrastructure	48,271,142	179,385,505	70,061,505	159,726,132
Furniture		19,299		19,299
Sewer capacity costs		21,144,628		21,144,628
Accumulated depreciations	(52,791,135)	(65,428,395)	(57,826,273)	(61,025,430)
Net capital assets	<u>\$ 35,030,655</u>	<u>\$ 152,108,486</u>	<u>\$ 49,569,906</u>	<u>\$ 136,539,432</u>

## ***LOWER PAXTON TOWNSHIP***

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2019

#### **Debt administration:**

The Township's long-term debt activity for 2019 is as follows and is detailed in Note 6 to the financial statements:

Type	Beginning balance	Additions	Deletions	Ending balance
General obligation bonds:				
Series of 2009D	\$ 42,465,000		\$ (42,465,000)	\$ -
Series of 2010A	975,000		(395,000)	580,000
Series of 2012A	2,825,000		(5,000)	2,820,000
Series of 2013	7,275,000		(1,610,000)	5,665,000
Series of 2013A	3,085,000		(235,000)	2,850,000
Series of 2014	27,785,000		(745,000)	27,040,000
Series of 2015	13,600,000		(60,000)	13,540,000
Series of 2016	26,520,000		(655,000)	25,865,000
Series of 2019		\$ 52,040,000		52,040,000
Total general obligation bonds	124,530,000	52,040,000	(46,170,000)	130,400,000
Loans:				
PennVest	7,472,292		(451,840)	7,020,452
PA Infrastructure Bank	276,412		(77,384)	199,028
Total loans	7,748,704		(529,224)	7,219,480
Total long-term debt activity	\$ 132,278,704	\$ 52,040,000	\$ (46,699,224)	\$ 137,619,480
Governmental activities	\$ 16,135,456	\$ 3,573,000	\$ (1,107,384)	\$ 18,601,072
Business-type activities	116,143,248	48,467,000	(45,591,840)	119,018,408
Total long-term debt activity	\$ 132,278,704	\$ 52,040,000	\$ (46,699,224)	\$ 137,619,480

## ***LOWER PAXTON TOWNSHIP***

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2019

#### **Debt administration (continued):**

At the end of 2019, the Township-wide long-term liabilities, including compensated absences, capital lease obligations, bond premiums, net postemployment liability (other than pensions), net pension liability and SWAP liability amounted to \$163,144,179. A detailed discussion of long-term debt and maturities is included in the notes.

#### **Economic factors and next year's budgets and rates:**

In the 2020 budget, General Fund revenues and expenditures are projected to increase by 5% from that recorded in 2019.

In the 2020 General Fund budget, there is \$75,225 budgeted to be transferred to the General Improvement Fund for anticipated capital projects. The remainder of the \$1,029,500 General Improvement Fund budget is to be funded from bond proceeds and intergovernmental revenues from other sources. If there was any projected use of the unassigned fund balance to fund capital projects from the General Fund, it could have an impact on future years' fund balances in the General Fund, although the effect on the government-wide statement of net position would also indicate a corresponding increase in net investment in capital assets through additions to property, plant and equipment.

The budgets of both enterprise funds include a slight increase in user fees for 2020 to offset increased operating costs and provide for capital expansion within their respective budgets. The Friendship Center will again receive \$100,000 originally pledged by the Township at the time of project origination, as well as \$25,000 from the Township for the Friendship Center's Senior Center for older residents, and \$166,013 from the Township to help cover the Friendship Center's 2020 debt payments. The Township Authority will continue to finance all sewer operations and capital expenditures through its user fees.

#### **Request for information:**

This financial report is designed to provide citizens, investors and creditors with a general overview of the Township's finances. Separate financial statements are available for the Lower Paxton Township Authority from the Township Manager. If you have questions about this report or need additional information, contact the Finance Department at the Lower Paxton Township Municipal Center, 425 Prince Street, Harrisburg, PA 17109 or call (717) 657-5600.

# **LOWER PAXTON TOWNSHIP**

## STATEMENT OF NET POSITION - DECEMBER 31, 2019

	Governmental activities	Business-type activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 2,013,415	\$ 21,921,242	\$ 23,934,657
Investments		985,009	985,009
Receivables:			
Accounts	358,903	5,658,141	6,017,044
Taxes	2,178,177		2,178,177
Other		510,148	510,148
Due from:			
Other funds	1,506,694	365,050	1,871,744
Fire companies	98,681		98,681
Other assets	491,041	38,135	529,176
<b>Total current assets</b>	<b>6,646,911</b>	<b>29,477,725</b>	<b>36,124,636</b>
<b>Noncurrent assets:</b>			
Restricted for debt service and capital projects:			
Cash and cash equivalents	3,867,722	11,786,103	15,653,825
Investments	883,527		883,527
Capital assets:			
Property, plant and equipment, net	35,030,655	138,126,582	173,157,237
Deferred capacity costs, net		13,981,904	13,981,904
<b>Total noncurrent assets</b>	<b>39,781,904</b>	<b>163,894,589</b>	<b>203,676,493</b>
<b>Total assets</b>	<b>46,428,815</b>	<b>193,372,314</b>	<b>239,801,129</b>
<b>Deferred outflows of resources:</b>			
Charge on refunding	31,384	284,986	316,370
Other postemployment benefits	305,014		305,014
Pensions	5,581,395		5,581,395
<b>Total deferred outflows of resources</b>	<b>5,917,793</b>	<b>284,986</b>	<b>6,202,779</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 52,346,608</b>	<b>\$ 193,657,300</b>	<b>\$ 246,003,908</b>

See notes to financial statements.

# **LOWER PAXTON TOWNSHIP**

## STATEMENT OF NET POSITION – DECEMBER 31, 2019

### LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Governmental activities	Business-type activities	Total
<b>Liabilities:</b>			
Accounts payable	\$ 412,650	\$ 1,463,136	\$ 1,875,786
Current portion of long-term debt subject to subsidy agreements:			
Bonds payable		2,875,000	2,875,000
Note payable		466,201	466,201
Current portion of long-term debt:			
Bonds payable	1,305,000	355,000	1,660,000
Note payable	78,646		78,646
Capital lease obligations	173,176	46,604	219,780
Developers escrow	697,073	237,186	934,259
Unearned revenue	10,000		10,000
Accrued:			
Interest	122,806	1,087,143	1,209,949
Expenses and withholdings	463,827	40,488	504,315
Due to:			
Other funds	365,050	1,337,598	1,702,648
The Township		1,506,694	1,506,694
<b>Total current liabilities</b>	<b>3,628,228</b>	<b>9,415,050</b>	<b>13,043,278</b>
<b>Noncurrent liabilities:</b>			
Long-term debt, subject to subsidy agreements, net of current portion:			
Bonds payable		107,000,000	107,000,000
Note payable		6,554,251	6,554,251
Long-term debt, net of current portion:			
Bonds payable	17,097,044	1,767,956	18,865,000
Note payable	120,382		120,382
Capital lease obligations	193,536	116,476	310,012
Bond premium	848,662	8,488,833	9,337,495
Compensated absences	1,984,273		1,984,273
OPEB liability	6,183,067		6,183,067
Pension liability	8,640,412		8,640,412
SWAP liability	4,149,287		4,149,287
<b>Total noncurrent liabilities</b>	<b>39,216,663</b>	<b>123,927,516</b>	<b>163,144,179</b>
<b>Total liabilities</b>	<b>42,844,891</b>	<b>133,342,566</b>	<b>176,187,457</b>
<b>Deferred inflows of resources, pensions</b>	<b>6,329,765</b>		<b>6,329,765</b>
<b>Net position:</b>			
Net investment in capital assets	15,245,593	33,148,260	48,393,853
Restricted for program purposes	4,025,795	11,786,103	15,811,898
Unrestricted	(16,099,436)	15,380,371	(719,065)
<b>Total net position</b>	<b>3,171,952</b>	<b>60,314,734</b>	<b>63,486,686</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 52,346,608</b>	<b>\$ 193,657,300</b>	<b>\$ 246,003,908</b>

See notes to financial statements.

**LOWER PAXTON TOWNSHIP**

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
<b>Governmental activities:</b>							
General government	\$ 2,155,196	\$ 1,151,804	\$ 1,038,457		\$ 35,065		\$ 35,065
Police department	11,481,603	257,293	18,204		(11,206,106)		(11,206,106)
Highway and streets	627,279				(627,279)		(627,279)
Fire and ambulance	1,454,617		296,793		(1,157,824)		(1,157,824)
Community development	905,128				(905,128)		(905,128)
Health and sanitation	3,128,822	4,763,836	219,025		1,854,039		1,854,039
Public works	3,742,032	38,956		\$ 1,665,232	(2,037,844)		(2,037,844)
Parks and recreation	1,148,302	591,475	32,500		(524,327)		(524,327)
Unallocated depreciation	1,495,690				(1,495,690)		(1,495,690)
Interest on long-term debt	509,660				(509,660)		(509,660)
<b>Total governmental activities</b>	<b>26,648,329</b>	<b>6,803,364</b>	<b>1,604,979</b>	<b>1,665,232</b>	<b>(16,574,754)</b>		<b>(16,574,754)</b>
<b>Business-type activities:</b>							
Friendship Community Center	2,422,443	2,008,326				\$ (414,117)	(414,117)
Lower Paxton Township Authority	19,553,118	19,923,361				370,243	370,243
<b>Total business-type activities</b>	<b>21,975,561</b>	<b>21,931,687</b>				<b>(43,874)</b>	<b>(43,874)</b>
<b>Total government</b>	<b>\$ 48,623,890</b>	<b>\$ 28,735,051</b>	<b>\$ 1,604,979</b>	<b>\$ 1,665,232</b>	<b>(16,574,754)</b>	<b>(43,874)</b>	<b>(16,618,628)</b>

(continued)

# **LOWER PAXTON TOWNSHIP**

## STATEMENT OF ACTIVITIES (CONTINUED) YEAR ENDED DECEMBER 31, 2019

Functions/programs	Expenses	Program revenues		Capital grants and contributions	Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions		Governmental activities	Business-type activities	Total
<b>General revenues:</b>							
Taxes:							
Real estate:							
General levy					\$ 6,274,780		\$ 6,274,780
Transfer tax					1,525,046		1,525,046
Earned income tax					7,388,829		7,388,829
Local service tax					1,083,397		1,083,397
Interest revenue					93,937	\$ 1,102,127	1,196,064
Net loss on investments					(2,511,185)		(2,511,185)
Rental income					77,380		77,380
Miscellaneous					61,135		61,135
<b>Total general revenues</b>					<b>13,993,319</b>	<b>1,102,127</b>	<b>15,095,446</b>
Transfers					(125,000)	125,000	-
Gain on disposal of capital asset					45,000	40,642	85,642
Bond issuance costs						(524,388)	(524,388)
Contributions:							
Township					(17,716,916)	17,716,916	-
Developer					96,750	1,058,101	1,154,851
<b>Total transfers and other</b>					<b>(17,700,166)</b>	<b>18,416,271</b>	<b>716,105</b>
<b>Change in net position</b>					<b>(20,281,601)</b>	<b>19,474,524</b>	<b>(807,077)</b>
<b>Net position:</b>							
Beginning of year (restated)							
					23,453,553	40,840,210	64,293,763
<b>End of year</b>					<b>\$ 3,171,952</b>	<b>\$ 60,314,734</b>	<b>\$ 63,486,686</b>

See notes to financial statements.

# **LOWER PAXTON TOWNSHIP**

## BALANCE SHEET – GOVERNMENTAL FUNDS DECEMBER 31, 2019

	Major funds				Total governmental funds
	General fund	General improvement fund	Fire equipment fund	Nonmajor funds	
ASSETS					
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,812,387	\$ 158,826	\$ 42,202		\$ 2,013,415
Receivables:					
Accounts	333,828	25,075			358,903
Taxes	2,178,177				2,178,177
Due from:					
Other funds	1,506,694				1,506,694
Other governments					
Fire companies	98,681				98,681
Other assets	491,041				491,041
Restricted assets:					
Cash and equivalents	724,080	715,712	2,001,543	\$ 426,387	3,867,722
Investments				883,527	883,527
<b>Total assets</b>	<b>\$ 7,144,888</b>	<b>\$ 899,613</b>	<b>\$ 2,043,745</b>	<b>\$ 1,309,914</b>	<b>\$ 11,398,160</b>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
<b>Liabilities:</b>					
Accounts payable	\$ 378,917	\$ 32,359		\$ 1,374	\$ 412,650
Due to other funds		365,050			365,050
Accrued expenses and withholdings	463,827				463,827
Unearned revenue	10,000				10,000
Developers escrow	697,073				697,073
<b>Total liabilities</b>	<b>1,549,817</b>	<b>397,409</b>		<b>1,374</b>	<b>1,948,600</b>
Deferred inflows of resources, unavailable revenue, property taxes	148,662				148,662
<b>Fund balances:</b>					
Nonspendable	589,722				589,722
Restricted		715,712	\$ 2,001,543	1,308,540	4,025,795
Unassigned	4,856,687	(213,508)	42,202		4,685,381
<b>Total fund balances</b>	<b>5,446,409</b>	<b>502,204</b>	<b>2,043,745</b>	<b>1,308,540</b>	<b>9,300,898</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,144,888</b>	<b>\$ 899,613</b>	<b>\$ 2,043,745</b>	<b>\$ 1,309,914</b>	<b>\$ 11,398,160</b>

See notes to financial statements.

**LOWER PAXTON TOWNSHIP**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF  
NET POSITION  
YEAR ENDED DECEMBER 31, 2019

Total fund balances, governmental funds	\$ 9,300,898
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Total net assets reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Those assets consist of:

Non-depreciable assets	\$ 5,496,245
Depreciable assets, net of accumulated depreciation of \$52,791,135	<u>29,534,410</u>

Total capital assets	35,030,655
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Some of the Township's taxes will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue, property taxes in the funds.

148,662

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net position.

Balances at December 31, 2019 are:

Compensated absences	(1,984,273)
Accrued interest on bonds and loan	(122,806)
Deferred charges on refundings	31,384
Bond (premium) discount	(848,662)
Capital lease payable	(366,712)
Bonds payable	(18,402,044)
Note payable	(199,028)
Deferred outflows of resources, OPEB	305,014
Deferred outflows of resources, pensions	2,565,103
Deferred inflows of resources, pensions	(3,313,473)
Net pension liability	(8,640,412)
Total OPEB liability	(6,183,067)
SWAP liability	<u>(4,149,287)</u>

(41,308,263)

**Net position, governmental activities**

**\$ 3,171,952**

See notes to financial statements.

