

**LOWER PAXTON
TOWNSHIP AUTHORITY**

**YEARS ENDED
DECEMBER 31, 2020 AND 2019**



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

LOWER PAXTON TOWNSHIP AUTHORITY

YEARS ENDED DECEMBER 31, 2020 AND 2019

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Independent Auditor's Report

Board of Supervisors
Lower Paxton Township Authority
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Lower Paxton Township Authority (the Authority), a component unit of Lower Paxton Township, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority'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 an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lower Paxton Township Authority, a component unit of Lower Paxton Township, as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years 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 on pages 3 through 12 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining financial statements on pages 36 through 45 are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements 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. The information has been subjected to the auditing procedures applied in the audits 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Brown Schultz Steidman & Fritz

Camp Hill, Pennsylvania
June 22, 2021

LOWER PAXTON TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (UNAUDITED) YEAR ENDED DECEMBER 31, 2020

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

The Authority's MD&A presents a narrative overview and analysis of the Authority's financial performance for the fiscal year ended December 31, 2020. 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 Authority's financial condition as of December 31, 2020.

FINANCIAL HIGHLIGHTS

The following are key financial highlights. The Authority continues to implement the Second Amendment to the Second Consent Decree (Second Amendment) and the ACT 537 Plan with the Pennsylvania Department of Environmental Protection (PADEP), which was entered into on September 18, 2013 to eliminate the hydraulic overloads in the sewer system, including the Beaver, Paxton and Spring Creek 1 drainage basins. The Second Amendment includes specific Corrective Action Plans (CAP's) for each drainage basin to eliminate the hydraulic overload in Spring Creek 1 by December 31, 2016, in Paxton Creek by June 30, 2027 and in Beaver Creek by September 18, 2033. The Spring Creek 1 CAP has been completed on schedule, and the Beaver Creek and Paxton Creek CAP's are currently on schedule. A total of \$95 million has been spent to date on the sewer replacement programs in the Beaver, Paxton and Spring Creek 1 drainage basins. To complete the new PADEP draft CAP's in the Beaver and Paxton Creek Basins and the Spring Creek 2 Basin, the Authority will need to spend an additional \$75 million, \$57 million in Beaver Creek, \$15 million in Paxton Creek and \$3 million in the Spring Creek 2 Basin.

In anticipation of the Township receiving the new PADEP municipal separate storm sewer system (MS4), the Authority began implementation of the stormwater fee in July 2019. In 2020, the Authority had a full year of billing the stormwater fee. This significantly increased operating revenues. In 2020, the Authority received \$3,973,695 in fees. The Township received the new MS4 Permit on July 22, 2020. The new permit became effective on August 1, 2020 and expires on July 31, 2025. The permit requires implementation of a Storm Water Management Program (SWMP), which includes six (6) Minimum Control Measures (MCMs); Pollution Control Measures (PCMs) compliance under Appendix B & C and compliance with the Pollution Reduction Plan (PRP) under Appendix E and F. The total annual operation and maintenance expenses for the SWMP are estimated at \$1.5 million, or \$7.5 million over the five-year permit. The Stormwater Fund Capital Budget includes a five-year spending plan to comply with the MS4 permit, the PRP and storm sewer system improvements. This five-year capital plan is estimated at \$16 million, which includes an estimated cost of \$4 million for the PRP and \$12 million for stormwater system pipe replacements. Total five-year MS4 permit costs are estimated at \$23.5 million.

As of December 31, 2020, the amount of restricted and unrestricted cash and cash equivalents available for continuing sanitary sewer and stormwater capital projects is \$62,120,508, which represents \$51,506,232 for sanitary sewer and \$10,614,276 for stormwater.

LOWER PAXTON TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (UNAUDITED) YEAR ENDED DECEMBER 31, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of five parts: management's discussion and analysis; statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows and notes to financial statements.

These statements offer short- and long-term financial information about the Authority's activities.

The statement of net position provides information about the Authority's assets and serves as a useful indicator of the entity's financial position. Increases and decreases in net position show whether the financial condition is improving or deteriorating.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all of its costs in maintaining the sewer system and stormwater system.

The Authority's stormwater fee and sanitary sewer rates are based on a series of studies performed by its consulting engineer, which are updated annually as part of the budget approval process, including the ongoing capital improvement plans under the sanitary sewer ACT 537 Plan and the stormwater MS4 permit PRP requirements.

The statement of cash flows provides information about the Authority's cash flows from operating activities, capital and related financing activities and investing activities. The statement reports cash receipts, cash payments and net changes in cash from each of these activities during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of the data in the statements. The notes present information about the Authority's accounting policies, deposits and investments, long-term debt, advance refundings, commitments, policy on interest and legal agreements that may affect the operation of the Authority.

SUMMARY OF ORGANIZATION AND BUSINESS

The Authority was incorporated on June 11, 1951, and the Articles of Incorporation were amended on April 30, 1954, changing the name to the Lower Paxton Township Authority for the purpose of financing, construction and maintenance of sewerage facilities. In 2002, the Authority amended the Articles of Incorporation to increase the members from five to seven, and in 2009, the term of existence was amended to again extend the term of existence to 2058. On November 16, 2018, the Authority amended the Articles of Incorporation to change the purpose of the Authority to add in stormwater management and implementation including, among other things, the holding, constructing, maintaining and operating the collection and transmission of stormwater facilities.

LOWER PAXTON TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (UNAUDITED)
YEAR ENDED DECEMBER 31, 2020

SUMMARY OF ORGANIZATION AND BUSINESS (CONTINUED)

The Authority is an independent organization directed by the seven Board members appointed by the Lower Paxton Township Supervisors for staggered five-year terms. The Authority has regularly scheduled monthly meetings, but typically meets the fourth Tuesday of the second month in each calendar quarter. The Authority sewer system consists of 280 miles of sanitary sewers, ranging in size from 8" to 30"; 4 pumping stations; a sewer operations facility and various major equipment including the Aeries Televising Equipment and various sewer construction equipment. The stormwater conveyance system consists of 121 miles of stormwater conveyance facilities and 18 detention basins. Equipment is rented by the Authority from the Public Works Department, including the street sweeping and leaf collection equipment associated with the MS4 program.

The Authority entered into an Interim Management Agreement with the Township at the beginning of 1995 and finalized the agreement in 1997. The Management Agreement was revised on November 27, 2018 to add in stormwater management. Under the Management Agreement, the Township provides administration, operation and maintenance services including all labor, equipment and materials necessary for the efficient operations of the Authority's sanitary sewer system and stormwater conveyance system. The Authority retains ownership of the sewer system and stormwater conveyance system and all property, and the Township owns all personal equipment.

In consideration of the sanitary sewer and stormwater services rendered by the Township under the Management Agreement, the Authority reimburses the Township on a monthly or quarterly basis, as applicable. For services rendered by the Township Sewer Department Administration and Operations staff for the stormwater conveyance operations, and stormwater fee billing, an allocated percentage share of the employees' salaries are allocated to the stormwater fund expense budget and reimbursed back to the sanitary sewer fund budget.

The Township entered into an Inter-Governmental Cooperation Agreement (ICA) with Capital Region Water (CRW) and Susquehanna Township on May 28, 2020 to implement the MS4 Joint Pollution Reduction Plan (JPRP). The ICA provides that in order to meet the PADEP approved JPRP each party will undertake and complete each Best Management Practices (BMP) within its Municipal Boundary. The cost associated with each BMP shall be shared pursuant to the percent allocation under the approved JPRP. The ICA terminates with each party's MS4 permit on July 31, 2025.

LOWER PAXTON TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (UNAUDITED)
YEAR ENDED DECEMBER 31, 2020

FINANCIAL ANALYSIS

The following comparative Tables A-1 and A-2 are condensed financial statements that provide key financial data over the reporting period. Additional financial highlights for 2020 are provided after each table as supporting information.