# **LOWER PAXTON TOWNSHIP**

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2019

	Major funds			
	General	General improvement fund	Fire equipment fund	Nonmajor
				Total governmental funds
<b>Revenues:</b>				
Taxes	\$ 15,958,322		\$ 304,500	\$ 95,315
Licenses and permits	2,359,647			2,359,647
Fines and forfeitures	257,293			257,293
Interest and rents	146,872	\$ 197	5,902	18,346
Net investment gain				131,525
Intergovernmental	1,353,454	111,544		1,637,437
Charges for services	4,321,699			4,321,699
Contributions and donations	32,500	96,750		129,250
Miscellaneous income	61,135			61,135
<b>Total revenue</b>	<b>24,490,922</b>	<b>208,491</b>	<b>310,402</b>	<b>1,882,623</b>
<b>Expenditures:</b>				
General government	2,089,733			2,089,733
Police department	11,176,045	495,536		11,671,581
Fire and ambulance	1,152,804		1,846,621	48,740
Community development	908,427			908,427
Health and sanitation	3,173,282			3,173,282
Highways and streets		83,750		1,461,930
Public works	3,469,077	109,806		3,578,883
Parks and recreation	798,597	91,000		889,597
Debt service:				
Principal	1,107,384			1,107,384
Interest	509,583			509,583
<b>Total expenditures</b>	<b>24,384,932</b>	<b>780,092</b>	<b>1,846,621</b>	<b>1,510,670</b>
Excess (deficiency) of revenues over expenditures	105,990	(571,601)	(1,536,219)	371,953
<b>Other financing sources (uses):</b>				
Operating transfers:				
In		361,374		361,374
Out	(486,374)			(486,374)
Township contributions	(2,282,330)			(2,282,330)
Proceeds from long term debt		846,000	3,118,500	3,964,500
Gain on sale of assets			45,000	45,000
<b>Total other financing sources (uses)</b>	<b>(2,768,704)</b>	<b>1,207,374</b>	<b>3,163,500</b>	<b>1,602,170</b>
<b>Net changes in fund balances</b>	<b>(2,662,714)</b>	<b>635,773</b>	<b>1,627,281</b>	<b>371,953</b>
<b>Fund balances:</b>				
Beginning of year	8,109,123	(133,569)	416,464	936,587
<b>End of year</b>	<b>\$ 5,446,409</b>	<b>\$ 502,204</b>	<b>\$ 2,043,745</b>	<b>\$ 1,308,540</b>
				<b>\$ 9,300,898</b>

See notes to financial statements.

## ***LOWER PAXTON TOWNSHIP***

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2019

Net change in fund balances, governmental funds \$ (27,707)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$2,888,320) and net deletions (\$15,434,586) exceeded capital outlays \$3,783,655 in the current period. (14,539,251)

The issuance and repayment of debt principal and payments for other long-term obligations are expenditures in the governmental funds but reduce the liabilities in the statement of net position:

Net repayments (borrowings):

Bonds payable	\$ (3,964,500)
Loans payable	1,107,384
Capital leases	<u>193,493</u>

Net adjustment (2,663,623)

Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unavailable real estate tax revenue from December 31, 2018 to December 31, 2019. (86,085)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes in compensated absences, accrued interest, deferred inflows and outflows of resources, bond (premium) discount, pension expense and OPEB expense:

Compensated absences	(67,472)
Accrued interest on bonds	(77)
Deferred charges on refunding	(3,639,514)
Bond (premium) discount	43,600
Pension expense	3,630,633
OPEB expense	(289,395)
SWAP liability	<u>(2,642,710)</u>
	<u>(2,964,935)</u>

Change in net position of governmental activities \$ (20,281,601)

See notes to financial statements.

**LOWER PAXTON TOWNSHIP**

STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
DECEMBER 31, 2019

	ASSETS		
	Lower Paxton Township Authority	Friendship Community Center	Total
<b>Current assets:</b>			
Cash and cash equivalents	\$ 21,920,435	\$ 807	\$ 21,921,242
Investments	985,009		985,009
Rental and fees receivables:			
Billed	615,668		615,668
Unbilled	5,042,473		5,042,473
Other	491,142	19,006	510,148
Prepaid expenses	38,135		38,135
Due from other funds		365,050	365,050
<b>Total current assets</b>	<b>29,092,862</b>	<b>384,863</b>	<b>29,477,725</b>
<b>Noncurrent assets:</b>			
Restricted for debt service and capital projects, cash and cash equivalents	11,786,103		11,786,103
Property, plant and equipment, net	132,376,416	5,750,166	138,126,582
Deferred capacity costs, net	13,981,904		13,981,904
<b>Total noncurrent assets</b>	<b>158,144,423</b>	<b>5,750,166</b>	<b>163,894,589</b>
<b>Total assets</b>	<b>187,237,285</b>	<b>6,135,029</b>	<b>193,372,314</b>
<b>Deferred outflows of resources, charges on refundings</b>	<b>279,222</b>	<b>5,764</b>	<b>284,986</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 187,516,507</b>	<b>\$ 6,140,793</b>	<b>\$ 193,657,300</b>

See notes to financial statements.

**LOWER PAXTON TOWNSHIP**

STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)  
DECEMBER 31, 2019

LIABILITIES AND NET POSITION

	Lower Paxton Township Authority	Friendship Community Center	Total
<b>Current liabilities:</b>			
Accounts payable	\$ 1,402,801	\$ 60,335	\$ 1,463,136
Current portion of long-term debt, subsidy agreements with the Township	3,341,201		3,341,201
Current portion of long-term debt:			
Bonds payable		355,000	355,000
Capital lease obligations	46,604		46,604
Developers escrow	237,186		237,186
Accrued:			
Interest	1,073,135	14,008	1,087,143
Expenses and withholdings		40,488	40,488
Due to:			
Other governments	1,337,598		1,337,598
The Township	1,506,694		1,506,694
<b>Total current liabilities</b>	<b>8,945,219</b>	<b>469,831</b>	<b>9,415,050</b>
<b>Noncurrent liabilities:</b>			
Long-term debt, subsidy agreements with the Township, net of current portion	113,554,251		113,554,251
Long-term debt, net of current portion:			
Bonds payable		1,767,956	1,767,956
Capital lease obligations	116,476		116,476
Bond premium	8,425,109	63,724	8,488,833
<b>Total noncurrent liabilities:</b>	<b>122,095,836</b>	<b>1,831,680</b>	<b>123,927,516</b>
<b>Total liabilities</b>	<b>131,041,055</b>	<b>2,301,511</b>	<b>133,342,566</b>
<b>Net position:</b>			
Net investment in capital assets	29,579,010	3,569,250	33,148,260
Restricted	11,786,103		11,786,103
Unrestricted	15,110,339	270,032	15,380,371
<b>Total net position</b>	<b>56,475,452</b>	<b>3,839,282</b>	<b>60,314,734</b>
<b>Total liabilities and net position</b>	<b>\$ 187,516,507</b>	<b>\$ 6,140,793</b>	<b>\$ 193,657,300</b>

See notes to financial statements.

## **LOWER PAXTON TOWNSHIP**

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2019

	Lower Paxton Township Authority	Friendship Community Center	Total
<b>Operating revenues:</b>			
Rentals and fees	\$ 19,182,835		\$ 19,182,835
Contributions		\$ 12,137	12,137
Administration		220,233	220,233
Programming		513,971	513,971
Facilities		1,260,867	1,260,867
Miscellaneous	13,107	1,118	14,225
	<u>19,195,942</u>	<u>2,008,326</u>	<u>21,204,268</u>
<b>Total operating revenues</b>	<b>19,195,942</b>	<b>2,008,326</b>	<b>21,204,268</b>
<b>Operating expenses:</b>			
Cost of sales and service	5,782,788		5,782,788
Other, operating	448,151		448,151
Administration	4,356,448	1,253,093	5,609,541
Programming		410,190	410,190
Facilities		389,315	389,315
Depreciation and amortization	3,966,567	324,748	4,291,315
	<u>14,553,954</u>	<u>2,377,346</u>	<u>16,931,300</u>
<b>Total operating expenses</b>	<b>14,553,954</b>	<b>2,377,346</b>	<b>16,931,300</b>
<b>Operating income</b>	<b>4,641,988</b>	<b>(369,020)</b>	<b>4,272,968</b>
<b>Nonoperating revenues (expenses):</b>			
Interest income	1,100,869	1,258	1,102,127
Tapping fees	727,419		727,419
Interest and amortization, net	(4,999,164)	(45,097)	(5,044,261)
Contributions:			
Developer	1,058,101		1,058,101
Township	15,434,586	2,282,330	17,716,916
Gain on sale of assets	40,354	288	40,642
Bond issue costs	(524,388)		(524,388)
	<u>12,837,777</u>	<u>2,238,779</u>	<u>15,076,556</u>
<b>Total nonoperating revenues (expenses)</b>	<b>12,837,777</b>	<b>2,238,779</b>	<b>15,076,556</b>
Change before operating transfers	17,479,765	1,869,759	19,349,524
Transfers in, net		125,000	125,000
	<u>17,479,765</u>	<u>1,994,759</u>	<u>19,474,524</u>
<b>Change in net position</b>	<b>17,479,765</b>	<b>1,994,759</b>	<b>19,474,524</b>
<b>Net position:</b>			
Beginning of year (restated)	38,995,687	1,844,523	40,840,210
	<u>38,995,687</u>	<u>1,844,523</u>	<u>40,840,210</u>
<b>End of year</b>	<b>\$ 56,475,452</b>	<b>\$ 3,839,282</b>	<b>\$ 60,314,734</b>

See notes to financial statements.

# **LOWER PAXTON TOWNSHIP**

## STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2019

	Lower Paxton Township Authority	Friendship Community Center	Total
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 17,971,185	\$ 1,652,015	\$ 19,623,200
Payments to:			
Suppliers	(5,572,260)	(2,050,185)	(7,622,445)
Lower Paxton Township	(2,555,855)		(2,555,855)
<b>Net cash provided by operating activities</b>	<b>9,843,070</b>	<b>(398,170)</b>	<b>9,444,900</b>
<b>Cash flow from noncapital financing activities, internal transactions</b>		<b>643,302</b>	<b>643,302</b>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	(3,015,512)	(209,099)	(3,224,611)
Proceeds from sale of capital assets	55,820	288	56,108
Tapping fees	727,419		727,419
Proceeds from:			
Issuance of long-term debt under subsidy agreements	53,300,509		53,300,509
Issuance of bonds		365,050	365,050
Principal payments on:			
Subsidy agreements	(45,246,840)		(45,246,840)
Bonds		(345,000)	(345,000)
Capital lease payments	(77,073)	(3,569)	(80,642)
Bond issue costs	(524,388)		(524,388)
Interest payments	(5,418,137)	(54,060)	(5,472,197)
<b>Net cash used in capital and related financing activities</b>	<b>(198,202)</b>	<b>(246,390)</b>	<b>(444,592)</b>
<b>Cash flows from investing activities:</b>			
Sale of investments	3,442,678		3,442,678
Interest income	1,100,869	1,258	1,102,127
<b>Net cash provided by investing activities</b>	<b>4,543,547</b>	<b>1,258</b>	<b>4,544,805</b>
<b>Net increase in cash and cash equivalents</b>	<b>14,188,415</b>	<b>-</b>	<b>14,188,415</b>
<b>Cash:</b>			
Beginning of year	19,518,123	807	19,518,930
<b>End of year</b>	<b>\$ 33,706,538</b>	<b>\$ 807</b>	<b>\$ 33,707,345</b>
<b>Presented in financial statements as:</b>			
Cash and cash equivalents	\$ 21,920,435	\$ 807	\$ 21,921,242
Restricted cash	11,786,103		11,786,103
	<b>\$ 33,706,538</b>	<b>\$ 807</b>	<b>\$ 33,707,345</b>

(continued)

# **LOWER PAXTON TOWNSHIP**

## STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED) YEAR ENDED DECEMBER 31, 2019

	Business type activities, enterprise funds		
	Lower Paxton Township Authority	Friendship Community Center	Total
<b>Reconciliation of operating income (loss) to net cash provided by operating activities, operating income</b>	<b>\$ 4,641,988</b>	<b>\$ (369,020)</b>	<b>\$ 4,272,968</b>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation/amortization expense	3,966,567	324,748	4,291,315
Noncash expense	78,717		78,717
(Increase) decrease in:			
Accounts receivable	(1,422,929)	8,739	(1,414,190)
Due from other governments	83,250	(365,050)	(281,800)
Due from other funds			
Prepaid expenses	(1,636)		(1,636)
Increase (decrease) in:			
Accounts payable	174,420	(5,429)	168,991
Accrued liabilities	934,745	7,842	942,587
Due to other governments	1,337,598		1,337,598
Developers escrow	50,350		50,350
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 9,843,070</b>	<b>\$ (398,170)</b>	<b>\$ 9,444,900</b>
Supplemental disclosure of noncash transactions:			
Capital lease additions	\$ 158,536		\$ 158,536
Contributions:			
Developer	1,058,101		1,058,101
Township	15,434,586	\$ 2,282,330	17,716,916
Amortization of:			
Bond premiums	(229,822)	(7,738)	(237,560)
Deferred refundings	73,933	8,398	82,331

See notes to financial statements.

***LOWER PAXTON TOWNSHIP***

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS  
DECEMBER 31, 2019

	<u>Pension trust funds</u>
<b>Assets:</b>	
Cash	\$ 523,565
Investments	<u>48,662,318</u>
<b>Total assets</b>	<b><u>\$ 49,185,883</u></b>
Liabilities, accounts payable	\$ 26,240
Net position, restricted for pensions	<u>49,159,643</u>
<b>Total liabilities and net position</b>	<b><u>\$ 49,185,883</u></b>

See notes to financial statements.

**LOWER PAXTON TOWNSHIP**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS  
YEAR ENDED DECEMBER 31, 2019

	<u>Pension trust funds</u>
<b>Additions:</b>	
Contributions:	
Employee	\$ 422,338
Employer	1,097,441
Employer, commonwealth funding	<u>1,013,859</u>
Total contributions	<u>2,533,638</u>
Investment income:	
Interest and dividends	506,256
Net appreciation in fair value of investments	<u>7,281,476</u>
Net investment gain	<u>7,787,732</u>
<b>Total additions</b>	<u><b>10,321,370</b></u>
<b>Deductions:</b>	
Retirement benefits	2,489,466
Refunds to terminated employees	15,294
Administrative	<u>133,683</u>
<b>Total deductions</b>	<u><b>2,638,443</b></u>
<b>Net increase</b>	<b>7,682,927</b>
<b>Net position restricted for pensions:</b>	
Beginning of year	<u>41,476,716</u>
<b>End of year</b>	<u><b>\$ 49,159,643</b></u>

See notes to financial statements.

## **LOWER PAXTON TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **1. Nature of organization and summary of significant accounting policies:**

Lower Paxton Township (the Township) was incorporated in 1767. It is a second class township under the provisions of the Commonwealth of Pennsylvania's Second Class Township Code, P.L. 103, No. 69 as amended by P.L. 350, No. 60. The Township is governed by a board of supervisors and provides or secures the following services as authorized by the Township Code: public safety, public works, culture, recreation and community development. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB).

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

#### *Reporting entity:*

Consistent with the guidance contained in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, 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 the 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.

## ***LOWER PAXTON TOWNSHIP***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019**

#### **1. Nature of organization and summary of significant accounting policies (continued):**

##### *Blended component unit:*

The Lower Paxton Township Authority (the Authority) is an operating authority responsible for acquiring, holding, constructing, improving, maintaining, operating, owning and leasing, either in the capacity of lessor or lessee, sewers, sewer systems or parts thereof. The majority of the Authority's board members are also members of the Township's board of supervisors. The Authority is considered a component unit due to the Township's ability to impose its will on the Authority as well as the financial benefit or burden.

The separate financial statements of the Authority can be obtained from the Township manager. The Authority operates on a calendar year ending December 31.

##### *Government-wide and fund financial statements:*

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all the non-fiduciary activities of the government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

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

Separate financial statements are provided for governmental funds, the proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **1. Nature of organization and summary of significant accounting policies (continued):**

##### *Measurement focus, basis of accounting and financial statement presentation:*

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than an expenditure.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, operating grants, capital grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the Township receives cash.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during the period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **1. Nature of organization and summary of significant accounting policies (continued):**

##### *Measurement focus basis of accounting and financial statement presentation:*

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims for judgments, are recorded only when payment is due.

The Township reports the following major governmental funds:

- The General Fund is the primary government'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 General Improvement Fund is used to account for capital improvement projects throughout the Township.
- The Fire Equipment Fund is used to account for capital purchases related to fire equipment.

The Township non-major funds include the State Highway Aid and Fireman's Length of Service Award Program (LOSAP) funds.

The Township's proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when the related goods or services are delivered. In the financial statements, the proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheet. The proprietary fund types operating statement presents increases (revenues) and decreases (expenses) in total net position.

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

Amounts paid to acquire capital assets in the proprietary funds are capitalized as assets in the fund financial statements, rather than reported as an expenditure.

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

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **1. Nature of organization and summary of significant accounting policies (continued):**

##### *Measurement focus basis of accounting and financial statement presentation:*

The Township reports the following major proprietary funds:

- The Lower Paxton Township Authority is used to account for the fiscal activities of providing sewer services.
- The Friendship Community Center is used to account for the fiscal activities of the community center.

Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The Township's fiduciary funds consist of the Pension Trust Funds. The Pension Trust Funds are accounted for in essentially the same manner as the proprietary funds since capital maintenance is critical. The Pension Trust Funds' financial statements are prepared using the accrual basis of accounting.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Agency funds are custodial in nature and do not involve measurement of results of operations.

Additionally, the Township reports the following fiduciary fund types:

- The Pension Trust Funds account for the revenue (i.e., member contributions, Township contributions and net investment income) and the expenses (i.e., contributions refunded, retirement allowances, and death benefits paid) of the Police and Non Uniformed Municipal Employees Pension Trust Funds.

##### *Assets, liabilities and net position or fund balances:*

##### Cash and cash equivalents:

For purposes of the accompanying statement of cash flows, the Township considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **1. Nature of organization and summary of significant accounting policies (continued):**

*Assets, liabilities and net position or fund balances:*

Receivables and payables:

##### **Interfund receivables and payables:**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

##### **Sewer receivables:**

Receivables are stated at the amount management expects to collect from outstanding balances. Unbilled sewer rentals receivable relate to services performed at December 31 and not billed until the following January. All receivables are shown net of an allowance for doubtful accounts.

Investments, external investment pools, certificates of deposit:

The Township invests its funds in various instruments, including external investment pools and certificates of deposit with federally-insured financial institutions. The Township's investments in external investment pools, as discussed In Note 2, are valued at amortized cost, which approximates fair value, and are classified as cash and cash equivalents on the balance sheet. The Township invests in both negotiable and non-negotiable certificates of deposit (CD) in federally insured financial institutions. Negotiable CD's are valued at fair value while non-negotiable CD's are valued at cost because they are considered non-participating contracts for which redemption terms do not consider market values. The remainder of the Township's investments are reported at either fair value or net asset value as discussed In Note 2.

Restricted assets:

Restricted assets represent cash and investment balances from developers' escrow, forfeiture funds, unspent bond proceeds, fire equipment funds and the length of service awards program for fire fighters. At December 31, 2019, the restricted cash balance was \$3,867,722 and the restricted investment balance was \$883,527.

Restricted assets for the Authority represent cash and investment balances from developers' escrow and unspent bond proceeds. At December 31, 2019, the restricted cash balance was \$11,786,103.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **1. Nature of organization and summary of significant accounting policies (continued):**

*Assets, liabilities and net position or fund balances:*

##### Capital assets:

Capital assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital purchases with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Contributed capital assets are recorded at acquisition value based on acquisition costs provided by developers at the date of contribution.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Major outlay of capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of the capital asset of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment and infrastructure assets are depreciated using the straight line method over the following intended useful lives:

<u>Assets</u>	<u>Years</u>
Intangibles	3 to 60 years
Infrastructure	20 to 50 years
Buildings	50 years
Land improvements	20 years
Machinery, equipment and vehicles	5 to 15 years
Sewer system, deferred capacity	15 to 60 years

##### Compensated absences:

Township policy permits employees to accumulate a limited amount of earned, but unused sick, vacation and comp time, but employees are not paid out for accumulated comp time. These benefits are payable to employees upon separation of service. All leave pay is accrued when incurred in the government-wide financial statements. There is no accrual related to the Proprietary Funds. A liability for these amounts is computed in compliance with GASB 16, *Accounting for Compensated Absences*.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **1. Nature of organization and summary of significant accounting policies (continued):**

*Assets, liabilities and net position or fund balances:*

##### Long-term obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### Sewer capacity costs:

The Authority participated in the construction of various facilities. This participation gave the Authority reserved rights to use a percentage of the facilities. Consequently, an asset is recorded based upon construction costs paid net of accumulated amortization of those costs, which is determined on the straight-line method over the estimated useful life of the capacity purchased.

##### Unearned revenues:

Revenues that are received but not earned are recorded as unearned revenue in the Township's financial statements. In the Township's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet, and revenue is recognized.

##### Tax revenues:

Real estate and delinquent per capita taxes are recorded at gross amounts collected, with expenses and commissions paid recorded as expenditures under general government. Real estate transfer, earned income, local services and delinquent real estate taxes are recorded at the net amount received from the collecting agency after deduction for fees and expenses

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **1. Nature of organization and summary of significant accounting policies (continued):**

*Assets, liabilities and net position or fund balances:*

Net position/fund balances:

The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance - Amounts that are not in a spendable form (such as Inventory) or are required to be maintained intact.
- Restricted Fund Balance - 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 Balance - Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (i.e. Township Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same level action to remove or change the constraint. This formal action is a Board approved Resolution.
- Assigned Fund Balance - Amounts the Township intends to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance can be created by the Township Manager pursuant to authorization established by the Board of Supervisors.
- Unassigned Fund Balance - Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the Township's policy to use restricted resources first. When expenditures are incurred for purposes of which unrestricted resources are available, and amounts in any of the unrestricted classifications could be used, it is the Township's policy to spend committed resources first, followed by assigned amounts and then unassigned amounts.

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **1. Nature of organization and summary of significant accounting policies (continued):**

*Assets, liabilities and net position or fund balances:*

Net position/fund balances:

- Restricted Net Position - This category presents external restrictions imposed by creditors, granters, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This category represents net position of the Township, not restricted for any project or other purpose.

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.

Accounting estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

Deferred outflows/inflows of resources:

In addition to assets, the statement of financial 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 two items that qualify for reporting in this category: deferred outflows related to pensions and deferred outflows on refunding bonds. Deferred outflows related to pensions are described further in Note 9. The components of deferred outflows are amortized into pension expense for the non-uniform and police pension plan over the remaining service life of participants, beginning the year in which the deferred amount occurs (current year). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **1. Nature of organization and summary of significant accounting policies (continued):**

*Assets, liabilities and net position or fund balances:*

Deferred outflows/inflows of resources:

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: deferred inflows related to pensions and unavailable tax revenue. Deferred inflows related to pensions are further described in Note 8. The annual difference between the projected and actual earnings on investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year). Unavailable tax revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Adoption of GASB statements:

GASB issued Statement No. 88, *Certain Disclosures related to Debt, Including Direct Borrowings and Direct Placements*. This Statement was issued to improve the information that is disclosed in the notes to the governmental financial statements related to debt, including direct borrowings and direct placements. The new pronouncement is included in the current year disclosures.

Pending GASB statements:

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. The provisions of GASB Statement No. 87 are effective for the Township's December 31, 2022 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement is to enhance the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The provisions of GASB Statement No. 89 are effective for the Township's December 31, 2021 financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. The provisions of GASB Statement No. 91 are effective for the Township's December 31, 2022 financial statements.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **1. Nature of organization and summary of significant accounting policies (continued):**

*Assets, liabilities and net position or fund balances:*

Pending GASB statements:

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions of GASB Statement No. 92 are effective for the Township's December 31, 2022 financial statements.

The effect of implementation of these statements has not yet been determined.

*Budgets and budgetary accounting:*

Legal requirements:

Commonwealth of Pennsylvania statutes require that Township Governments establish budgetary systems and adopt annual operating budgets. The Township's annual budget includes the General Fund, State Highway Aid, Fire Equipment, Firemen's LOSAP and General Improvement and is based on estimates of revenues and expenditures approved by the Township Board of Supervisors. The Township adopted the 2019 budget on a modified accrual basis of accounting. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

**Township budget process:**

1. At least 30 days prior to January 1, the Township manager submits to the board of supervisors a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public meeting is conducted to obtain citizen comments on the proposed budget. Prior to December 31, the budget is adopted through passage of a resolution by the board of supervisors.
3. The board of supervisors is authorized to transfer unencumbered monies from one Township account to another, but no monies shall be transferred from the fund allocated for the payment of debts or from any funds raised by a special tax levy for a particular purpose. Transfers of unencumbered monies shall not be made during the first three months of the fiscal year. The board of supervisors may, at any time by resolution, make supplemental appropriations.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **1. Nature of organization and summary of significant accounting policies (continued):**

*Budgets and budgetary accounting:*

Legal requirements:

##### **Township budget process:**

4. Appropriations lapse at the close of the fiscal year to the extent that they have not been expended. Encumbrances are not reported; however, fund balances are assigned in amounts equal to the subsequent year's anticipated budget deficit, if any. None of the assigned fund balance resulted from an anticipated budget deficit. The Township prepares its budget on a modified accrual basis of accounting.

##### **Level of control:**

The Township maintains budgetary control at the individual fund level.

#### **2. Deposits and related risks:**

*Custodial credit risk:*

For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. At December 31, 2019, the Township's cash balance consisted of \$24,880,676 and \$11,484,665, in financial institutions and Pennsylvania investments accounts, respectively. Its bank balance was \$40,112,017. Of the bank balance, \$1,000,000 was covered by the Federal Deposit Insurance Corporation, and \$28,186,099 was subject to custodial credit risk as it was collateralized under Act 72 (Act) of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined by the Act, to cover all public funds deposited in excess of federal depository insurance limits. The remaining balance was invested in external investment pools of which the Township does not have a formal investment policy related to custodial credit risk.

The Township uses an external investment pool to ensure safety and maximize efficiency, liquidity and yield for Township funds. The external investment pool is valued at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The fair value of the securities, held by the external investment pool, are evaluated on at least a weekly basis using prices supplied from an independent pricing service. These values are compared to the amortized cost of the securities. At December 31, 2019, the Township had external investment funds totaling \$11,478,231 and \$6,434, invested in the Pennsylvania Local Government Investment Trust (PLGIT) and Pennsylvania Treasurer's INVEST Program for Local Governments and Nonprofits (INVEST), respectively.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **2. Deposits and related risks (continued):**

##### *Custodial credit risk:*

At December 31, 2019, the Township had \$22,445 of funds held in Wells Fargo money markets that relate to the Fireman's LOSAP fund.

At December 31, 2019, the Township's business-type activities had \$985,009 of debt investments and maturities within its operating fund accounts. These investments consisted of certificates of deposit with maturity dates of less than one year.

##### *Reconciliation to the financial statements:*

Collateral held by the pledging bank under Act 72 but not in the Township's name	\$ 28,186,099
Wells Fargo, money market	22,445
PLGIT investments, money market	11,478,231
PA INVEST, money market	6,434
Insured by Federal Deposit Insurance Corporation	1,000,000
Deposits in transit	10,004
Outstanding checks	(594,541)
Petty cash	3,375
	<hr/>

Total cash deposits	<u><u>\$ 40,112,047</u></u>
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##### *Reconciliation to financial statements, cash:*

###### *Governmental activities:*

Unrestricted	\$ 2,013,415
Restricted	3,867,722

###### *Business-type activities:*

Unrestricted	21,921,242
Restricted	11,786,103
Fiduciary funds	523,565
	<hr/>

Total cash and cash equivalents	<u><u>\$ 40,112,047</u></u>
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##### *Interest rate risk:*

The Authority and pension funds' investment policies do not limit investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **2. Deposits and related risks (continued):**

##### *Credit risk:*

The Township does not have a formal policy that limits investments to ratings issued by nationally recognized statistical rating organizations for the governmental activities or the Pension Trust Funds. As of December 31, 2019, investments in fixed income investments were rated AAA, AA, A, BAA and NR respectively, by Moody's and 100% of the governmental fund investments were not rated by Moody's.

##### *Concentration of credit risk:*

The Township does not have a formal policy that places limit on the amount or percent that may be invested in any one issuer for the Governmental Funds or Pension Trust Funds. At December 31, 2018, the Township did not have any investments subject to concentration of credit risk.

#### **3. Investments:**

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

The Township's investments in mutual funds, bond mutual funds and negotiable certificates of deposit are valued using quoted market prices (Level 1 inputs).

Mutual funds: Valued at the closing price of the mutual fund.

Common stock: Valued at the closing price of the stock per share.

Fixed income securities: Valued at the closing price of the underlying securities.

Exchange traded funds: Valued at the closing price of the underlying securities.

Governmental bonds: Valued at the closing price of the underlying securities.

Treasury notes: Valued at the price of the note plus accrued interest to date.

Corporate bonds: Valued at the closing price of the underlying securities.

Other investments: Valued at the closing prices reported on the active markets on which the individual securities are sold.

***LOWER PAXTON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**3. Investments (continued):**

The Township's governmental activities have the following investments related to its Fireman's LOSAP fund. All investments are deemed to be level 1 investments.