Table A-1
Statements of Net Position
December 31, 2020 and 2019

	December 31, 2020	December 31, 2019
Current and other assets	\$ 32,692,548	\$ 29,092,862
Capital assets	150,959,074	146,358,320
Other noncurrent assets	36,769,332	11,786,103
Total assets	<u>\$ 220,420,954</u>	<u>\$ 187,237,285</u>
Deferred outflows of resources	<u>\$ 2,735,996</u>	<u>\$ 279,222</u>
Current liabilities	\$ 11,331,220	\$ 8,945,219
Long-term liabilities	151,857,780	122,095,836
Total liabilities	<u>\$ 163,189,000</u>	<u>\$ 131,041,055</u>
Net investment in capital assets	\$ 33,145,557	\$ 29,579,010
Restricted	10,799,332	11,786,103
Unrestricted	16,023,061	15,110,339
Total net position	<u>\$ 59,967,950</u>	<u>\$ 56,475,452</u>

Total net position increased from 2019 to 2020. This is primarily due to the increase in capital assets from contributions from developers and sanitary sewer and stormwater capital projects. Noncurrent assets also increased with the sanitary sewer and stormwater program funding. The increase in liabilities is associated with the increase in long-term debt from the subsidy agreement with the Township.

LOWER PAXTON TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (UNAUDITED)
YEAR ENDED DECEMBER 31, 2020

FINANCIAL ANALYSIS (CONTINUED)

Table A-2
Statements of revenues and expenses
Years ended December 31, 2020 and 2019

	2020	2019
Revenues:		
Operating revenues:		
Sewer rentals	\$ 16,042,721	\$ 16,165,144
Stormwater fees	3,973,695	3,017,691
Miscellaneous	319,261	13,107
	20,335,677	19,195,942
Total operating revenues		
Nonoperating revenues:		
Tapping fees	498,621	727,419
Sale of assets	77,562	40,354
Developer contributions	584,759	1,058,101
Township contributions		15,434,586
Interest Income	110,571	1,100,869
	1,271,513	18,361,329
Total nonoperating revenues		
Total revenues	21,607,190	37,557,271
Expenses:		
Operating expenses:		
Treatment and transmission charges	4,273,125	5,782,788
Sewer maintenance	87,793	107,192
Legal and accounting	218,816	355,480
Engineering	174,572	164,230
Office, insurance, trustee fees, employee and miscellaneous expenses	341,089	365,581
Reimbursements to Lower Paxton Township	4,013,685	3,375,678
Private source repairs	156,743	95,479
Other	334,717	340,959
Depreciation and amortization	3,407,914	3,966,567
	13,008,454	14,553,954
Total operating expenses		
Nonoperating expenses:		
Interest	4,482,922	4,999,164
Bond issue costs	623,316	524,388
	5,106,238	5,523,552
Total nonoperating expenses		
Total expenses	18,114,692	20,077,506
Change in net position	3,492,498	17,479,765
Net position:		
Beginning	56,475,452	38,995,687
Ending	\$ 59,967,950	\$ 56,475,452

LOWER PAXTON TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2020

FINANCIAL ANALYSIS (CONTINUED)

Total operating revenues increased in 2020 due to the implementation of the stormwater fee and a full year of billing in 2020, as opposed to only three quarters of billing in 2019. Expenses decreased with the decrease in sanitary sewer treatment and transmission expenses.

CAPITAL ASSETS

The Authority's capital assets at December 31, 2020, net of accumulated depreciation, were \$150,959,074. Capital assets consist primarily of the sewer and stormwater collection and conveyance systems and deferred capacity costs. The following is a summary of capital assets at December 31, 2020:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,540,192	\$ 1,540,192
Intangibles (non-depreciable)	2,740,869	2,740,869
Buildings	1,517,541	1,116,145
Machinery and equipment	1,092,128	783,561
Furniture	40,973	19,299
Sewer system	168,192,567	162,753,061
Stormwater system	18,381,380	16,632,444
Sewer capacity costs	21,144,628	21,144,628
Accumulated depreciation	<u>(63,691,204)</u>	<u>(60,371,879)</u>
	<u>\$ 150,959,074</u>	<u>\$ 146,358,320</u>

Detailed information about the Authority's capital assets can be found in Note 3 of the financial statements.

LOWER PAXTON TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2020

DEBT ADMINISTRATION

The Authority's long-term debt activity for 2020 is as follows and is detailed in Note 4 to the financial statements:

<u>Type</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Lower Paxton Township, subsidy agreements:				
G.O. Series Bonds	\$ 109,875,000	\$ 59,745,000	\$(32,000,000)	\$ 137,620,000
Pennvest loans	7,020,452	2,228,786	(466,201)	8,783,037
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total long-term debt	<u>\$ 116,895,452</u>	<u>\$ 61,973,786</u>	<u>\$(32,466,201)</u>	<u>\$ 146,403,037</u>

At the end of 2020, the Authority had total long-term debt, net of current maturities, in the amount of \$142,217,018 based on amounts under subsidy agreements with the Township.

The Authority agrees to pay the Township, from receipts and revenues from its sewer system and stormwater system, amounts sufficient to pay the Authority's portion of the principal and interest on the bonds. The subsidy agreements contain various covenants of the Authority, including a covenant to impose and collect sewer rentals and stormwater fees in each year sufficient, with other funds, to pay the operation and maintenance expenses, including amounts due in accordance with the terms of the subsidy agreements for amounts payable for debt service on the bonds issued.

In April 2010, the Township, on behalf of the Authority, obtained a Pennsylvania Infrastructure Investment Authority (PENNVEST) loan in the final amount of \$10,901,017, of which all had been drawn down as of December 31, 2015. The loan carries an interest rate of 2.445% for years one through five and a rate of 3.133% for years six through maturity. The loan is scheduled to mature on June 1, 2032. As of December 31, 2020, the outstanding balance was \$6,554,251. In October 2019, the Township, on behalf of the Authority, settled on a PENNVEST low-interest loan in the amount of \$13,354,113 with an interest rate of 1.512% for years one through five and 2.063% for years 6 to 20. Subsequently, the Authority entered into a Subsidy Agreement with the Township in August 2019 agreeing to pay the Township, from receipts and revenues from its sewer system, amounts sufficient to pay the Authority's portion of the principal and interest on the PENNVEST loan when and as the same becomes due. As of December 31, 2020, \$2,228,786 has been drawn down from the loan.

LOWER PAXTON TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2020

GENERAL TRENDS AND SIGNIFICANT EVENTS

The Beaver Creek Basin CAP is a 15-year sewer replacement program similar to the Paxton Creek drainage basin CAP, which includes the replacement of all Asbestos Cement Pipe (ACP) and Vitriified Clay Pipe (VCP) and includes the replacement of all private sewers.

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 (EDU's) 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 2020, the total accumulated EDU's and connections permits was 919 EDU's and 439 connections. Paxton Creek is currently allocated 243 connections annually, and there are no restrictions on planning modules. The Authority is also permitted to receive an increase of ten connections per year for each completed mini-basin project. The Spring Creek Basin is provided two connections annually, and there are no planning module restrictions.

In September 2019, the Township settled on the General Obligation Bonds Series of 2019 to refund the Series D of 2009 Federally Taxable-Build America Bonds in the amount of \$42,500,000, to issue new money in the amount of \$10,242,000 for stormwater capital projects and to fund a payment associated with the amendment of an Interest Rate Management Agreement in the amount of \$1,843,000. In July 2020, the Township settled on the General Obligation Bonds Series A of 2020 in the amount of \$25,970,000 to fund the sanitary sewer capital program and General Obligation Bonds Series B of 2020 in the amount of \$8,665,000 to refund the Series A of 2012 and the Series 2013 (\$2,810,000 pertains to the Authority). In October 2020, the Township settled on the General Obligation Bonds Series C of 2020 in the amount of \$35,000,000 to refund the Series of 2014 and the Series of 2016 (\$30,965,000 pertains to the Authority).

The Authority's Sewer System Engineer has prepared a long-term "financing plan" for the Authority which indicates additional financing will be required to complete the Second Amendment projects. Based on the Engineer's current projections, additional financing is anticipated in 2024 for \$17 million, and in 2026 an additional \$18 million. Additional financing of \$10 million may be required in 2030 depending on the 2027 analysis of the Beaver Creek Interceptor capacity.