<u>Investment type</u>	<u>Fair value</u>
Mutual funds:	
Equity funds	\$ 553,110
Corporate bonds	248,061
Fixed income funds	<u>82,356</u>
Total	<u><u>\$ 883,527</u></u>

**LOWER PAXTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**3. Investments (continued):**

The Township's non-uniform pension trust fund has the following recurring fair value measurements at December 31, 2019:

	Level 1 Investments		
	Wells Fargo	City National Rochdale	Total investments
Mutual funds:			
Emerging markets	\$ 270,657		\$ 270,657
International	1,014,677		1,014,677
Fixed income	1,857,981	\$ 685,198	2,543,179
Equity	494,465		494,465
Bond	2,665,770		2,665,770
Small cap	429,361		429,361
Mid cap	717,868		717,868
Large cap	672,645		672,645
Growth	170,819		170,819
Closed-end		166,017	166,017
Common stock		710,408	710,408
Exchange traded funds		28,944	28,944
Corporate bonds		203,409	203,409
Total investments at fair value level (level 1)	<u>\$ 8,294,243</u>	<u>\$ 1,793,976</u>	10,088,219
Cash held in investment accounts	\$ 224,070	\$ 42,918	266,988
Investments measured at the net asset value, pooled separate accounts			<u>10,145,322</u>
Total investments, non-uniform pension fund			<u>\$ 20,500,529</u>

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **3. Investments (continued):**

The Township's police pension trust fund has the following recurring fair value measurements at December 31, 2019:

	Level 1 Investments		
	Wells Fargo	City National Rochdale	Total investments
Mutual funds:			
Emerging markets	\$ 184,675		\$ 184,675
International	701,030		701,030
Fixed income	1,284,447	\$ 2,548,826	3,833,273
Equity	350,075		350,075
Bond	1,845,166		1,845,166
Small cap	290,599		290,599
Mid cap	496,017		496,017
Large cap	461,660		461,660
Growth	113,017		113,017
Closed-end		592,925	592,925
Common stock		2,656,195	2,656,195
Exchange traded funds		96,930	96,930
Governmental bonds		264,738	264,738
Treasury notes		45,058	45,058
Corporate bonds		322,285	322,285
Other		128,023	128,023
Total investments at fair value level (level 1)	<u>\$ 5,726,686</u>	<u>\$ 6,654,980</u>	12,381,666
Cash held in investment accounts	\$ 159,111	\$ 170,994	330,105
Investments measured at the net asset value, pooled separate accounts			<u>15,450,018</u>
Total investments, police pension fund			<u><u>\$ 28,161,789</u></u>

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **3. Investments (continued):**

*Pooled Separate Accounts.* This investment represents an investment where multiple plans share in a pooled fund on a participation unit basis. The plan's interest in the account is the cumulative record of the number of participation units credited to the account and the number of units allocated or withdrawn from the account. The participation unit is adjusted periodically to reflect investment results under the separate account. The Township does not have any unfunded commitments related to these investments. There is no limit on redemption frequency, there is no required redemption notice period and there are no redemption restrictions.

#### **4. Real estate taxes:**

Real estate taxes attach as an enforceable lien on property on January 1. Taxes are billed on March 1, payable under the following terms: 2% discount, March 1 based on the assessed value listed as of the prior December 31 for the real property located in the Township through April 30; face amount, May 1 through June 30 and 10% penalty after June 30. The County bills these taxes which are collected by the County and remitted to the Township. Real estate taxes levied for 2019 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2019 and expected to be collected within the first 60 days of 2020 are recognized as revenue in 2019. Net receivables estimated to be collectible subsequent to March 1 are reflected in deferred revenue. Prior years levies are recorded using these same principles, and remaining receivables are annually reevaluated as to collectability.

The rate of real estate taxation in 2019 was 1.554 mills for general purposes, 0.355 mills for fire protection and 0.041 mills for library funding purposes on a total Township assessed valuation of \$3,153,445,900.

## **LOWER PAXTON TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **5. Capital assets:**

A summary of changes in the governmental activities capital assets for the year ended December 31, 2019 is as follows:

	Beginning balance	Additions	Reductions	Ending balance
Capital assets, not being depreciated:				
Land	\$ 3,144,494	\$ 91,000		\$ 3,235,494
Intangibles	421,850			421,850
Construction in progress		1,838,901		1,838,901
Total capital assets, not being depreciated	3,566,344	1,929,901		5,496,245
Capital assets being depreciated (cost):				
Buildings	12,463,251			12,463,251
Land improvements	7,485,766			7,485,766
Machinery and equipment	4,093,700	671,410	\$ (47,274)	4,717,836
Vehicles	9,725,613	263,943	(602,006)	9,387,550
Infrastructure	70,061,505	918,401	(22,708,764)	48,271,142
Total capital assets, being depreciated	103,829,835	1,853,754	(23,358,044)	82,325,545
Accumulated depreciation:				
Buildings	(3,212,243)	(263,840)		(3,476,083)
Land improvements	(4,416,795)	(290,663)		(4,707,458)
Machinery and equipment	(2,359,141)	(301,529)	47,274	(2,613,396)
Vehicles	(6,010,984)	(536,598)	602,006	(5,945,576)
Infrastructure	(41,827,110)	(1,495,690)	7,274,178	(36,048,622)
Total accumulated depreciation	(57,826,273)	(2,888,320)	7,923,458	(52,791,135)
Total capital assets, being depreciated, net	46,003,562	(1,034,566)	(15,434,586)	29,534,410
Governmental activities, capital assets, net	\$ 49,569,906	\$ 895,335	\$(15,434,586)	\$ 35,030,655

On January 1, 2019, the Township transferred capital assets related to the stormwater system to the Authority. The net value of assets transferred was \$15,434,586.

***LOWER PAXTON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**5. Capital assets (continued):**

Depreciation expense was charged to functions/programs of the Township for 2019 as follows:

Governmental activities:

General government	\$ 204,651
Police department	191,260
Fire and ambulance	245,353
Public works	473,119
Parks and recreation	278,247
Infrastructure, unallocated	<u>1,495,690</u>

Total depreciation expense, governmental activities	<u><u>\$ 2,888,320</u></u>
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## **LOWER PAXTON TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **5. Capital assets (continued):**

A summary of changes in the business-type activities capital assets for the year ended December 31, 2019 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Lower Paxton Township Authority:				
Capital assets, not being depreciated:				
Land	\$ 1,540,192			\$ 1,540,192
Intangibles	2,740,869			2,740,869
Total capital assets, not being depreciated	<u>4,281,061</u>			<u>4,281,061</u>
Capital assets, being depreciated:				
Buildings	1,116,145			1,116,145
Machinery and equipment	680,015	\$ 158,536	\$ (54,990)	783,561
Furniture	19,299			19,299
Sewer system	159,877,306	2,875,755		162,753,061
Stormwater system		16,632,444		16,632,444
Total capital assets, being depreciated	<u>161,692,765</u>	<u>19,666,735</u>	<u>(54,990)</u>	<u>181,304,510</u>
Accumulated depreciation:				
Buildings	(450,194)	(27,904)		(478,098)
Machinery and equipment	(386,032)	(90,588)	39,524	(437,096)
Furniture	(19,299)			(19,299)
Sewer system	(48,807,662)	(2,903,239)		(51,710,901)
Stormwater system		(563,761)		(563,761)
Total accumulated depreciation	<u>(49,663,187)</u>	<u>(3,585,492)</u>	<u>39,524</u>	<u>(53,209,155)</u>
Net capital assets being depreciated	<u>112,029,578</u>	<u>16,081,243</u>	<u>(15,466)</u>	<u>128,095,355</u>
Net property, plant and equipment	<u>116,310,639</u>	<u>16,081,243</u>	<u>(15,466)</u>	<u>132,376,416</u>
Sewer capacity costs	21,144,628			21,144,628
Less, accumulated amortization	(6,781,648)	(381,076)		(7,162,724)
Net sewer capacity costs	<u>14,362,980</u>	<u>(381,076)</u>		<u>13,981,904</u>
Net capital assets, Authority	<u>130,673,619</u>	<u>15,700,167</u>	<u>(15,466)</u>	<u>146,358,320</u>
Friendship Community Center:				
Capital assets, being depreciated:				
Buildings	10,074,310	174,099		10,248,409
Machinery and equipment	523,272	35,000		558,272
Total capital assets, being depreciated	<u>10,597,582</u>	<u>209,099</u>		<u>10,806,681</u>
Accumulated depreciation:				
Buildings	(4,342,778)	(296,247)		(4,639,025)
Machinery and equipment	(388,990)	(28,500)		(417,490)
Total accumulated depreciation	<u>(4,731,768)</u>	<u>(324,747)</u>		<u>(5,056,515)</u>
Net capital assets, Friendship Community Center	<u>5,865,814</u>	<u>(115,648)</u>		<u>5,750,166</u>
Net capital assets, business type activities	<u>\$ 136,539,433</u>	<u>\$ 15,584,519</u>	<u>\$ (15,466)</u>	<u>\$ 152,108,486</u>

## **LOWER PAXTON TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **6. Long-term liabilities:**

The Township's long-term liabilities consist of debt in the form of general obligation bonds and loans and capital leases obligations

##### *Long-term debt:*

The Township issues long-term debt to refinance existing debt, finance Township improvements, including the Friendship Community Center, and finance Lower Paxton Township Authority improvements. All debt incurred on behalf of the Authority is subject to subsidy agreements whereby the Authority is bound to pay its share of Township debt as summarized below. The amount due to the Township from the Authority under the aforementioned subsidy agreements totaled \$116,895,452 at December 31, 2019.

The following is a summary of Township debt obligations at December 31, 2019:

	Original borrowing	Year of issue/maturity	Interest rates to maturity	Annual principal payments to maturity	Outstanding at December 31, 2019
General obligation bonds:					
Series of 2010A	\$ 4,355,000	2010/2020	1.50% - 4.00%	\$280,000 to \$300,000	\$ 580,000
Series of 2012A	2,855,000	2012/2025	2.00% - 4.00%	\$5,000 to \$845,000	2,820,000
Series of 2013	7,965,000	2013/2022	0.60% - 2.00%	\$1,815,000 to \$1,955,000	5,665,000
Series of 2013A	4,060,000	2013/2027	0.55% - 2.65%	\$170,000 - \$830,000	2,850,000
Series of 2014	23,350,000	2014/2044	1.75% - 5.00%	\$765,000 to \$1,450,000	27,040,000
Series of 2015	14,005,000	2015/2029	2.00% - 4.00%	\$5,000 to \$2,125,000	13,540,000
Series of 2016	23,840,000	2016/2046	2.00% - 5.00%	\$655,000 to \$1,355,000	25,865,000
Series of 2019	52,040,000	2019/2044	3.00% - 4.00%	\$495,000 to \$4,975,000	52,040,000
Total general obligation bonds					<u>130,400,000</u>
Loans:					
PennVest loan payable	10,901,017				7,020,452
PA Infrastructure Bank	750,000				<u>199,028</u>
Total loans					<u>7,219,480</u>
Total long-term debt					<u><u>\$ 137,619,480</u></u>

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **6. Long-term liabilities (continued):**

##### *Long-term debt:*

The Township utilizes bond issue and loan proceeds for both governmental and business-type activities, which include loaning debt proceeds to the Authority through subsidy agreements. The following is a breakdown of Township debt between governmental activities and business-type activities:

Total governmental activities:	
General obligation bonds	\$ 18,402,044
Loan	<u>199,028</u>
Total long-term debt, governmental activities	<u>18,601,072</u>
Business-type activities:	
Lower Patxon Township, subsidy agreements with Lower Patxon Township Authority:	
General obligation bonds	109,875,000
Loan	<u>7,020,452</u>
Total Lower Patxon Township, subsidy agreements with Lower Paxton Township Authority	116,895,452
Friendship Community Center, General obligation bonds	<u>2,122,956</u>
Total long-term debt, business-type activities	<u>119,018,408</u>
Total long-term debt	<u><u>\$ 137,619,480</u></u>

**LOWER PAXTON TOWNSHIP**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**6. Long-term liabilities (continued):***Long-term debt:*

Changes in the Township's long-term debt for the year ended December 31, 2019 are as follows:

Type	Beginning balance	Additions	Deletions	Ending balance
General obligation bonds:				
Series of 2009D	\$ 42,465,000		\$ (42,465,000)	\$ -
Series of 2010A	975,000		(395,000)	580,000
Series of 2012A	2,825,000		(5,000)	2,820,000
Series of 2013	7,275,000		(1,610,000)	5,665,000
Series of 2013A	3,085,000		(235,000)	2,850,000
Series of 2014	27,785,000		(745,000)	27,040,000
Series of 2015	13,600,000		(60,000)	13,540,000
Series of 2016	26,520,000		(655,000)	25,865,000
Series of 2019		\$ 52,040,000		52,040,000
Total general obligation bonds	124,530,000	52,040,000	(46,170,000)	130,400,000
Loans:				
PennVest	7,472,292		(451,840)	7,020,452
PA Infrastructure Bank	276,412		(77,384)	199,028
Total loans	7,748,704		(529,224)	7,219,480
Total long-term debt activity	\$ 132,278,704	\$ 52,040,000	\$ (46,699,224)	\$ 137,619,480

In August 2019, The Township issued an additional PennVest loan on behalf of the Authority with a total drawdown amount of \$13,354,113 for sewer remediation projects. The Authority is responsible for debt payments under a subsidy agreement. At December 31, 2019, no funds have been drawn on this loan.

**LOWER PAXTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**6. Long-term liabilities (continued):**

*Long-term debt:*

Annual Township debt service requirements on the governmental activities obligations are as follows:

	Principal	Interest	Total
2020	\$ 1,383,646	\$ 612,559	\$ 1,996,205
2021	1,419,930	576,325	1,996,255
2022	1,520,452	536,979	2,057,431
2023	1,515,000	496,828	2,011,828
2024	1,560,000	446,978	2,006,978
2025-2029	6,720,044	1,476,969	8,197,013
2030-2034	3,802,000	516,884	4,318,884
2035-2039	590,000	40,806	630,806
2040-2044	90,000	9,600	99,600
	<u>\$ 18,601,072</u>	<u>\$ 4,713,928</u>	<u>\$ 23,315,000</u>

Annual Township debt service requirements on the business-type activities obligations are as follows:

	Principal	Interest	Total
2020	\$ 3,696,201	\$ 4,523,579	\$ 8,219,780
2021	3,811,019	4,463,685	8,274,704
2022	3,946,307	4,349,975	8,296,282
2023	4,082,082	4,217,847	8,299,929
2024	4,238,358	4,059,620	8,297,978
2025-2029	22,769,576	18,094,147	40,863,723
2030-2034	26,604,865	13,649,174	40,254,039
2035-2039	32,485,000	7,702,022	40,187,022
2040-2044	14,745,000	2,506,975	17,251,975
2045-2046	2,640,000	133,750	2,773,750
	<u>\$ 119,018,408</u>	<u>\$ 63,700,774</u>	<u>\$ 182,719,182</u>

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **6. Long-term liabilities (continued):**

##### *Capital leases:*

##### Governmental activities:

In 2015, the Township entered into multiple capital leases to finance the purchase of one Wildcat Trammel Screen and one Vermeer Compost Turner. The terms of the leases were five years with payments that began in April 2015 and ended in April 2019.

In 2017, the Township entered into multiple capital leases to finance the purchase of a Ford F-550 Dump Truck, John Deere Loader Backhoe and a Volvo L90H Wheel Loader. The term of the leases are three and five years with payments beginning in March 2017 and going through March 2021.

In 2018, the Township entered into multiple capital leases to finance the purchase of a Mack Truck, Takeuchi skid loader and TYMCO Street Sweeper. The term of the leases are three and four years with payments beginning in November 2018 and going through March 2022.

In 2019, the Township entered into a capital lease to finance the purchase of a Ford Explorer. The term of the lease is five years with payments beginning in May 2019 and going through May 2023.

The assets (recorded as vehicles, machinery and equipment) acquired through the capital leases are as follows:

Assets:	
Leasehold assets	\$ 612,427
Less accumulated depreciation	<u>(93,190)</u>
Total	<u><u>\$ 519,237</u></u>

##### Business-type activities:

In 2017, the Township entered into multiple capital leases to finance the purchase of Friendship Community Center equipment. The term of the leases are three years with payments starting In January 2017 and continuing through September 2019.

In 2018, the Authority entered into a capital lease to finance the purchase of a Takeuchi Vertical Track Loader. The lease has a term of five years with payments starting October 2019 and continuing through October 2023.

**LOWER PAXTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**6. Long-term liabilities (continued):**

*Capital leases:*

Business-type activities:

The assets (recorded as machinery and equipment) acquired through the capital leases are as follows:

Assets:	
Leasehold	\$ 240,153
Less accumulated depreciation	<u>(31,719)</u>
Total	<u><u>\$ 208,434</u></u>

Future minimum lease payments under the agreements together with present value of the net minimum lease payments are as follows:

<u>Year ending December 31,</u>	<u>Governmental activities</u>	<u>Business-type activities</u>
2020	\$ 188,221	\$ 52,478
2021	118,595	52,478
2022	80,815	52,477
2023	<u>7,398</u>	<u>18,587</u>
Total minimum lease payments	395,029	176,020
Less:		
Amount representing interest	28,317	12,940
Present value of minimum lease payments, current portion	<u>173,176</u>	<u>46,604</u>
Total present value of net minimum lease payments, noncurrent	<u><u>\$ 193,536</u></u>	<u><u>\$ 116,476</u></u>

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **7. Defeased debt:**

In prior years, the Township defeased the Governmental and Friendship Community Center General Obligation Bonds, Series of 2010A by placing the proceeds of new issues in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Township financial statements. There has been no substitution of essentially risk-free monetary assets.

At December 31, 2019, the principal amount outstanding relative to defeased debt was \$155,000, all of which relates to the Township and Friendship Community Center.

#### **8. Pension plans:**

The Township has two single employer defined benefit pension plans, one covering non-uniformed employees including Authority Unit employees and the other covering uniformed police. Employees become eligible for participation in the non-uniformed pension plan upon employment and become fully vested after nine years of service unless the employee is a participant in the Authority Unit in which vesting occurs 30% after three years of service, increasing by 10% each year until becoming fully vested after ten years. Employees become eligible for participation in the police pension plan upon employment and become fully vested after twelve years of service. The non-uniformed pension plan was established and is controlled through Township ordinances. The police pension plan was established by municipal ordinance with the Authority for municipal contributions required by Act 205, of the Pennsylvania legislature. The Board of Supervisors established and may amend benefit terms through labor agreements negotiated by the Township. Both plans are reported as pension trust funds in the statement of fiduciary net position and changes therein. The plans do not issue stand-alone financial reports.

##### *Non-uniform pension plan:*

##### Plan membership:

At December 31, 2019, participants in the non-uniform plan consisted of the following:

##### Participants:

Retirees and beneficiaries currently receiving benefits	38
Terminated employees entitled to benefits but not yet receiving them	8
Active employees	85

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **8. Pension plans (continued):**

##### *Non-uniform pension plan:*

##### Plan benefits:

The benefits provided by the non-uniform plan is based upon average monthly compensation, age and length of service. A summary of plan benefits is as follows:

Normal retirement age	Township Unit, except Public Works, hired on or after January 1, 2013 and Public Works employees hired on or after January 1, 2012; 65 with 10 years of service Township Unit, except Public Works employees hired before January 1, 2012 - 65 with 10 years of service or 60 with 15 years of service; Authority Unit - 65 with 10 years of service.
Average compensation period	36 months
Early retirement	Township Unit, except Public Works, hired on or after January 1, 2013 and Public Works employees hired on or after January 1, 2012 - 60 with 15 years of service; Township Unit, except Public Works employees hired before January 1, 2012 - 55 years old/10 years service.
Vesting	Township Unit - 100% after completion of 9 years of service; Authority Unit - 30% after 3 years, increasing 10% each year up to 10 years and 100%.
Normal forms of benefits	Life
Normal benefits	2% of final monthly average compensation per year of service up to a maximum of 27 years.
Early benefit	Accrued benefit at date of actual retirement actuarially reduced for commencement before normal retirement. Employees (other than Authority) who terminate more than 15 years prior to normal retirement may elect instead the greater of a refund of contributions plus interest or the actuarial equivalent of the deferred monthly benefit of a lump sum of \$25,000 or less.
Disability benefit	Authority Unit - Accrued benefit at date of disablement, actuarially reduced for commencement prior to normal retirement.
Death benefit	<u>Before vesting</u> - refund of contributions plus interest, if any. <u>After vesting, before retirement</u> - monthly benefit equal to the survivor portion of an actuarially reduced joint and 50% survivor benefit and reduction for commencement prior to normal retirement, payable at early retirement. <u>After retirement</u> - form of benefit payment in force at time of death.
Cost of living adjustment	None
Service increment	None

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **8. Pension plans (continued):**

##### *Non-uniform pension plan:*

##### Contributions:

The Township's non-uniformed employees (except for former Authority employees who are required to contribute 2.40% and who receive a different level of benefits) are required to contribute 3.50% of annual base compensation, but only for the first 27 years of service. The Township is required to contribute the remaining amount necessary to fund the plan using the entry age normal cost method. The Township funds its contributions with general fund cash and foreign casualty insurance premium taxes obtained from the Commonwealth of Pennsylvania.

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated contributions. The actuarially determined contribution for the MMO to the Pension Trust Fund was \$757,954 which was funded by the Township through a State Aid amount of \$409,640 and Township contributions of \$348,314. Employee contributions in 2019 totaled \$156,778.

## **LOWER PAXTON TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **8. Pension plans (continued):**

##### *Non-uniform pension plan:*

##### Net pension liability:

The components and changes in the Township's net pension liability for the non-uniform defined benefit plan for the year ended December 31, 2019 were as follows:

	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a) - (b)
Balances at December 31, 2018	\$ 21,869,454	\$ 17,378,501	\$ 4,490,953
Service cost	535,173		535,173
Interest cost	1,489,190		1,489,190
Differences between expected and actual experience	(541,352)		(541,352)
Change in assumptions	603,643		603,643
Contributions:			
Employer		757,954	(757,954)
Employee		156,778	(156,778)
Net investment income		3,265,845	(3,265,845)
Benefit payments, including refunds of member contributions	(823,121)	(823,121)	-
Administrative expense		(7,944)	7,944
Net changes	1,263,533	3,349,512	(2,085,979)
Balances at December 31, 2019	\$ 23,132,987	\$ 20,728,013	\$ 2,404,974

At December 31, 2019, the plan fiduciary net position as a percentage of the total liability was 89.6%.

**LOWER PAXTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**8. Pension plans (continued):**

*Non-uniform pension plan:*

Net pension liability:

At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to the non-uniform pension plan from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$ 1,209,057
Change in assumptions	\$ 1,230,939	
Net difference between projected and actual investment earnings	1,240,042	\$ 2,143,239
Total	<u>\$ 2,470,981</u>	<u>\$ 3,352,296</u>

The total pension expense recognized in 2019 for the Non-uniform pension plan was \$669,041. The deferred outflows of resources and the deferred inflows of resources will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	
2020	\$ (240,623)
2021	(281,724)
2022	(29,841)
2023	(381,793)
2024	38,291
Thereafter	<u>14,375</u>
Total	<u>\$ (881,315)</u>

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **8. Pension plans (continued):**

##### *Non-uniform pension plan:*

##### Actuarial methods and assumptions:

The Township's non-uniform net pension liability was measured as of January 1, 2019 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75 %
Salary increases, including inflation	4.75 %
Expected long-term rate of return	6.75 %, applied to all periods

Mortality rates were based on the RP-2014 Mortality Table with 50% of the Blue Collar adjustment and rates set forward five years for disabled members. Mortality improvement based on the Long-Range Demographic Assumptions for the 2015 SSA's Trustee Report.

The long-term expected rate of return on the non-uniform pension 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 inflation and investments expenses not funded through the MMO) 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 the arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return</u>
Equity	0.00 - 60.00 %	5.00 - 7.00 %
Fixed income	0.00 - 50.00 %	1.00 - 3.00 %
Cash	0.00 %	0.00 - 1.00 %

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **8. Pension plans (continued):**

##### *Non-uniform pension plan:*

###### Discount rate:

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

###### Sensitivity of the net pension liability in the discount rate:

The following shows the effect of a 1% change in the discount rate on net pension liability:

	1% Decrease, 5.75%	Current discount rate 6.75%	1% Increase, 7.75%
Non-uniform net pension liability	5,187,573	2,404,974	64,855

###### Rate of return:

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments was 18.95%. The money-weighted rate of return expresses investment performance, net of investment expenses, not funded through the MMO.

##### *Police pension plan:*

###### Plan membership:

At December 31, 2019, participants in the police plan consisted of the following:

###### Participants:

Retirees and beneficiaries currently receiving benefits	48
Terminated employees entitled to benefits but not yet receiving them	1
Active employees	57

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **8. Pension plans (continued):**

##### *Police pension plan:*

##### Plan benefits:

The benefits provided by the police plan is based upon average monthly compensation, age and length of service. A summary of plan benefits is as follows:

Normal retirement age	50 with 25 years of service.
Average compensation period	36 months
Early retirement	N/A
Vesting	100% after completion of 12 years of service
Normal forms of benefits	Life
Normal benefits	Benefit equal to 50% of final monthly average salary plus service increment, if any.
Early benefit	N/A
Disability benefit	50% of the participant's final monthly average salary at disablement/retirement, but no less than 50% of the member's salary at time disability incurred, offset by social security disability benefits for same injury.
Death benefit	<u>Before vesting eligibility</u> - refund of contributions with interest. <u>After vesting eligibility</u> - refund of contributions, plus interest or if married 50% of the participant's accrued benefit at the date of death, commencing at participant's normal retirement date. <u>After retirement eligibility</u> - 50% of the pension the participant was receiving or was entitled to receive. Survivor benefits - payable for life for spouse, if no spouse or spouse later dies, benefit to children until 18 or 23, if in school.
Cost of living adjustment	Effective on 1st anniversary of retirement will receive the lesser of 2% or the increase in CPI in monthly benefits, until a maximum of 2% increase is reached.
Service increment	\$20 for each completed year of service in excess of 25 years up to a maximum of \$100.

##### Contributions:

When plan contributions are required, the Township police employees are required to contribute up to 5% of annual base compensation. The Township is required to contribute the remaining amount necessary to fund the plan using the entry age normal cost method. The Township funds its contributions with general fund cash and foreign casualty insurance premium taxes obtained from the Commonwealth of Pennsylvania.

## LOWER PAXTON TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### 8. Pension plans (continued):

##### *Police pension plan:*

##### Contributions:

The Township police pension plan is also subject to Act 205. The actuarially determined contribution for the MMO to the Pension Trust Fund was \$1,353,346 which was funded by the Township through a State Aid amount of \$604,219 and Township contributions of \$749,127. Employee contributions in 2019 totaled \$265,560.

##### Net pension liability:

The components and changes in the Township's net pension liability for the police pension plan for the year ended December 31, 2019 were as follows:

	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a) - (b)
Balances at December 31, 2018	\$ 31,878,307	\$ 24,098,215	\$ 7,780,092
Service cost	846,050		846,050
Interest cost	2,246,098		2,246,098
Differences between expected and actual experience	408,630		408,630
Change in assumptions	969,624		969,624
Contributions:			
Employer		1,353,346	(1,353,346)
Employee		265,560	(265,560)
Net investment income		4,404,499	(4,404,499)
Benefit payments, including refunds of member contributions	(1,681,639)	(1,681,639)	-
Administrative expense		(8,349)	8,349
Net changes	2,788,763	4,333,417	(1,544,654)
Balances at December 31, 2019	\$ 34,667,070	\$ 28,431,632	\$ 6,235,438

At December 31, 2019, the plan fiduciary net position as a percentage of the total liability was 82.0%.

**LOWER PAXTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**8. Pension plans (continued):**

*Police pension plan:*

Net pension liability:

At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to the police pension plan from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 347,640	\$ 115,730
Change in assumptions	1,102,254	
Net difference between projected and actual investment earnings	1,660,520	2,861,739
Total	<u>\$ 3,110,414</u>	<u>\$ 2,977,469</u>

The total pension expense recognized in 2019 for the police pension plan was \$1,436,622. The deferred outflows of resources and the deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31,

2020	\$ (53,916)
2021	(78,017)
2022	238,188
2023	(323,014)
2024	205,710
Thereafter	<u>143,994</u>
Total	<u>\$ 132,945</u>

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **8. Pension plans (continued):**

##### *Non-uniform pension plan:*

##### Actuarial methods and assumptions:

The Township's police net pension liability was measured as of January 1, 2019 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75 %
Salary increases, including inflation	5.50 %
Expected long-term rate of return	6.75 %, applied to all periods

Mortality rates were based on the RP-2014 Mortality Table with 50% of the Blue Collar adjustment and rates set forward five years for disabled members. Mortality improvement based on the Long-Range Demographic Assumptions for the 2015 SSA's Trustee Report.

The long-term expected rate of return on the police pension 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 inflation and investments expenses not funded through the MMO) 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 the arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return</u>
Equity	0.00 - 60.00 %	5.00 - 7.00 %
Fixed income	0.00 - 50.00 %	1.00 - 3.00 %
Cash	0.00 %	0.00 - 1.00 %

## **LOWER PAXTON TOWNSHIP**

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **8. Pension plans (continued):**

##### *Police pension plan:*

##### Discount rate:

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

##### Sensitivity of the net pension liability in the discount rate:

The following shows the effect of a 1% change in the discount rate on net pension liability:

	1% Decrease, 5.75%	Current discount rate 6.75%	1% Increase, 7.75%
Police net pension liability	10,763,473	6,235,438	2,469,588

##### Rate of return:

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments was 18.54%. The money-weighted rate of return expresses investment performance, net of investment expenses, not funded through the MMO.