LOWER PAXTON TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2020

RESULTS OF OPERATIONS

The Authority's revenues from operations are essentially from sewer rental charges to its residents in Lower Paxton Township. Sewer rental charges are based on a flat rate for residential customers and a cost per gallon used with a minimum charge for commercial accounts. Sewer rental revenues remained constant in 2020 at \$153 per quarter. However, total operating revenues increased significantly in 2020 due to the implementation of the stormwater fee and a full year of billing. The fee is based on Equivalent Residential Units (ERU's) which is equal to 3,400 square feet of impervious surface. Residential customers are assessed a flat rate charge of \$32 per quarter, and commercial customers are assessed based upon the number of ERU's at the rate of \$32/ERU.

Operating expenses decreased slightly with the decrease in sanitary sewer treatment and transmission expenses. The total assets and total liabilities increased in 2020 as a result of the sanitary sewer system and stormwater program additions with the implementation of the Second Amendment to the Second Consent Decree and the PADEP MS4/PRP, respectively, and the increase in long term debt is associated with these programs, which are funded by General Obligation bonds and PENNVEST loans.

FINANCIAL CONDITION

The Authority's financial condition remained strong at year end with sufficient liquid assets to complete the sanitary sewer corrective action plans of the Authority as required by the Second Amendment with PADEP and the PADEP stormwater MS4/PRP. However, the Authority anticipates that additional funds will be required to complete the Second Amendment, which requires the implementation of the Third Paxton Creek Corrective Action Plan to eliminate the hydraulic overload in the Paxton Creek Basin by 2027, the Second Beaver Creek Corrective Action Plan to eliminate the overload in the Beaver Creek Basin by September 2033, future projects required in the Spring Creek 2 drainage basin and future projects to complete the PADEP Stormwater MS4/PRP.

NEXT YEAR'S BUDGET

The Authority requests that its consulting engineers, each year as part of the annual budget, prepare a report indicating whether sewer rental charges and stormwater fee charges are sufficient to cover operating expenses and debt service requirements. In 2020, the sewer rates remained at \$153 per quarter due to the Authority electing to use surplus funds to offset the need for a 2020 rate increase, as recommended by the Engineer. The sewer rental rate is scheduled to remain at \$153/quarter in 2021 with the Authority able to again utilize surplus funds. The stormwater fee was initially set at \$32/quarter/ERU and is scheduled to be reduced to \$26/quarter/ERU in 2021 or \$104/year. This is a result of the Authority's projected PRP costs being reduced by partnering with Susquehanna Township and Capital Region Water. In addition, after a full year of operation and maintenance expenses, the Authority and the Township have determined that stormwater expenses are less than originally anticipated when the original rate was established in 2019.

LOWER PAXTON TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2020

FINAL COMMENTS

Fiscal year 2020 continued a trend of strong financial performance by the Authority. This current strength with projected economic recovery is needed to ensure that there is sufficient revenue for annual debt service payments required to fund improvements to the sewer system and stormwater conveyance system, as required by the PADEP sanitary sewer corrective action plans and the stormwater MS4 Permit. In addition, financial strength will need to be maintained to allow for future borrowing, which will be needed to complete the remaining projects under the Paxton Creek and Beaver Creek Corrective Action Plans, and PADEP Stormwater MS4/PRP.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGER

This report is designed to provide our citizens, customers and creditors with a general overview of the Authority's finances and to demonstrate the accountability of the Authority. If you have any questions about this report or need additional information, contact the Lower Paxton Township Authority Manager, 425 Prince Street, Harrisburg, PA 17109.

LOWER PAXTON TOWNSHIP AUTHORITY

STATEMENTS OF NET POSITION - DECEMBER 31, 2020 AND 2019

	ASSETS	
	<u>2020</u>	<u>2019</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 25,351,176	\$ 21,920,435
Investments	246,196	985,009
Rentals and fees receivable:		
Billed	1,112,721	615,668
Unbilled	5,023,096	5,042,473
Other receivables	537,124	491,142
Prepaid expenses	422,235	38,135
	<u>32,692,548</u>	<u>29,092,862</u>
Total current assets	32,692,548	29,092,862
Noncurrent assets:		
Restricted for debt service and capital projects, cash and cash equivalents	36,769,332	11,786,103
Property, plant and equipment, net	137,358,246	132,376,416
Deferred capacity costs, net	13,600,828	13,981,904
	<u>187,728,406</u>	<u>158,144,423</u>
Total noncurrent assets	187,728,406	158,144,423
Total assets	220,420,954	187,237,285
Deferred outflows of resources, charges on refundings	<u>2,735,996</u>	<u>279,222</u>
Total assets and deferred outflows of resources	<u>\$ 223,156,950</u>	<u>\$ 187,516,507</u>

See notes to financial statements.

LOWER PAXTON TOWNSHIP AUTHORITY

STATEMENTS OF NET POSITION - DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET POSITION	2020	2019
Liabilities:		
Current liabilities:		
Accounts payable	\$ 2,829,986	\$ 1,402,801
Current portion of long-term debt, subsidy agreements with Lower Paxton Township	4,186,019	3,341,201
Capital lease obligations, current portion	48,407	46,604
Developers escrow	78,733	237,186
Accrued interest	1,183,535	1,073,135
Due to:		
Other governments	1,009,587	1,337,598
Primary government	1,994,953	1,506,694
	11,331,220	8,945,219
Total current liabilities	11,331,220	8,945,219
Noncurrent liabilities:		
Long-term debt, subsidy agreements with Lower Paxton Township	142,217,018	113,554,251
Capital lease obligations, net of current portion	68,069	116,476
Bond premium	9,572,693	8,425,109
	151,857,780	122,095,836
Total noncurrent liabilities	151,857,780	122,095,836
Total liabilities	163,189,000	131,041,055
Net position:		
Net investment in capital assets	33,145,557	29,579,010
Restricted for debt service and capital projects	10,799,332	11,786,103
Unrestricted	16,023,061	15,110,339
	59,967,950	56,475,452
Total net position	59,967,950	56,475,452
Total liabilities and net position	\$ 223,156,950	\$ 187,516,507

See notes to financial statements.

LOWER PAXTON TOWNSHIP AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Rentals and fees	\$ 20,016,416	\$ 19,182,835
Miscellaneous	319,261	13,107
	<u>20,335,677</u>	<u>19,195,942</u>
Total operating revenues		
Operating expenses:		
Treatment and transmission charges	4,273,125	5,782,788
Transportation	160,788	102,995
Sewer maintenance	87,793	107,192
Maintenance of pumping stations and garage	57,805	89,417
Equipment maintenance	114,617	147,395
Tools	1,507	1,152
Office supplies and postage	250,420	218,669
Legal and accounting	218,816	355,480
Engineering	174,572	164,230
Insurance	39,621	36,548
Employee expense	11,572	16,369
Trustee fees	3,900	3,900
Miscellaneous	35,576	90,095
Reimbursements to Lower Paxton Township	4,013,685	3,375,678
Private source repairs	156,743	95,479
Depreciation	3,407,914	3,966,567
	<u>13,008,454</u>	<u>14,553,954</u>
Total operating expenses		
Operating income	<u>7,327,223</u>	<u>4,641,988</u>
Nonoperating revenues (expenses):		
Tapping fees	498,621	727,419
Interest:		
Income	110,571	1,100,869
Expense and amortization, net	(4,482,922)	(4,999,164)
Developer contributions	584,759	1,058,101
Township contributions		15,434,586
Gain on sale of assets	77,562	40,354
Bond issue costs	(623,316)	(524,388)
	<u>(3,834,725)</u>	<u>12,837,777</u>
Net nonoperating revenues (expenses)		
Change in net position	<u>3,492,498</u>	<u>17,479,765</u>
Net position:		
Beginning	56,475,452	38,995,687
Ending	<u><u>\$ 59,967,950</u></u>	<u><u>\$ 56,475,452</u></u>

See notes to financial statements.

LOWER PAXTON TOWNSHIP AUTHORITY

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 19,986,588	\$ 17,971,185
Cash payments to:		
Suppliers	(5,030,234)	(5,572,260)
Lower Paxton Township	<u>(3,777,557)</u>	<u>(2,555,855)</u>
Net cash provided by operating activities	<u>11,178,797</u>	<u>9,843,070</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(7,458,556)	(3,015,512)
Proceeds from sale of capital assets	112,210	55,820
Tapping fees	498,621	727,419
Proceeds from the issuance of long-term debt, subsidy agreements	65,375,126	53,300,509
Principal payments on long term debt, subsidy agreements	(36,770,494)	(45,246,840)
Capital lease paid	(46,604)	(77,073)
Bond issue costs	(623,316)	(524,388)
Interest expense	<u>(4,701,198)</u>	<u>(5,418,137)</u>
Net cash provided by (used in) capital and related financing activities	<u>16,385,789</u>	<u>(198,202)</u>
Cash flows from investing activities:		
Purchase of investments	(246,196)	
Sale of investments	985,009	3,442,678
Interest income	<u>110,571</u>	<u>1,100,869</u>
Net cash provided by investing activities	<u>849,384</u>	<u>4,543,547</u>
Net increase in cash	<u>28,413,970</u>	<u>14,188,415</u>
Cash:		
Beginning of year	<u>33,706,538</u>	<u>19,518,123</u>
End of year	<u>\$ 62,120,508</u>	<u>\$ 33,706,538</u>
Presented in the financial statements as:		
Cash and cash equivalents	\$ 25,351,176	\$ 21,920,435
Restricted cash and cash equivalents	<u>36,769,332</u>	<u>11,786,103</u>
Total cash and cash equivalents	<u>\$ 62,120,508</u>	<u>\$ 33,706,538</u>

(continued)

LOWER PAXTON TOWNSHIP AUTHORITY

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income to net cash provided by operating activities, operating income	\$ 7,327,223	\$ 4,641,988
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	3,407,914	3,966,567
Gain on sale of assets	(77,562)	
Noncash expenses		78,717
(Increase) decrease in:		
Receivables	(523,658)	(1,422,929)
Due from other governments		83,250
Prepaid expenses	(384,100)	(1,636)
Increase in:		
Accounts payable and accrued expenses	1,427,185	174,420
Due to:		
Lower Paxton Township	488,259	934,745
Other governments	(328,011)	1,337,598
Developers escrow	(158,453)	50,350
Net cash provided by operating activities	<u>\$ 11,178,797</u>	<u>\$ 9,843,070</u>
Supplemental disclosures of noncash transactions:		
Capital lease additions		\$ 158,536
Developer contributions	\$ 584,759	1,058,101
Township contributions		15,434,586
Amortization of:		
Bond premium	(445,336)	(229,822)
Deferred refundings	116,660	73,933

See notes to financial statements.

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

1. Nature of organization and significant accounting policies:

Nature of organization:

The Lower Paxton Township Authority (the Authority) was incorporated on June 11, 1951, under the Municipal Authorities Act of 1945, P.L. 382, as amended, pursuant to a resolution adopted by the supervisors of the Township of Lower Paxton (the Township). 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 Authority is considered a blended component unit of the Township due to the Township's ability to impose its will on the Authority.

Reporting entity:

The Authority has adopted the provisions of Governmental Accounting Standards Board (GASB) for the criteria used to evaluate organizations, activities and functions that should be included in the Authority's financial statements. The basic criteria are the exercise of oversight responsibility over such organizations, activities and functions.

The Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The Township includes the Authority in its financial statements as a blended component unit because the Township appoints the Authority's governing board and guarantees the Authority debt and the Authority meets the criteria satisfying inclusion in the Township's financial statements.

Basis of accounting and presentation, fund accounting and measurement focus:

Basis of accounting and presentation:

The Authority's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The Authority applies GASB pronouncements.

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Basis of accounting and presentation, fund accounting and measurement focus:

Fund accounting:

All activities of the Authority are accounted for within two proprietary (enterprise) funds. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement focus:

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into net investment in capital assets, restricted and unrestricted components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources, and then unrestricted resources as they are needed for their intended purposes.

Cash:

Cash, for the purposes of the statements of cash flows, includes unrestricted and restricted cash on hand or on deposit with a maturity of three months or less.

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Investments, external investment pools, certificates of deposit:

The Authority invests its funds in various instruments, including external investment pools and certificates of deposit with federally-insured financial institutions. The Authority's investment in external investment pools, as discussed in Note 2, are valued at amortized cost, which approximates fair value, and is classified as cash and cash equivalents on the balance sheet. The Authority 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.

Restricted assets:

Restricted assets represent cash and investment balances from developers' escrow and unspent bond and loan proceeds. At December 31, 2020 and 2019, the restricted cash and cash equivalents and restricted net assets balance was \$36,769,332 and \$11,786,103, respectively.

Receivables:

Receivables are stated at the amount management expects to collect from outstanding balances. No allowance for doubtful accounts has been provided for the sewer rentals receivable since the Authority can place a lien on the property of customers who are significantly in arrears on sewer payments. Unbilled sewer rentals receivable relate to services performed at December 31 and not billed until the following January.

Capital assets and capacity costs:

Capital assets, which include property, plant and equipment and infrastructure are stated at cost, except for sewer extensions contributed to the Authority, which are recorded at fair value at the date of contribution. Depreciation is provided on the straight-line method over the estimated useful lives of the various assets.

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.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major outlay of capital assets and improvements are capitalized as projects are completed.

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Capital assets and capacity costs:

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

<u>Assets</u>	<u>Years</u>
Sewer and stormwater systems and deferred capacity	15 to 60
Buildings	50
Furniture, machinery and equipment	5 to 20

Long-term obligations and debt related costs:

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method.

For current and advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The net amortization expense of both bond premiums and discounts and deferred debt refundings for the years ended December 31, 2020 and 2019 amounted to \$328,676 and \$155,889, respectively.

Developers escrow liability:

The Authority requires developers to deposit funds pursuant to an escrow agreement to provide assurance that projects will be completed according to approved specifications and on a timely basis. If work is not completed satisfactorily, the Authority uses the developer's escrow account to reimburse themselves for fees incurred in correcting the work done.

Use of estimates:

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

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Deferred outflows, inflows of resources:

In addition to assets, the statement of financial position could also 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 it will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority only has one item that qualifies for reporting in this category. It is the deferred charges on refundings reported in the statements of net position. 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.

In addition to liabilities, the statements of net position could also 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 Authority did not have an item that qualified for reporting in this category.

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 Authority'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 Authority'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 Authority's December 31, 2022 financial 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 Authority's December 31, 2022 financial statements.

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Pending GASB statements:

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

2. Deposits and investments:

Custodial credit risk:

For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. As of December 31, 2020, the Authority's cash balance was \$62,120,508, and its bank balance was \$62,190,296. Of the bank balance, \$1,037,479 was covered by the Federal Deposit Insurance Corporation and \$22,603,822 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 an external investment pool as described in more detail below. None of the Authority's investments were exposed to custodial credit risk at December 31, 2020. The Authority does not have a formal investment policy related to custodial credit risk.

As of December 31, 2020, the Authority had cash equivalents totaling \$38,548,995, invested in the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT issues separately audited financial statements that are available to the public. The fair value of the Authority's position in the external investment pool is equivalent to the value of the pool shares. PLGIT does not place any limitations or restrictions on withdrawals from the program. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pools. At December 31, 2020, PLGIT carries an AAAM rating and has an average maturity of less than one year.

As of December 31, 2020, the Authority had \$246,196 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, but greater than 3 months, excluding them from cash and cash equivalents.

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

2. Deposits and investments (continued):

Reconciliation to the financial statements:

	<u>2020</u>	<u>2019</u>
Collateral held by the pledging bank under Act 72, but not in the Township's name	\$ 22,603,822	\$ 21,522,722
PLGIT investments, money market	38,548,995	11,437,823
Insured by Federal Deposit Insurance Corporation	1,037,479	750,000
Deposits in transit	3,223,555	6,003
Outstanding checks	(3,294,043)	(11,010)
Petty cash	700	1,000
	<u> </u>	<u> </u>
Total cash deposits	<u>\$ 62,120,508</u>	<u>\$ 33,706,538</u>
Reconciliation to financial statements, cash:		
Unrestricted	\$ 25,351,176	\$ 21,920,435
Restricted	36,769,332	11,786,103
	<u> </u>	<u> </u>
	<u>\$ 62,120,508</u>	<u>\$ 33,706,538</u>

Concentration of credit risk:

The Authority does not have a formal policy that places a limit on the amount or percent that may be invested in any one issuer. At December 31, 2020, the Authority did not have any investments subject to concentration of credit risk.