#### **9. Post-employment benefit plan:**

##### *Plan description:*

##### Plan administration:

The Township administers a single-employer defined benefit postemployment benefit (OPES) plan (the Plan) that is used to provide health-related benefits for its police officers through its group health insurance plan. Plan provisions are established based on labor agreements negotiated by the Township. The Plan is unfunded, and no financial report is prepared.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **9. Post-employment benefit plan (continued):**

##### *Plan description:*

##### Plan membership:

As of December 31, 2019, the Plan's membership consisted of the following:

Active participants	58
Retired participants	<u>18</u>
Total	<u><u>76</u></u>

##### Benefits provided:

All police officers retiring with a normal or disability retirement under the pension plan are eligible for other post-employment benefits. Normal retirement eligibility is the age of 50 and completion of 25 years of service. Disability retirement eligibility is considered total and permanent disablement that occurs in the line of duty. The retiree must decide at the time of retirement to elect either a 60-month period of husband/wife benefits or 108-month period of retiree only.

Benefits include the same medical coverage enjoyed by active members and currently include medical, prescription drug, dental, and vision coverage. Coverage is suspended if the retiree is eligible for comparable coverage cost-free from another source. After the period of coverage ceases, retirees may purchase any of the benefits covered at the effective group rates. The Township pays the first 10% of any increase in annual cost. Thereafter, the Township and the retiree share equally for any annual increases exceeding 10%.

##### Contributions:

The contribution requirements of plan members and the Township are established and may be amended by the Board of Supervisors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primary through annual appropriations from the General Fund. Retiree contribution rates and amounts vary based on the benefits selected.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **9. Post-employment benefit plan (continued):**

##### *Total OPEB liability:*

The Township's total OPEB liability of \$6,183,067 was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2019. The actuary utilized update procedures to roll forward the total OPEB liability in the January 1, 2019 actuarial valuation to the December 31, 2019 measurement date.

The actuarial assumptions used in the January 1, 2019 valuation were based on past experience under the plan and reasonable future expectations which represents the best estimate of anticipated experience under the plan. A recent actuarial experience study was not performed.

Changes in the Township's total OPEB liability for the plan as of December 31, 2019 was as follows:

	<u>Total OPEB liability</u>
Balance at January 1, 2019	<u>\$ 5,588,658</u>
Changes for the year:	
Service cost	298,604
Interest	228,507
Benefit payments	(275,372)
Changes in assumptions	(205,989)
Differences between expected and actual results	<u>548,659</u>
Net changes	<u>594,409</u>
Balance at December 31, 2019	<u><u>\$ 6,183,067</u></u>

**LOWER PAXTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**9. Post-employment benefit plan (continued):**

*Total OPEB liability:*

At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
	<u></u>	<u></u>
Differences between expected and actual experience	\$ 488,367	
Change in assumptions		\$ 183,353
	<u></u>	<u></u>
Total	\$ 488,367	\$ 183,353
	<u></u>	<u></u>

The deferred outflows of resources and the deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ended December 31,</u>	
2020	\$ 37,656
2021	37,656
2022	37,656
2023	37,656
2024	37,656
Thereafter	<u>116,734</u>
Total	<u>\$ 305,014</u>

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **9. Post-employment benefit plan (continued):**

*Total OPEB liability:*

Actuarial assumptions and other inputs:

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Discount rate	3.75%
Dental/vision trend rate	3.00%
Medical trend rate	7.50% for 2019, decreasing to 5.00% by 2028

The discount rate was based on the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were assumed based on the RP-2014 Combined Health Mortality Table with 50% of Blue Collar Adjustment and rates set forward five years for disabled lives. Mortality improvement rates were derived from the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report.

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates:

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage point lower or higher than the current discount rate:

	1% decrease 1.40%	Current rate 2.40%	1% increase 3.40%
Township total OPEB liability	\$ 5,559,523	\$ 6,183,067	\$ 6,906,549

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **9. Post-employment benefit plan (continued):**

*Total OPEB liability:*

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower or higher than the current discount rate:

	1% decrease 2.75%	Current rate 3.75%	1% increase 4.75%
Township total OPEB liability	\$ 6,675,317	\$ 6,183,067	\$ 5,730,475

*OPEB expense:*

For the year ended December 31, 2019, the Township recognized OPEB expense of \$564,767.

#### **10. Risk management:**

The Township is a member of a risk sharing pool, the Susquehanna Municipal Trust, to provide workers' compensation coverage. The 2019 contribution for this coverage was \$361,408.

The Trust has a self-insured retention per occurrence of \$1,000,000. Claims that exceed the self-insured retention are satisfied by a stop-loss insurance carrier, Midwest Employers Casualty. There are 77 municipal entities participating in the pool. Each member owns a portion of the pool based upon the total contributions deposited by each member over the preceding 12 months. If there is a deficit in the pooled funds, each member is assessed a ratio based upon the total contributions. As of December 31, 2019, there have been no adjustments in the Trust's class code rates. The Township's premium does adjust each year according to independently audited payroll totals in each class code.

The Township participates in the Pennsylvania Municipal Health Insurance Cooperative to provide medical benefits to employees. Under this program, the Township pays varying amounts of reasonable and customary healthcare expenses. For 2019, the Township paid premiums of \$3,675,301. For the year ended December 31, 2019, the Township was limited in liability for claims to \$35,000 per enrollee and a maximum claims liability of \$2,949,063. Actual claims paid for the year ended December 31, 2019 were \$2,799,403. A portion of the unused premiums will be used for cost recovery of other members' coverages and the remainder will be refunded in two increments in 2020.

**LOWER PAXTON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

**11. Interfund receivables and payables:**

Interfund receivable and payable balances consist of the following at December 31, 2019:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Governmental funds, general fund	\$ 1,506,694	
Enterprise funds, Lower Paxton Township Authority		\$ 1,506,694
Total interfund receivables and payables	<u>\$ 1,506,694</u>	<u>\$ 1,506,694</u>

**12. Interfund transfers:**

Interfund transfers are executed as a result of the requirements for the General Fund to match a portion of the expenditures or expenses of other funds. Interfund transfers are as follows:

	<u>Transfer in</u>	<u>Transfer out</u>
Governmental funds:		
General fund		\$ 486,374
General improvement fund	\$ 361,374	
Total governmental funds	361,374	486,374
Enterprise funds, Friendship Community Center	125,000	
Total interfund transfers	<u>\$ 486,374</u>	<u>\$ 486,374</u>

**13. Management agreement:**

The Authority has entered into an agreement with Lower Paxton Township to procure certain management services with regard to its operations, activities and functions. The Authority and the Township have certain common management. The total management services for 2019 amounted to \$296,458. Additionally, due to the Township providing all employees to the Authority, the Authority reimbursed the Township for wages, payroll taxes and various insurances in the approximate amount of \$3,079,220 for the year ended December 31, 2019. At December 31, 2019, the Authority owed the Township \$674,132 for the fourth quarter of calendar year 2019.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **14. Fund balance classifications:**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Fund	Fund balance classifications			Total fund balance
	Nonspendable	Restricted	Unassigned	
General fund:				
Other assets	\$ 491,041			\$ 491,041
Paxtonia Fire Company mortgage	98,681			98,681
Available for any purpose			\$ 4,856,687	4,856,687
General improvement fund, township improvements		\$ 715,712	(213,508)	502,204
Fire protection services		2,001,543	42,202	2,043,745
Non-major funds:				
State highway aid		402,565		402,565
Firemen's LOSAP		905,975		905,975
	<u>\$ 589,722</u>	<u>\$ 4,025,795</u>	<u>\$ 4,685,381</u>	<u>\$ 9,300,898</u>

The restriction of net position included in the business-type activities of \$11,786,103 is for bond proceeds received that have not yet been spent on capital improvements.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **14. Fund balance classifications (continued):**

The restrictions of net position included in the fiduciary funds are as follows:

<u>Fiduciary funds</u>	
Non-uniform pension trust fund, amounts restricted for payment of non-uniform pension benefits.	\$ 20,728,012
Police pension trust fund, amounts restricted for payment of police pension benefits.	<u>28,431,631</u>
Total fiduciary funds, net position	<u><u>\$ 49,159,643</u></u>

#### **15. Due from fire companies:**

##### *Paxtonia Fire Company:*

The Township had entered into a loan agreement with Paxtonia Fire Company. The proceeds were used to purchase six tracts of land located on Johnson Street, Harrisburg. The agreement called for a loan of \$421,435 to be repaid in periodic payments by July 1, 2029. Payment terms require four annual payments of \$7,025, including interest at 3.00%, beginning July 1, 2009. The outstanding balance due from the Paxtonia Fire Company as of December 31, 2019 is \$98,681.

#### **16. Commitments and contingencies:**

In the normal course of business, there are various claims and suits pending against the Township and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the Township's financial position at December 31, 2019.

The Authority has entered into agreements for repairs and rehabilitation of its sewer system. There were nine construction contracts open as of December 31, 2019 which totaled \$18,369,390. Work totaling \$852,913 had been completed on these contracts as of year end.

#### **17. Agreements:**

The Authority has entered into agreements with downstream municipalities for the transmission and treatment of sewage. Charges for transmission and treatment are principally based upon a combination of the number of equivalent dwelling units and sewage transmitted.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **17. Agreements (continued):**

The Authority has entered into the Swatara Township Authority-Intermunicipal Agreement with the joint users of the Swatara Township Authority treatment plant. The Agreement covers the operating expenses of the Swatara Township Authority treatment plant and transmission facilities and the corresponding responsibilities of each user based on a pro rata share basis. Under this agreement, the Authority's operating costs amounted to \$1,203,601 for the year ended December 31, 2019.

The Authority, along with the Borough of Penbrook, the Borough of Paxtang, the Township of Swatara, the Township of Susquehanna and the Township of Lower Paxton (the Joint Municipalities) continue to negotiate with the City of Harrisburg and Capital Region Water (CRW) to finalize a new Intermunicipal Agreement, which sets the rate for treatment and transmission services provided to the Joint Municipalities, as well as the funding of the improvement projects for CRW facilities. Under the current agreement, the Authority's operating costs amounted to \$4,579,187.

The Authority is currently disputing the method of calculating certain 2015 through 2019 charges related to the services provided above. The disputed amount of \$1,337,598 is included as a liability, due to other governments, and in the operating costs noted above to CRW on the Authority's books as of December 31, 2019.

#### **18. Legal agreements and restrictions regarding sanitary sewer operations:**

In June 1995, the Pennsylvania Department of Environmental Protection (PADEP) entered into a Consent Decree and Settlement Agreement with the Authority, the Township and Swatara Township Authority, outlining certain steps that need to be met to abate the overload of the Beaver Creek Basin interceptor

On May 29, 2002, the parties, including the Developers as Intervenors, entered into a Second Consent Decree and new Settlement Agreement to supersede the first Consent Decree and Settlement Agreement of June 1995, the 1991 Spring Creek Consent Decree and to settle two Environmental Hearing Board appeals and a Commonwealth Court Petition. The Commonwealth Court approved the Second Consent Decree on June 13, 2002.

The Second Consent Decree incorporated the Township's Act 537 Plan and corrective action plans to eliminate the overflows and hydraulic overloads in the Beaver Creek, Paxton Creek and a portion of the Spring Creek Basin. The Township submitted, and PADEP approved, the First Amendment to the Second Consent Decree to address Paxton Creek beyond 2007. The First Amendment for Paxton Creek requires a 15-year mini-basin total sewer replacement/repair program through 2022 and provided for the replacement/enlargement of several interceptor sewers. In 2022, the Authority is required to evaluate the progress and success of the work to determine if any storage facilities will be needed to ensure future capacity. If they are required, it is anticipated that such facilities will be completed within three years of PADEP planning approval.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **18. Legal agreements and restrictions regarding sanitary sewer operations (continued):**

The PADEP approved the Second Amendment to the Second Consent Decree and Settlement Agreement on August 21, 2013 to eliminate the Wet Weather Treatment Facility in the Beaver Creek Basin as the chosen alternative and selecting a 15-year mini-basin total sewer replacement/repair program similar to Paxton Creek. The Beaver Creek new alternative requires sewer replacements through 2027. In 2027, the Authority is required to evaluate the progress and success of the work to determine if any storage facilities will be needed to ensure future capacity. If they are required, it is anticipated that such facilities will be completed within three years of PADEP planning approval. The Commonwealth Court approved the Second Amendment to the Second Consent Decree on September 18, 2013.

The Second Amendment to the Second Consent Decree and Settlement Agreement imposes a limitation on planning modules in the Beaver Creek Basin each year with a maximum of 200 equivalent dwelling units per year and a limitation of 168 connections each year, provided that the Authority is in compliance with the plan and schedule and shows a reduction in flows to the sewer system. The Settlement Agreement provides for the accumulation of unused planning module EDU's and connection permits. At the end of 2019, the total accumulated EDU's and connections permits is 923 EDU's and 390 connections, respectively. Paxton Creek is allocated 93 connections annually, and there are no restrictions on planning modules. The Authority is permitted to receive an increase of ten connections per year for each completed mini-basin project. In 2019, the Authority requested an additional 150 connections for completing 15 projects over the past ten years. On March 21, 2019, the Authority received approval of the additional 150 connections. The Spring Creek Basin is provided two connections annually, and there are no planning module restrictions

The original cost estimate in 2002, as part of the original Consent Decree entered into in 2002, was \$80 Million in Beaver Creek, \$75 Million in Paxton Creek and \$25 Million in Spring Creek for a total of \$180 Million. In September 2016, the Authority Engineer presented an update to the program costs that have escalated to an estimated \$350 Million. The escalation in costs is associated with the increase in paving costs to re-build the Township streets following the total sewer replacements, new ADA ramps and inspection and program management costs that were not originally anticipated. The engineer presented a new alternative for an Extra Storage option in the Paxton Creek and Beaver Creek Basins, which would reduce the total cost to \$258 Million. The Board approved the Extra Storage option and authorized the submission to the PADEP for approval. On behalf of the Authority, GHD Engineering submitted the Phase 2 Long-Term Solution and Schedule for the Beaver Creek Basin to implement the Extra Storage option on June 29, 2017. The Authority received approval from the PADEP by letter dated August 23, 2017. The Paxton Creek Basin Extra Storage option was submitted to the PADEP as part of the proposed 3rd Paxton Creek corrective action plan by letter dated March 5, 2018. The Authority received approval from the PADEP by letter dated March 20, 2018.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **18. Legal agreements and restrictions regarding sanitary sewer operations (continued):**

A total of \$114 Million has been spent to date on the sewer replacement programs in the Beaver, Paxton and the Spring Creek 1 drainage basins. To complete the approved CAP's in the Beaver and Paxton Creek Basins, and the Spring Creek 2 Basin, the Consulting Engineer estimates that an additional \$107 Million is required to be financed, \$34 Million in Paxton Creek, \$62 Million in Beaver Creek and \$11 Million in the Spring Creek 2 Basin. This plan anticipates delaying storage in Paxton Creek until 2040 and an additional financing at that time to complete this project, which is not part of the \$107 Million estimate.

The Authority has also begun implementation of the Stormwater Management Program required under the Township's PADEP MS4 Permit. The PADEP issues the MS4 Permit to the Township as the regulatory authority under the Stormwater Management Act and the Pennsylvania Municipal Planning Code, as amended by Act 170 and Act 131. The PADEP MS4 Permit requires the Township to implement a Pollution Reduction Plan (PRP) to reduce sediment in the Chesapeake Bay and to comply with the TMDL for Paxton Creek. The Township entered into an Intergovernmental Cooperation Agreement (ICM) in 2019 with CRW and Susquehanna Township to develop and implement a Joint PRP. The Joint PRP was submitted to the PADEP in December 2019 for approval. The Authority reimburses the Township under the Management Agreement for all expenses incurred under the Stormwater Management Program. The Authority adopted a Capital Budget in 2019 which includes a five-year spending plan to comply with the MS4 permit/PRP plan with the PADEP. This five-year capital plan is estimated at \$16 Million, which includes an estimated cost of \$6 Million (Township Share) for the Joint PRP and \$10 Million for stormwater system pipe replacements over a five-year period.

#### **19. Operating lease:**

The Township has committed, under an operating lease, for certain vehicles. Future minimum operating lease commitments as of December 31, 2019 are as follows:

##### Year ending December 31

2020	\$ 51,405
2021	51,405
2022	51,405
2023	42,342
2024	27,732
	<hr/>
	\$ 224,289
	<hr/>

## LOWER PAXTON TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### 19. Operating lease (continued):

The Authority has committed, under an operating lease, for certain vehicles. Future minimum operating lease commitments are as of December 31, 2019 are as follows:

<u>Year ending December 31</u>	
2020	\$ 106,369
2021	106,369
2022	95,643
2023	72,929
2024	<u>35,871</u>
	<u>\$ 417,181</u>

At December 31, 2019, lease expense was \$51,232 and \$71,324 for the Township and Authority, respectively.

#### 20. Derivative instruments:

##### *Objectives and terms of the cash-settling swap:*

On September 14, 2018 (trade date), the Township entered into a cash-settling swap agreement (the SWAP) to manage interest costs of the General Obligation Bonds, Series D of 2009 in the nominal amount of \$42,465,000. The final termination date of the swap is October 1, 2019, which does not exceed the maturity date of the 2009D Bonds. With the exception of a termination payment on or before the termination date, no scheduled periodic payments will be exchanged between the Township and the Royal Bank of Canada (RBC) (the Counterparty). The amount of the termination payment will be determined based on a floating rate option not to exceed 80% of the USD-LIBOR-BBA. The Township has the option to terminate the swap anytime between the trade date and the termination date.

The SWAP was amended by the Township on September 11, 2019 to change the mandatory early termination date from October 1, 2019 to October 1, 2023 and to amend the related amortization table. For RBC's consideration of the amendment, the Township was required to make a cash payment of \$1,843,000 to the counterparty which was funded by proceeds from the 2019 series General Obligation bond issue.

<u>Cash-settling swap</u>	<u>Current notional</u>	<u>Related debt</u>	<u>Trade date</u>	<u>Termination date</u>	<u>Mandatory early termination</u>	<u>Counterparty</u>
2018 SWAP	\$ 4,265,000	2009D bonds	September 14, 2018	October 1, 2048	October 1, 2023	RBC

## ***LOWER PAXTON TOWNSHIP***

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019**

#### **20. Derivative instruments (continued):**

##### *Objectives and terms of the cash-settling swap:*

The SWAP was deemed ineffective as of December 31, 2018. Accordingly, the Township recorded a liability for the SWAP as an investment derivative instrument and a loss on investment in the amount of \$1,506,577. In 2019, the SWAP investment decreased further resulting in an increase the liability for the SWAP investment to \$4,149,287 and a loss on investment of \$2,642,710.

The fair value of the swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future interest rates. These payments are then discounted using the spot rates implied by the current yield curve for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

##### *Credit risk:*

As of December 31, 2019, the Township was not exposed to credit risk because the SWAP had a negative fair value. However, should interest rates change and the fair value of the SWAP becomes positive, the Township would be exposed to credit risk in the amount of the derivative's fair value. The Township executes its derivative risk with one counterparty that comprises 100% of its net exposure to credit risk. As of December 31, 2019, the Counterparty was rated Aa2/AA-/AA by Moody's, S&P and Fitch, respectively.

##### *Interest rate risk:*

Interest rate risk is the risk that a generally adverse move in interest rates will result in a loss to the Township. In the case of the SWAP, a general decrease in current market interest rates will increase the termination payment owed by the Township to the Counterparty on the termination date. This risk is mitigated by the anticipated new money bonds on or after the amended termination date. It is expected that a decrease in interest rates will cause the net interest costs of the new money bonds to decrease, such that any additional termination payment owed by the Township under the SWAP will be offset by decreased interest costs of the new money bonds.

##### *Termination risk:*

Termination risk is the risk that the SWAP may be terminated prior to the amended termination date while the value is in the favor of the Counterparty. Termination can result from any of several events including ratings downgrade of either party, covenant violations of either party, bankruptcy by either party, swap payment default by either party and other default events as defined by the SWAP documents. Any such termination may require the Township to make a significant termination payment to the Counterparty. The timeframe for this risk is approximately one year. The Township mitigates termination risk by limiting termination events and maintaining good financial management.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **20. Derivative instruments (continued):**

##### *Tax risk:*

Tax risk is the risk that changes to marginal income tax rates could eliminate the benefit of future tax-exempt debt issuances. In the Township's case, a reduction in the benefit of the tax-exemption of municipal bonds could significantly impact the net interest cost of the anticipated new money bonds on or before the amended termination date. This risk is somewhat mitigated by the relatively short amount of time to the anticipated new money issuance date on or before October 1, 2023.

##### *Market access risk:*

Market access risk is the risk that the Township is unable to access the debt market or secure future financing. This risk is subject to the overall general market conditions, the Township's credit ratings and potentially unforeseen events. This risk includes the possibility that an exogenous political or economic event could affect the Township's ability to issue tax-exempt debt in the future. The Township could be significantly impacted by this risk if a termination payment is owed on the termination date and the Township is unable to issue new bonds. This risk can be somewhat mitigated through the prudent management of the Township finances to maintain its current credit rating.

##### *Cost of issuance risk:*

Cost of issuance risk is the risk that higher than anticipated costs associated with issuing future bonds negatively impacts the Township. Any increase in the future cost of borrowing will negatively impact the potential costs associated with the new money bonds.

#### **21. Prior period adjustment:**

In the December 31, 2018 financial statements for the Authority, an amount of \$1,506,577 was recorded for a loss on a cash settling swap (SWAP) derivative instrument. This amount should not have been recorded on the Authority's financial statements as the SWAP agreement is with Lower Paxton Township and not the Authority. Additionally, developer contributions of sewer lines had not been recorded by the Authority from 2013 through 2018. The Township's and the Authority's net position has been restated to correct the aforementioned errors.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **21. Prior period adjustment (continued):**

The following schedule summarizes the restatement changes and the impact to net position as of January 1, 2019:

	Governmental activities	Business-type activities
Beginning net position, originally stated	\$ 24,960,130	\$ 36,786,795
Reclassification of SWAP loss and related liability recorded at December 31, 2018 from business-type activities to governmental activities	(1,506,577)	1,506,577
Addition of developer contributions, net of accumulated depreciation, not recorded in years 2013 through 2018		2,546,838
Beginning net position, restated	<u>\$ 23,453,553</u>	<u>\$ 40,840,210</u>

#### **22. Subsequent events:**

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has the potential to cause business disruption to the Township beginning in March 2020, due to state government-imposed shutdowns of businesses and other results of the illness. While the Township expects this matter may negatively impact its results, the extent of the impact of the COVID-19 on the Township's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of the COVID-19 on overall demand for the Township's services, all of which are highly uncertain and cannot be predicted.

In July 2020, General Obligation Bonds, Series of 2020A and Series of 2020B were issued by the Township in the amounts of \$25,970,000 and \$8,665,000, respectively. Proceeds from the Series of 2020A bond will be used to pay the costs of issuing the bonds and fund various capital improvements to the wastewater collection and conveyance systems of the Authority. Proceeds from the Series of 2020B bond will be used to refund current general obligation bond Series of 2012A, Series of 2013 and Series of 2013A.

## ***LOWER PAXTON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### **22. Subsequent events (continued):**

In September 2020, the Township and the Authority entered into a subsidy agreement for the Authority's portion of the Series of 2020A and Series of 2020B general obligation bonds. Under the agreement, the Authority is bound to pay its share of Township debt related to the bond issues.

The Township has evaluated subsequent events through September 15, 2020, the date which the financial statements were available to be issued.

# **LOWER PAXTON TOWNSHIP**

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (Required supplementary information) YEAR ENDED DECEMBER 31, 2019 (See independent auditor's report on required supplemental information)

	Original budget	Final budget	Actual amounts	Variance with final budget positive (negative)
<b>Revenues:</b>				
Taxes	\$ 16,723,897	\$ 16,723,897	\$ 15,958,322	\$ 765,575
Licenses and permits	1,922,000	1,922,000	2,359,647	(437,647)
Fines and forfeitures	230,000	230,000	257,293	(27,293)
Interest and rents	116,159	116,159	146,872	(30,713)
Intergovernmental	1,337,500	1,337,500	1,353,454	(15,954)
Charges for services	3,382,296	3,382,296	4,321,699	(939,403)
Contributions and donations	128,650	128,650	32,500	96,150
Miscellaneous income	26,000	26,000	61,135	(35,135)
<b>Total revenues</b>	<b>23,866,502</b>	<b>23,866,502</b>	<b>24,490,922</b>	<b>(624,420)</b>
<b>Expenditures:</b>				
Current:				
General government	2,253,459	2,253,459	2,089,733	163,726
Police department	10,947,047	10,947,047	11,176,045	(228,998)
Fire and ambulance	1,199,750	1,199,750	1,152,804	46,946
Community development	730,944	730,944	908,427	(177,483)
Health and sanitation	2,882,291	2,882,291	3,173,282	(290,991)
Public works	3,869,020	3,869,020	3,469,077	399,943
Parks and recreation	920,614	920,614	798,597	122,017
Debt service:				
Principal	1,107,384	1,107,384	1,107,384	
Interest	509,581	509,581	509,583	(2)
<b>Total expenditures</b>	<b>24,420,090</b>	<b>24,420,090</b>	<b>24,384,932</b>	<b>35,158</b>
Excess (deficiency) of revenues over expenditures	(553,588)	(553,588)	105,990	(659,578)
<b>Other financing sources (uses):</b>				
Operating transfers:				
In	1,068,693	1,068,693		(1,068,693)
Out	(515,105)	(515,105)	(486,374)	28,731
Township contributions			(2,282,330)	(2,282,330)
Proceeds from sale of capital assets				
Capital lease proceeds				
<b>Total other financing sources (uses)</b>	<b>553,588</b>	<b>553,588</b>	<b>(2,768,704)</b>	<b>(3,322,292)</b>
<b>Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,662,714)</b>	<b>\$ (2,662,714)</b>

**LOWER PAXTON TOWNSHIP**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (NON-UNIFORM) –  
LAST TEN YEARS

(Required supplementary information)

YEAR ENDED DECEMBER 31, 2019

(See independent auditor's report on required supplemental information)

	2019	2018	2017	2016	2015	2014
<b>Total pension liability:</b>						
Service cost	\$ 535,173	\$ 451,165	\$ 455,943	\$ 431,365	\$ 459,270	\$ 468,852
Interest	1,489,190	1,456,600	1,378,467	1,291,194	1,210,063	1,161,316
Changes of benefit terms			500,267			
Differences between expected and actual experience	(541,352)		(885,043)		(524,611)	
Changes of assumptions	603,643		1,127,497			
Benefit payments, including refunds of employee contributions	(823,121)	(778,275)	(650,761)	(564,472)	(481,740)	(375,414)
<b>Net change in total pension liability</b>	<b>1,263,533</b>	<b>1,129,490</b>	<b>1,926,370</b>	<b>1,158,087</b>	<b>662,982</b>	<b>1,254,754</b>
<b>Total pension liability:</b>						
Beginning of year	21,869,454	20,739,964	18,813,594	17,655,507	16,992,525	15,737,771
<b>End of year (a)</b>	<b>\$ 23,132,987</b>	<b>\$ 21,869,454</b>	<b>\$ 20,739,964</b>	<b>\$ 18,813,594</b>	<b>\$ 17,655,507</b>	<b>\$ 16,992,525</b>

(continued)

**LOWER PAXTON TOWNSHIP**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (NON-UNIFORM) –  
LAST TEN YEARS (CONTINUED)  
(Required supplementary information)  
YEAR ENDED DECEMBER 31, 2019  
(See independent auditor's report on required supplemental information)

	2019	2018	2017	2016	2015	2014
<b>Plan fiduciary net position:</b>						
Contributions:						
Employer	\$ 757,954	\$ 683,408	\$ 696,477	\$ 674,462	\$ 789,950	\$ 728,949
Employee	156,778	148,881	139,772	138,797	130,169	130,676
Net investment income (loss)	3,265,845	(741,030)	2,246,805	846,552	25,833	830,920
Benefit payments, including refunds of employee contributions	(823,121)	(778,275)	(650,761)	(564,472)	(481,740)	(375,414)
Administrative expense	(7,944)	(11,556)	(3,800)	(5,555)	(8,162)	(4,925)
<b>Net change in plan fiduciary position</b>	<b>3,349,512</b>	<b>(698,572)</b>	<b>2,428,493</b>	<b>1,089,784</b>	<b>456,050</b>	<b>1,310,206</b>
<b>Total plan fiduciary net position:</b>						
Beginning of year	17,378,501	18,077,073	15,648,580	14,558,796	14,102,746	12,792,540
<b>End of year (b)</b>	<b>\$ 20,728,013</b>	<b>\$ 17,378,501</b>	<b>\$ 18,077,073</b>	<b>\$ 15,648,580</b>	<b>\$ 14,558,796</b>	<b>\$ 14,102,746</b>
Township's net pension liability, end of year (a) - (b)	\$ 2,404,974	\$ 4,490,953	\$ 2,662,891	\$ 3,165,014	\$ 3,096,711	\$ 2,889,779
Plan fiduciary net position as a percentage of total pension liability	89.60%	79.46%	87.16%	83.18%	82.46%	82.99%
Covered employee payroll	\$ 5,214,405	\$ 4,916,287	\$ 4,895,449	\$ 4,753,121	\$ 4,476,046	\$ 4,636,453
Township net pension (asset) liability as a percentage of covered employee payroll	46.12%	91.35%	54.40%	66.59%	69.18%	62.33%

\* The Township adopted GASB 67 on a prospective basis in 2014; therefore, only six years of information is available.