Fair value:

The Authority 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 Authority's investments in negotiable certificates of deposit are valued using quoted market prices (Level 1 inputs).

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

3. Capital assets:

	(Restated) January 1, 2019	Additions	Retirements	December 31, 2019	Additions	Retirements	December 31, 2020
Capital assets not being depreciated (cost):							
Land	\$ 1,540,192			\$ 1,540,192			\$ 1,540,192
Intangibles	2,740,869			2,740,869			2,740,869
Total capital assets not being depreciated	<u>4,281,061</u>			<u>4,281,061</u>			<u>4,281,061</u>
Capital assets being depreciated (cost):							
Buildings	1,116,145			1,116,145	\$ 401,396		1,517,541
Machinery and equipment	680,015	\$ 158,536	\$ (54,990)	783,561	431,803	\$ (123,236)	1,092,128
Furniture	19,299			19,299	21,674		40,973
Sewer system	159,877,306	2,875,755		162,753,061	5,439,506		168,192,567
Stormwater system		16,632,444		16,632,444	1,748,936		18,381,380
Total capital assets being depreciated	<u>161,692,765</u>	<u>19,666,735</u>	<u>(54,990)</u>	<u>181,304,510</u>	<u>8,043,315</u>	<u>(123,236)</u>	<u>189,224,589</u>
Less accumulated depreciation for:							
Buildings	(450,194)	(27,904)		(478,098)	(31,249)		(509,347)
Machinery and equipment	(386,032)	(90,588)	39,524	(437,096)	(81,389)	88,589	(429,896)
Furniture	(19,299)			(19,299)	(180)		(19,479)
Sewer system	(48,807,662)	(2,903,239)		(51,710,901)	(2,310,174)		(54,021,075)
Stormwater system		(563,761)		(563,761)	(603,846)		(1,167,607)
Total accumulated depreciation	<u>(49,663,187)</u>	<u>(3,585,492)</u>	<u>39,524</u>	<u>(53,209,155)</u>	<u>(3,026,838)</u>	<u>88,589</u>	<u>(56,147,404)</u>
Total capital assets being depreciated, net	<u>112,029,578</u>	<u>16,081,243</u>	<u>(15,466)</u>	<u>128,095,355</u>	<u>5,016,477</u>	<u>(34,647)</u>	<u>133,077,185</u>
Total property, plant and equipment, net	<u>116,310,639</u>	<u>16,081,243</u>	<u>(15,466)</u>	<u>132,376,416</u>	<u>5,016,477</u>	<u>(34,647)</u>	<u>137,358,246</u>
Deferred capacity costs	21,144,628			21,144,628			21,144,628
Less accumulated depreciation	(6,781,648)	(381,076)		(7,162,724)	(381,076)		(7,543,800)
Total deferred capacity costs, net	<u>14,362,980</u>	<u>(381,076)</u>		<u>13,981,904</u>	<u>(381,076)</u>		<u>13,600,828</u>
Total capital assets, net	<u>\$ 130,673,619</u>	<u>\$ 15,700,167</u>	<u>\$ (15,466)</u>	<u>\$ 146,358,320</u>	<u>\$ 4,635,401</u>	<u>\$ (34,647)</u>	<u>\$ 150,959,074</u>

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

4. Long-term liabilities:

The Authority's long-term liabilities consists of subsidy agreement obligations with the Township for general obligation bonds and loans, premiums related to the subsidy agreements and capital leases.

Subsidy agreement obligations:

The subsidy agreements with the Township contain various covenants of the Authority. Included in the subsidy agreements are covenants to impose and collect sewer rentals, stormwater fees, rates, tapping fees and other charges in each year sufficient, together with available funds, to pay the administrative, operation and maintenance expenses of the Authority. Additionally, in accordance with the terms of the subsidy agreements, the Authority is bound to pay its share of debt service on the related debt.

Subsidy agreement obligations outstanding at December 31, 2020 are as follows:

	Original borrowing	Year of issue/maturity	Interest rates to maturity	Annual principal payments to maturity	Outstanding at December 31, 2020
Lower Paxton Township, general obligation bonds, subsidy agreements:					
Series of 2014	\$ 23,350,000	2014/2044	1.75% - 5.00%	\$510,000 to \$625,000	\$ 3,980,000
Series of 2015	14,005,000	2015/2029	2.00% - 4.00%	\$10,000 to \$2,125,000	13,535,000
Series of 2016	23,840,000	2016/2046	2.00% - 5.00%	\$525,000 to \$915,000	12,715,000
Series of 2019	48,150,000	2019/2044	3.00% - 4.00%	\$475,000 to \$4,960,000	47,645,000
Series of 2020A	25,970,000	2020/2050	1.00% - 4.00%	\$505,000 to \$1,450,000	25,970,000
Series of 2020B	2,810,000	2020/2022	1.00% - 4.00%	\$1,325,000 to \$1,485,000	2,810,000
Series of 2020C	30,965,000	2020/2046	0.51% - 2.98%	\$355,000 to \$1,160,000	30,965,000
 Total Lower Paxton Township, general obligation bonds, subsidy agreements					 137,620,000
 Lower Paxton Township, PennVest loans payable, subsidy agreements:					
PennVest loan 2010	10,901,017	2010/2032	2.45% - 3.13%	\$336,662 to \$657,732	6,554,251
PennVest loan 2019	2,228,786	2020/2025	1.51% - 2.06%	\$186,973 to \$755,367	2,228,786
 Total Lower Paxton Township, PennVest loans payable, subsidy agreements					 8,783,037
 Total subsidy agreement obligations					 \$ 146,403,037

All proceeds from the subsidy agreements Series of 2013 through Series of 2016 bonds and the PennVest loan 2010 were to finance certain capital projects of the Authority, including the design, planning, acquisition and/or construction of sewer treatment facilities, collection and conveyance systems; to refinance existing subsidy agreements and to pay the issuance costs of the related debt obligations.

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

4. Long-term liabilities (continued):

Subsidy agreement obligations:

The subsidy agreement for the Series of 2019 bond was issued to refund the subsidy agreement for the Series of 2009D bond, pay all costs and fees associated with the bond issue and to fund various capital projects of the Authority related to stormwater collection and conveyance.

The subsidy agreements for the Series of 2020A bond was issued to finance various capital improvements to the wastewater collection and conveyance systems of the Authority and pay all costs and fees associated with the bond issue.

The subsidy agreement for the Series of 2020B bond was issued to refund the subsidy agreements for the Series of 2012A bond, Series of 2013 bond, and Series of 2013A bond and pay all costs and fees associated with the bond issue.

The subsidy agreement for the Series of 2020C bond was issued to refund, as an advance refund for federal tax purposes, a portion of the subsidy agreements for the Series of 2014 bond and Series of 2016 bond and pay all costs and fees associated with the bond issue.

In August 2019, a subsidy agreement with Lower Paxton Township was signed providing the Authority with \$13,354,113 of available PennVest loan funding for sewer remediation projects. As of December 31, 2020, \$2,228,786 of funds have been drawn on this loan.