**LOWER PAXTON TOWNSHIP**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (POLICE) –  
LAST TEN YEARS

(Required supplementary information)

YEAR ENDED DECEMBER 31, 2019

(See independent auditor's report on required supplemental information)

	2019	2018	2017	2016	2015	2014
<b>Total pension liability:</b>						
Service cost	\$ 846,050	\$ 760,444	\$ 720,800	\$ 583,904	\$ 579,640	\$ 589,923
Interest	2,246,098	2,136,850	2,042,291	1,985,406	1,892,821	1,821,744
Changes of benefit terms						
Differences between expected and actual experience	408,630		(109,753)		(314,057)	
Changes of assumptions	969,624		515,076			
Benefit payments, including refunds of employee contributions	(1,681,639)	(1,543,825)	(1,363,028)	(1,279,358)	(1,122,739)	(1,095,944)
<b>Net change in total pension liability</b>	<b>2,788,763</b>	<b>1,353,469</b>	<b>1,805,386</b>	<b>1,289,952</b>	<b>1,035,665</b>	<b>1,315,723</b>
<b>Total pension liability:</b>						
Beginning of year	31,878,307	30,524,838	28,719,452	27,429,500	26,393,835	25,078,112
<b>End of year (a)</b>	<b>\$ 34,667,070</b>	<b>\$ 31,878,307</b>	<b>\$ 30,524,838</b>	<b>\$ 28,719,452</b>	<b>\$ 27,429,500</b>	<b>\$ 26,393,835</b>

(continued)

**LOWER PAXTON TOWNSHIP**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (POLICE) –  
LAST TEN YEARS (CONTINUED)

(Required supplementary information)

YEAR ENDED DECEMBER 31, 2019

(See independent auditor's report on required supplemental information)

	2019	2018	2017	2016	2015	2014
<b>Plan fiduciary net position:</b>						
Contributions:						
Employer	\$ 1,353,346	\$ 1,181,408	\$ 1,163,830	\$ 1,165,107	\$ 1,063,399	\$ 868,304
Employee	265,560	254,312	241,314	230,727	228,477	225,150
Net investment income (loss)	4,404,499	(915,505)	3,077,444	1,136,341	165,482	1,294,725
Benefit payments, including refunds of employee contributions	(1,681,639)	(1,543,825)	(1,363,028)	(1,279,358)	(1,122,739)	(1,095,944)
Administrative expense	(8,349)	(8,936)	(2,900)	(3,397)	(6,965)	(6,519)
<b>Net change in plan fiduciary position</b>	<b>4,333,417</b>	<b>(1,032,546)</b>	<b>3,116,660</b>	<b>1,249,420</b>	<b>327,654</b>	<b>1,285,716</b>
<b>Total plan fiduciary net position:</b>						
Beginning of year	24,098,215	25,130,761	22,014,101	20,764,681	20,437,027	19,151,311
<b>End of year (b)</b>	<b>\$ 28,431,632</b>	<b>\$ 24,098,215</b>	<b>\$ 25,130,761</b>	<b>\$ 22,014,101</b>	<b>\$ 20,764,681</b>	<b>\$ 20,437,027</b>
Township's net pension liability, end of year (a) - (b)	\$ 6,235,438	\$ 7,780,092	\$ 5,394,077	\$ 6,705,351	\$ 6,664,819	\$ 5,956,808
Plan fiduciary net position as a percentage of total pension liability	82.01%	75.59%	82.33%	76.65%	75.70%	77.43%
Covered employee payroll	\$ 5,216,310	\$ 5,076,864	\$ 4,919,546	\$ 4,685,623	\$ 4,519,407	\$ 4,436,005
Township net pension (asset) liability as a percentage of covered employee payroll	119.54%	153.25%	109.65%	143.10%	147.47%	134.28%

\* The Township adopted GASB 67 on a prospective basis in 2014; therefore, only six years of information is available.

# **LOWER PAXTON TOWNSHIP**

## **SCHEDULE OF EMPLOYER CONTRIBUTIONS (NON-UNIFORM) – LAST TEN YEARS** **(Required supplementary information)** **YEAR ENDED DECEMBER 31, 2019** **(See independent auditor's report on required supplemental information)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 757,954	\$ 683,408	\$ 696,477	\$ 674,462	\$ 789,950	\$ 728,949	\$ 708,378	\$ 525,113	\$ 478,621	\$ 332,172
Contributions in relation to the actuarially determined contribution	757,954	683,408	696,477	674,462	789,950	728,949	708,378	476,490	470,100	332,172
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,623	\$ 8,521	\$ -
Covered employee payroll	\$ 5,214,405	\$ 4,916,287	\$ 4,895,449	\$ 4,753,121	\$ 4,476,046	\$ 4,636,453	\$ 4,468,061	\$ 4,468,061	\$ 4,150,860	\$ 4,150,860
Contributions as a percentage of covered employee payroll	14.54%	13.90%	14.23%	14.19%	17.65%	15.72%	15.85%	10.66%	11.33%	8.00%

### Notes to schedule:

Valuation date, January 1, 2017

Actuarially determined contribution rates are calculated as of January 1, two years 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
Amortization method	Level dollar, closed
Remaining amortization period	Ten years (aggregate)
Asset valuation method	Four-year smoothing
Inflation	2.75%
Salary increases	4.75%, including inflation
Investment rate of return	7.00%, net of investment expenses not funded through the MMO and including inflation
Retirement age	Normal retirement age, or attained age if currently eligible to retire.
Mortality	RP-2014 Mortality Table with 50% of the Blue Collar Adjustment, with rates set forward five years for disabled members. Mortality improvement rates derived from the long-range demographic assumptions for the 2015 Social Security Administration's Trustee Report

### Benefit changes:

Effective October 6, 2009, a retirement window with an increased benefit was provided to participants who were age 55 and had at least ten years of service in 2009 or 2010.

Effective January 1, 2013, normal retirement age was changed to age 65 with ten years of service for public works participants hired on or after January 1, 2012 and all others hired on or after January 1, 2013.

Employee contributions increased by 1% for public works effective January 1, 2013 and for all others January 1, 2014.

Effective January 1, 2017, compensation averaging period was reduced from final 60 months to (or five years for Authority employees) to 36 months

### Changes to assumptions:

Effective January 1, 2011, interest rate was lowered from 7.5% to 7.25%, salary scale was lowered from 5.5% to 5.25%, mortality was updated to RP-2000 Combined Health Mortality Table with Blue Collar Adjustment and rates projected to improve with 75% of scale AA.

Effective January 1, 2017, interest rate was lowered from 7.25% to 7.00%, salary scale was lowered from 5.25% to 4.75%, mortality was updated to RP-2014 Mortality Table with 50% of the Blue Collar

Adjustment, with rates set forward five years for disabled members. Mortality improvement rates derived from the long-range demographic assumptions for the 2015 Social Security Administration's Trustee Report

## **LOWER PAXTON TOWNSHIP**

### SCHEDULE OF EMPLOYER CONTRIBUTIONS (POLICE) – LAST TEN YEARS (Required supplementary information) YEAR ENDED DECEMBER 31, 2019 (See independent auditor's report on required supplemental information)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 1,353,346	\$ 1,181,408	\$ 1,163,830	\$ 1,165,107	\$ 1,063,399	\$ 868,304	\$ 856,605	\$ 601,358	\$ 591,877	\$ 562,471
Contributions in relation to the actuarially determined contribution	1,353,346	1,181,408	1,163,830	1,165,107	1,063,399	868,304	856,605	522,235	626,800	503,994
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,123</u>	<u>\$ (34,923)</u>	<u>\$ 58,477</u>
Covered employee payroll	\$ 5,216,310	\$ 5,076,864	\$ 4,919,546	\$ 4,685,623	\$ 4,519,407	\$ 4,436,005	\$ 4,281,572	\$ 4,281,572	\$ 4,201,776	\$ 4,201,776
Contributions as a percentage of covered employee payroll	25.94%	23.27%	23.66%	24.87%	23.53%	19.57%	20.01%	12.20%	14.92%	11.99%

Notes to schedule:

Valuation date, January 1, 2017

Actuarially determined contribution rates are calculated as of January 1, two years 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
Amortization method	Level dollar, closed
Remaining amortization period	Ten years (aggregate)
Asset valuation method	Four-year smoothing
Inflation	2.75%
Salary increases	5.5%, including inflation
Investment rate of return	7.00%, net of investment expenses not funded through the MMO and including inflation
Retirement age	Later of age 52 or completion of 26 years of service, or attained age if currently beyond assumed retirement age.
Mortality	RP-2014 Mortality Table with 50% of the Blue Collar Adjustment, with rates set forward five years for disabled members. Mortality improvement rates derived from the long-range demographic assumptions for the 2015 Social Security Administration's Trustee Report

Benefit changes:

Effective January 1, 2013, the Killed-In-Service benefit was eliminated.

Changes to assumptions:

Effective January 1, 2011, interest rate was lowered from 7.5% to 7.25%, the mortality table was updated to RP-2000 Combined Health Mortality Table with Blue Collar Adjustment and rates projed to improve with 75% of scale AA and pre-retirement death benefits formerly valued with a load are now valued directly.

Effective January 1, 2017, interest rate was lowered from 7.25% to 7.00%, the consumer price index decreased from 3.00% to 2.75%, the mortality table was updated to RP-2014 Mortality Table with 50% of the Blue Collar Adjustment and projected mortality improvement based on the long-range demographic assumptions for the 2015 Social Security Trustee Report, disability updated to rates based on the Social Security Administration's 2010 projection of disability incidence and retirement assuption changed to rated of retirement.

***LOWER PAXTON TOWNSHIP***

SCHEDULE OF INVESTMENT RETURNS – LAST TEN FISCAL YEARS

(Required supplementary information)

YEAR ENDED DECEMBER 31, 2019

(See independent auditor's report on required supplemental information)

Annual money-weighted rate of return:	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Nonuniform pension plan	18.95%	-4.13%	14.47%	5.83%	0.18%	6.49%
Police pension plan	18.54%	-3.70%	14.17%	5.53%	0.82%	6.85%

\*The Township adopted GASB 67 on a prospective basis in 2014; therefore, only six years of information is available.

**LOWER PAXTON TOWNSHIP**

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS –  
LAST TEN YEARS

(Required supplementary information)

YEAR ENDED DECEMBER 31, 2019

(See independent auditor's report on required supplemental information)

	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability:</b>		
Service cost	\$ 298,604	\$ 247,550
Interest	228,507	209,188
Changes in assumptions	(205,989)	
Differences between expected and actual experience	548,659	
Benefit payments, including refunds of employee contributions	<u>(275,372)</u>	<u>(394,123)</u>
<b>Net change in total OPEB liability</b>	<b>594,409</b>	<b>62,615</b>
<b>Total OPEB liability:</b>		
Beginning of year	<u>5,588,658</u>	<u>5,526,043</u>
<b>End of year (a)</b>	<b><u>\$ 6,183,067</u></b>	<b><u>\$ 5,588,658</u></b>
Covered payroll	5,076,864	4,685,623
Township total OPEB liability as a percentage of covered payroll	121.79%	119.27%

The Township adopted GASB 75 on a prospective basis in 2018; therefore, only two years of information is available.

The Township has not accumulated assets in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB benefits.

**LOWER PAXTON TOWNSHIP**

COMBINING BALANCE SHEET – NONMAJOR

GOVERNMENTAL FUNDS

DECEMBER 31, 2019

(See independent auditor's report on supplemental information)

	State highway aid	Firemen's LOSAP	Total
<b>Assets:</b>			
Restricted:			
Cash	\$ 403,939	\$ 22,448	\$ 426,387
Investments		883,527	883,527
<b>Total assets</b>	<b>\$ 403,939</b>	<b>\$ 905,975</b>	<b>\$ 1,309,914</b>
Liabilities, accounts payable	1,374		\$ 1,374
Fund balances, restricted	402,565	905,975	1,308,540
<b>Total liabilities and fund balance</b>	<b>\$ 403,939</b>	<b>\$ 905,975</b>	<b>\$ 1,309,914</b>

See notes to financial statements

**LOWER PAXTON TOWNSHIP**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2019

(See independent auditor's report on supplemental information)

	State highway aid	Firemen's LOSAP	Total
<b>Revenues:</b>			
Taxes		\$ 95,315	\$ 95,315
Interest and rents	\$ 8,079	10,267	18,346
Net investment gain		131,525	131,525
Intergovernmental	1,637,437		1,637,437
<b>Total revenues</b>	<b>1,645,516</b>	<b>237,107</b>	<b>1,882,623</b>
<b>Expenditures:</b>			
Current:			
Fire and ambulance		48,740	48,740
Highways and streets	1,461,930		1,461,930
<b>Total expenditures</b>	<b>1,461,930</b>	<b>48,740</b>	<b>1,510,670</b>
<b>Net changes in fund balances</b>	<b>183,586</b>	<b>188,367</b>	<b>371,953</b>
<b>Fund balances:</b>			
Beginning of year	218,979	717,608	936,587
<b>End of year</b>	<b>\$ 402,565</b>	<b>\$ 905,975</b>	<b>\$ 1,308,540</b>

See notes to financial statements

***LOWER PAXTON TOWNSHIP***

COMBINING STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS  
DECEMBER 31, 2019

(See independent auditor's report on supplemental information)

	Non-uniformed pension	Police pension	Total
<b>Assets:</b>			
Cash	\$ 227,483	\$ 296,082	\$ 523,565
Investments	20,500,529	28,161,789	48,662,318
<b>Total assets</b>	<b>\$ 20,728,012</b>	<b>\$ 28,457,871</b>	<b>\$ 49,185,883</b>
Liabilities, accounts payable		\$ 26,240	\$ 26,240
Net position, restricted for pensions	\$ 20,728,012	28,431,631	49,159,643
<b>Total liabilities and net position</b>	<b>\$ 20,728,012</b>	<b>\$ 28,457,871</b>	<b>\$ 49,185,883</b>

See notes to financial statements.

**LOWER PAXTON TOWNSHIP**

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION – FIDUCIARY FUNDS

DECEMBER 31, 2019

(See independent auditor's report on supplemental information)

	Non-uniformed pension	Police pension	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Additions:</b>			
Contributions:			
Employee	\$ 156,778	\$ 265,560	\$ 422,338
Employer	348,314	749,127	1,097,441
Employer, commonwealth funding	409,640	604,219	1,013,859
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total contributions	914,732	1,618,906	2,533,638
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Investment income:			
Interest and dividends	220,163	286,093	506,256
Net appreciation in fair value of investments	3,094,400	4,187,076	7,281,476
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net investment gain	3,314,563	4,473,169	7,787,732
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total additions</b>	<b>4,229,295</b>	<b>6,092,075</b>	<b>10,321,370</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Deductions:</b>			
Retirement benefits	812,049	1,677,417	2,489,466
Refunds to terminated employees	11,072	4,222	15,294
Administrative	56,663	77,020	133,683
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total deductions</b>	<b>879,784</b>	<b>1,758,659</b>	<b>2,638,443</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net increase</b>	<b>3,349,511</b>	<b>4,333,416</b>	<b>7,682,927</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net position restricted for pensions:</b>			
Beginning of year	17,378,501	24,098,215	41,476,716
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>End of year</b>	<b>\$ 20,728,012</b>	<b>\$ 28,431,631</b>	<b>\$ 49,159,643</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>

See notes to financial statements.