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

4. Long-term liabilities (continued):

Subsidy agreement obligations:

Changes in subsidy agreement obligations for the years ended December 31, 2020 and 2019 are as follows:

	Balance at January 1, 2019	Additions	Reductions	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020
Lower Paxton Township, General obligation bonds, subsidy agreements:							
Series of 2009D	\$ 42,465,000		\$(42,465,000)	\$ -			
Series of 2013	5,600,000		(1,295,000)	4,305,000		\$ (4,305,000)	\$ -
Series of 2014	21,985,000		(475,000)	21,510,000		(17,530,000)	3,980,000
Series of 2015	13,600,000		(60,000)	13,540,000		(5,000)	13,535,000
Series of 2016	22,870,000		(500,000)	22,370,000		(9,655,000)	12,715,000
Series of 2019		\$ 48,150,000		48,150,000		(505,000)	47,645,000
Series of 2020A					\$ 25,970,000		25,970,000
Series of 2020B					2,810,000		2,810,000
Series of 2020C					30,965,000		30,965,000
Total Lower Paxton Township, General obligation bonds, subsidy agreements	106,520,000	48,150,000	(44,795,000)	109,875,000	59,745,000	(32,000,000)	137,620,000
Lower Paxton Township, PennVest loans payable, subsidy agreements:							
PennVest loan 2010	7,472,292		(451,840)	7,020,452		(466,201)	6,554,251
PennVest loan 2019					2,228,786		2,228,786
Total Lower Paxton Township, PennVest loans payable, subsidy agreements	7,472,292		(451,840)	7,020,452	2,228,786	(466,201)	8,783,037
	113,992,292	<u>\$ 48,150,000</u>	<u>\$(45,246,840)</u>	116,895,452	<u>\$ 61,973,786</u>	<u>\$(32,466,201)</u>	146,403,037
Current maturities	(2,781,840)			(3,341,201)			(4,186,019)
Total subsidy agreements, net of current maturities	<u>\$ 111,210,452</u>			<u>\$ 113,554,251</u>			<u>\$ 142,217,018</u>

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

4. Long-term liabilities (continued):

Subsidy agreement obligations:

The annual requirements for the Authority's long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,186,019	\$ 4,880,959	\$ 9,066,978
2022	4,728,281	4,786,691	9,514,972
2023	5,441,128	4,627,205	10,068,333
2024	5,623,725	4,450,180	10,073,905
2025	5,577,550	4,269,857	9,847,407
2026-2030	27,551,940	18,967,262	46,519,202
2031-2035	32,544,394	13,970,334	46,514,728
2036-2040	34,385,000	7,530,951	41,915,951
2041-2045	18,510,000	2,997,278	21,507,278
2046-2050	7,855,000	708,207	8,563,207
Total	<u>\$ 146,403,037</u>	<u>\$ 67,188,924</u>	<u>\$ 213,591,961</u>

Capital lease obligations:

The Authority utilizes capital leases to finance the purchase of certain equipment. The leases have terms of five years with payments that began in October 2018 and continue through October 2023.

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

	<u>2020</u>	<u>2019</u>
Assets:		
Leasehold assets	\$ 240,153	\$ 240,153
Accumulated depreciation	(61,739)	(31,719)
Total	<u>\$ 178,414</u>	<u>\$ 208,434</u>

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

4. Long-term liabilities (continued):

Future minimum lease payments for capital leases as of December 31, 2020 are as follows:

<u>Year ending December 31:</u>	
2021	\$ 52,478
2022	52,478
2023	<u>18,586</u>
Total minimum lease payments	123,542
Less:	
Amount representing interest	7,066
Present value of minimum lease payments, current portion	<u>48,407</u>
Present value of minimum lease payments, long-term portion	<u><u>\$ 68,069</u></u>

5. Commitments and contingencies:

In the normal course of business, there are various claims and suits pending against the Authority and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the Authority's financial position at December 31, 2020.

The Authority has entered into agreements for repairs and rehabilitation of its sewer and stormwater systems. There were nine total construction contracts open as of December 31, 2020 that totaled \$22,359,231. Work totaling \$3,910,226 had been completed on these contracts as of year end.

6. Legal agreements and restrictions regarding Authority operations:

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

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

6. Legal agreements and restrictions regarding Authority operations (continued):

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.

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 2020, the total accumulated EDU's and connections permits is 919 EDU's and 439 connections, respectively. Paxton Creek is allocated 243 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. The Spring Creek Basin is provided two connections annually, and there are no planning module restrictions.

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

6. Legal agreements and restrictions regarding Authority operations (continued):

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 (GHD) 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 third Paxton Creek corrective action plan by letter dated March 5, 2018. The Authority received approval from the PADEP by letter dated March 20, 2018.

In 2020, GHD provided updated modeling and metering data for the Paxton Creek Basin. Based on this new data, GHD had determined that the infiltration/inflow (I/I) removal rates are greater than expected, which could allow the Authority to delay storage in Paxton Creek until 2040 for future development. Beaver Creek storage requirements will be evaluated in 2027. Based on current information, it is anticipated that the Beaver Creek program will also exceed the original I/I removal projections and Beaver Creek storage may also be delayed. A total of \$95 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 new consulting engineers draft CAP's in the Beaver and Paxton Creek Basins, and the Spring Creek 2 Basin, the consulting engineer estimates that an additional \$75 million is required to be financed, \$57 million in Beaver Creek, \$15 million in Paxton Creek and \$3 million in the Spring Creek 2 Basin. This plan anticipates delaying storage in Beaver and Paxton Creek until 2040 and an additional financing at that time to complete this project, which is not part of the \$75 million estimate. The consulting engineer has noted that the storage may be partially financed by developers in accordance with the PA Tapping Fee Act.

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

6. Legal agreements and restrictions regarding Authority operations (continued):

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 Township received the new MS4 Permit on July 22, 2020. The new permit became effective on August 1, 2020 and expires on July 31, 2025. The permit requires implementation of a Storm Water Management Program (SWMP), which includes six Minimum Control Measures (MCMs); Pollution Control Measures (PCMs) compliance under Appendix B & C and compliance with the Pollution Reduction Plan (PRP) under Appendix E and F. The total annual operation and maintenance expenses for the SWMP are estimated at \$1.5 million, or \$7.5 million over the five-year permit. The Stormwater Fund Capital Budget includes a five-year spending plan to comply with the MS4 permit, the PRP and storm sewer system improvements. This five-year capital plan is estimated at \$16 million, which includes an estimated cost of \$4 million for the PRP and \$12 million for stormwater system pipe replacements. Total five-year MS4 permit costs are estimated at \$23.5 million.

7. 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.

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, Lower Paxton Township Authority's operating costs amounted to \$1,050,521 and \$1,203,601 for the years ended December 31, 2020 and 2019, respectively.

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 the CRW facilities. Under the current agreement, the Authority's operating costs amounted to \$3,222,604 and \$4,579,187 for the years ended December 31, 2020 and 2019, respectively.

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. During 2020, a settlement agreement was reached between the Authority and CRW, resulting in a liability due to CRW in the amount of \$1,009,587 as of December 31, 2020.

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

8. Management agreement with the Township:

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 2020 and 2019 amounted to \$436,556 and \$296,458, respectively. 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 amount of \$3,557,246 and \$3,079,220 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Authority owed the Township \$1,994,953 and \$674,132, respectively, for the fourth quarter of the respective calendar year.

9. Operating lease:

The Authority has committed, under an operating lease, for certain vehicles. Future minimum operating lease commitments as of December 31, 2020 are as follows:

2021	\$ 115,003
2022	113,701
2023	83,922
2024	63,521
2025	<u>1,439</u>
Total	<u>\$ 377,586</u>

The Authority recognized lease expenses of \$136,537 and \$71,324, respectively, for the years ended December 31, 2020 and 2019.

10. Risks and uncertainties:

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 Authority beginning in March 2020, due to state government-imposed shutdowns of businesses and other results of the illness. While the Authority expects this matter may negatively impact its results, the extent of the impact of COVID-19 on the Authority'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 COVID-19 on overall demand for the Authority's services, all of which are highly uncertain and cannot be predicted.

LOWER PAXTON TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

11. Subsequent events:

The Authority has evaluated subsequent events through June 22, 2021, the date which the financial statements were available to be issued.

LOWER PAXTON TOWNSHIP AUTHORITY

COMBINING STATEMENTS OF NET POSITION
 YEAR ENDED DECEMBER 31, 2020
 (See independent auditor's report)

	ASSETS			Total
	Sewer fund	Stormwater fund	Eliminations	
Current assets:				
Cash and cash equivalents	\$ 21,963,382	\$ 3,387,794		\$ 25,351,176
Investments	246,196			246,196
Rentals and fees receivable:				
Billed	951,249	161,472		1,112,721
Unbilled	4,034,992	988,104		5,023,096
Other receivables	526,152	10,972		537,124
Due from sewer fund		114,109	\$ (114,109)	-
Prepaid expenses	416,872	5,363		422,235
Total current assets	28,138,843	4,667,814	(114,109)	32,692,548
Noncurrent assets:				
Restricted for debt service and capital projects, cash and cash equivalents	29,542,850	7,226,482		36,769,332
Property, plant and equipment, net	119,911,993	17,446,253		137,358,246
Deferred capacity costs, net	13,600,828			13,600,828
Total noncurrent assets	163,055,671	24,672,735		187,728,406
Total assets	191,194,514	29,340,549	(114,109)	220,420,954
Deferred outflows of resources, charges on refundings	2,735,996			2,735,996
Total assets and deferred outflows of resources	\$ 193,930,510	\$ 29,340,549	\$ (114,109)	\$ 223,156,950

See notes to financial statements.

LOWER PAXTON TOWNSHIP AUTHORITY

COMBINING STATEMENTS OF NET POSITION
YEAR ENDED DECEMBER 31, 2020
(See independent auditor's report)

LIABILITIES AND NET POSITION

	Sewer fund	Stormwater fund	Eliminations	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 2,721,328	\$ 108,658		\$ 2,829,986
Current portion of long-term debt, subsidy agreements with Lower Paxton Township	3,956,019	230,000		4,186,019
Capital lease obligations, current portion	48,407			48,407
Developers escrow	78,733			78,733
Accrued interest	1,095,110	88,425		1,183,535
Due to:				
Stormwater fund	114,109		\$ (114,109)	-
Other governments	1,009,587			1,009,587
Primary government	841,985	1,152,968		1,994,953
	<u>9,865,278</u>	<u>1,580,051</u>	<u>(114,109)</u>	<u>11,331,220</u>
Total current liabilities				
Noncurrent liabilities:				
Long-term debt, subsidy agreements with Lower Paxton Township	133,532,018	8,685,000		142,217,018
Capital lease obligations, net of current portion	68,069			68,069
Bond premium	8,529,532	1,043,161		9,572,693
	<u>142,129,619</u>	<u>9,728,161</u>		<u>151,857,780</u>
Total noncurrent liabilities				
Total liabilities	<u>151,994,897</u>	<u>11,308,212</u>	<u>(114,109)</u>	<u>163,189,000</u>
Net position:				
Net investment in capital assets	24,614,304	8,531,253		33,145,557
Restricted for debt service and capital projects	3,572,850	7,226,482		10,799,332
Unrestricted	13,748,459	2,274,602		16,023,061
	<u>41,935,613</u>	<u>18,032,337</u>		<u>59,967,950</u>
Total net position				
Total liabilities and net position	<u>\$ 193,930,510</u>	<u>\$ 29,340,549</u>	<u>\$ (114,109)</u>	<u>\$ 223,156,950</u>

See notes to financial statements.

LOWER PAXTON TOWNSHIP AUTHORITY

COMBINING STATEMENTS OF NET POSITION
 YEAR ENDED DECEMBER 31, 2019
 (See independent auditor's report)

	ASSETS			
	Sewer fund	Stormwater fund	Eliminations	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Current assets:				
Cash and cash equivalents	\$ 18,948,009	\$ 2,972,426		\$ 21,920,435
Investments	985,009			985,009
Rentals and fees receivable:				
Billed	530,809	84,859		615,668
Unbilled	4,068,267	974,206		5,042,473
Other receivables	488,000	3,142		491,142
Due from stormwater fund	1,406,428		\$ (1,406,428)	-
Prepaid expenses	35,879	2,256		38,135
	<u>26,462,401</u>	<u>4,036,889</u>	<u>(1,406,428)</u>	<u>29,092,862</u>
Total current assets				
Noncurrent assets:				
Restricted for debt service and capital projects, cash and cash equivalents	2,656,424	9,129,679		11,786,103
Property, plant and equipment, net	116,307,733	16,068,683		132,376,416
Deferred capacity costs, net	13,981,904			13,981,904
	<u>132,946,061</u>	<u>25,198,362</u>		<u>158,144,423</u>
Total noncurrent assets				
Total assets	159,408,462	29,235,251	(1,406,428)	187,237,285
Deferred outflows of resources, charges on refundings	279,222			279,222
	<u>279,222</u>			<u>279,222</u>
Total assets and deferred outflows of resources	<u>\$ 159,687,684</u>	<u>\$ 29,235,251</u>	<u>\$ (1,406,428)</u>	<u>\$ 187,516,507</u>

See notes to financial statements.

LOWER PAXTON TOWNSHIP AUTHORITY

COMBINING STATEMENTS OF NET POSITION
YEAR ENDED DECEMBER 31, 2019
(See independent auditor's report)

LIABILITIES AND NET POSITION

	Sewer fund	Stormwater fund	Eliminations	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 1,324,014	\$ 78,787		\$ 1,402,801
Current portion of long-term debt, subsidy agreements with Lower Paxton Township	3,111,201	230,000		3,341,201
Capital lease obligations, current portion	46,604			46,604
Developers escrow	237,186			237,186
Accrued interest	987,960	85,175		1,073,135
Due to:				
Sewer fund		1,406,428	\$ (1,406,428)	-
Other governments	1,337,598			1,337,598
Primary government	674,132	832,562		1,506,694
Total current liabilities	<u>7,718,695</u>	<u>2,632,952</u>	<u>(1,406,428)</u>	<u>8,945,219</u>
Noncurrent liabilities:				
Long-term debt, subsidy agreements with Lower Paxton Township	104,639,251	8,915,000		113,554,251
Capital lease obligations, net of current portion	116,476			116,476
Bond premium	7,337,081	1,088,028		8,425,109
Total noncurrent liabilities	<u>112,092,808</u>	<u>10,003,028</u>		<u>122,095,836</u>
Total liabilities	<u>119,811,503</u>	<u>12,635,980</u>	<u>(1,406,428)</u>	<u>131,041,055</u>
Net position:				
Net investment in capital assets	22,655,327	6,923,683		29,579,010
Restricted for debt service and capital projects	2,656,424	9,129,679		11,786,103
Unrestricted	14,564,430	545,909		15,110,339
Total net position	<u>39,876,181</u>	<u>16,599,271</u>		<u>56,475,452</u>
Total liabilities and net position	<u>\$ 159,687,684</u>	<u>\$ 29,235,251</u>	<u>\$ (1,406,428)</u>	<u>\$ 187,516,507</u>

See notes to financial statements.

LOWER PAXTON TOWNSHIP AUTHORITY

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2020
 (See independent auditor's report)

	Sewer fund	Stormwater fund	Eliminations	Total
Operating revenues:				
Rentals and fees	\$ 16,042,721	\$ 3,973,695		\$ 20,016,416
Developer fees				
Miscellaneous	529,335	42,057	\$ (252,131)	319,261
Total operating revenues	16,572,056	4,015,752	(252,131)	20,335,677
Operating expenses:				
Treatment and transmission charges	4,273,125			4,273,125
Transportation	153,524	7,264		160,788
Sewer maintenance	87,793			87,793
Maintenance of pumping stations and garage	57,805			57,805
Equipment maintenance	18,785	95,832		114,617
Tools	1,507			1,507
Office supplies and postage	155,480	94,940		250,420
Legal and accounting	155,531	63,285		218,816
Engineering	157,589	16,983		174,572
Insurance	39,347	274		39,621
Employee expense	11,572			11,572
Trustee fees	3,900			3,900
Miscellaneous	16,556	19,020		35,576
Reimbursements	2,844,149	1,421,667	(252,131)	4,013,685
Private source repairs	156,743			156,743
Depreciation	2,797,414	610,500		3,407,914
Total operating expenses	10,930,820	2,329,765	(252,131)	13,008,454
Operating income	5,641,236	1,685,987	-	7,327,223
Nonoperating revenues (expenses):				
Tapping fees	498,621			498,621
Interest:				
Income	56,974	53,597		110,571
Expense and amortization, net	(4,176,404)	(306,518)		(4,482,922)
Developer contributions	584,759			584,759
Gain on sale of assets	77,562			77,562
Bond issue costs	(623,316)			(623,316)
Net nonoperating revenues (expenses)	(3,581,804)	(252,921)		(3,834,725)
Change in net position	2,059,432	1,433,066		3,492,498
Net position:				
Beginning	39,876,181	16,599,271		56,475,452
Ending	\$ 41,935,613	\$ 18,032,337	\$ -	\$ 59,967,950

See notes to financial statements.

LOWER PAXTON TOWNSHIP AUTHORITY

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019
(See independent auditor's report)

	Sewer fund	Stormwater fund	Eliminations	Total
Operating revenues:				
Rentals and fees	\$ 16,165,144	\$ 3,017,691		\$ 19,182,835
Miscellaneous	128,029		\$ (114,922)	13,107
Total operating revenues	16,293,173	3,017,691	(114,922)	19,195,942
Operating expenses:				
Treatment and transmission charges	5,782,788			5,782,788
Transportation	99,363	3,632		102,995
Sewer maintenance	107,192			107,192
Maintenance of pumping stations and garage	89,417			89,417
Equipment maintenance	28,842	118,553		147,395
Tools	1,152			1,152
Office supplies and postage	170,079	48,590		218,669
Legal and accounting	305,026	50,454		355,480
Engineering	148,799	15,431		164,230
Insurance	34,658	1,890		36,548
Employee expense	16,369			16,369
Trustee fees	3,900			3,900
Miscellaneous	20,397	69,698		90,095
Reimbursements	2,543,116	947,484	(114,922)	3,375,678
Private source repairs	95,479			95,479
Depreciation	3,402,806	563,761		3,966,567
Total operating expenses	12,849,383	1,819,493	(114,922)	14,553,954
Operating income	3,443,790	1,198,198	-	4,641,988
Nonoperating revenues (expenses):				
Tapping fees	727,419			727,419
Interest:				
Income	1,060,424	40,445		1,100,869
Expense and amortization, net	(4,925,206)	(73,958)		(4,999,164)
Developer contributions	1,058,101			1,058,101
Township contributions		15,434,586		15,434,586
Gain on sale of assets	40,354			40,354
Bond issue costs	(524,388)			(524,388)
Net nonoperating revenues (expenses)	(2,563,296)	15,401,073		12,837,777
Change in net position	880,494	16,599,271		17,479,765
Net position:				
Beginning (restated)	38,995,687			38,995,687
Ending	\$ 39,876,181	\$ 16,599,271	\$ -	\$ 56,475,452

See notes to financial statements.

LOWER PAXTON TOWNSHIP AUTHORITY

COMBINING STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(See independent auditor's report)

	Sewer fund	Stormwater fund	Eliminations	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash flows from operating activities:				
Cash received from customers and users	\$ 17,475,605	\$ 3,803,302	\$ (1,292,319)	\$ 19,986,588
Cash payments to (from), net:				
Suppliers	(4,645,291)	(1,677,262)	1,292,319	(5,030,234)
Lower Paxton Township	<u>(2,676,296)</u>	<u>(1,101,261)</u>		<u>(3,777,557)</u>
Net cash provided by operating activities	<u>10,154,018</u>	<u>1,024,779</u>	<u>-</u>	<u>11,178,797</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(5,470,486)	(1,988,070)		(7,458,556)
Proceeds from sale of capital assets	112,210			112,210
Tapping fees	498,621			498,621
Proceeds from the issuance of long-term debt, subsidy agreements	65,375,126			65,375,126
Principal payments on long term debt, subsidy agreements	(36,540,494)	(230,000)		(36,770,494)
Capital lease paid	(46,604)			(46,604)
Bond issue costs	(623,316)			(623,316)
Interest expense	<u>(4,353,063)</u>	<u>(348,135)</u>		<u>(4,701,198)</u>
Net cash provided by (used in) capital and related financing activities	<u>18,951,994</u>	<u>(2,566,205)</u>		<u>16,385,789</u>
Cash flows from investing activities:				
Purchase of investments	(246,196)			(246,196)
Sale of investments	985,009			985,009
Interest income	56,974	53,597		110,571
Net cash provided by investing activities	<u>795,787</u>	<u>53,597</u>		<u>849,384</u>
Net increase (decrease) in cash	<u>29,901,799</u>	<u>(1,487,829)</u>		<u>28,413,970</u>
Cash:				
Beginning of year	21,604,433	12,102,105		33,706,538
End of year	<u>\$ 51,506,232</u>	<u>\$ 10,614,276</u>	<u>\$ -</u>	<u>\$ 62,120,508</u>
Presented in the financial statements as:				
Cash and cash equivalents	\$ 21,963,382	\$ 3,387,794		\$ 25,351,176
Restricted cash and cash equivalents	<u>29,542,850</u>	<u>7,226,482</u>		<u>36,769,332</u>
Total cash and cash equivalents	<u>\$ 51,506,232</u>	<u>\$ 10,614,276</u>		<u>\$ 62,120,508</u>

(continued)

LOWER PAXTON TOWNSHIP AUTHORITY

COMBINING STATEMENTS OF CASH FLOWS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020
 (See independent auditor's report)

	<u>Sewer fund</u>	<u>Stormwater fund</u>	<u>Eliminations</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities, operating income	\$ 5,641,236	\$ 1,685,987		\$ 7,327,223
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	2,797,414	610,500		3,407,914
Gain on sale of assets	(77,562)			(77,562)
(Increase) decrease in:				
Receivables	(425,317)	(98,341)		(523,658)
Due from:				
Stormwater fund	1,406,428		\$ (1,406,428)	-
Sewer fund		(114,109)	114,109	-
Prepaid expenses	(380,993)	(3,107)		(384,100)
Increase (decrease) in:				
Accounts payable and accrued expenses	1,397,314	29,871		1,427,185
Due to:				
Sewer fund		(1,406,428)	1,406,428	-
Stormwater fund	114,109		(114,109)	-
Lower Paxton Township	167,853	320,406		488,259
Other governments	(328,011)			(328,011)
Developers escrow	(158,453)			(158,453)
Net cash provided by operating activities	<u>\$ 10,154,018</u>	<u>\$ 1,024,779</u>	<u>\$ -</u>	<u>\$ 11,178,797</u>
Supplemental disclosure of noncash transactions:				
Developer contributions	\$ 584,759			584,759
Amortization of:				
Bond premium	(400,469)	(44,867)		(445,336)
Deferred refundings	116,660			116,660

See notes to financial statements.

LOWER PAXTON TOWNSHIP AUTHORITY

COMBINING STATEMENTS OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2019
 (See independent auditor's report)

	<u>Sewer fund</u>	<u>Stormwater fund</u>	<u>Eliminations</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers and users	\$ 14,609,273	\$ 1,955,484	\$ 1,406,428	\$ 17,971,185
Cash payments to (from), net:				
Suppliers	(5,340,543)	1,174,711	(1,406,428)	(5,572,260)
Lower Paxton Township	(2,440,933)	(114,922)		(2,555,855)
Net cash provided by operating activities	<u>6,827,797</u>	<u>3,015,273</u>	<u>-</u>	<u>9,843,070</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(1,817,654)	(1,197,858)		(3,015,512)
Proceeds from sale of capital assets	55,820			55,820
Tapping fees	727,419			727,419
Proceeds from the issuance of long-term debt, subsidy agreements	43,056,264	10,244,245		53,300,509
Principal payments on long term debt, subsidy agreements	(45,246,840)			(45,246,840)
Capital lease paid	(77,073)			(77,073)
Bond issue costs	(524,388)			(524,388)
Interest expense	(5,418,137)			(5,418,137)
Net cash provided by (used in) capital and related financing activities	<u>(9,244,589)</u>	<u>9,046,387</u>		<u>(198,202)</u>
Cash flows from investing activities:				
Sale of investments	3,442,678			3,442,678
Interest income	1,060,424	40,445		1,100,869
Net cash provided by investing activities	<u>4,503,102</u>	<u>40,445</u>		<u>4,543,547</u>
Net increase in cash	<u>2,086,310</u>	<u>12,102,105</u>		<u>14,188,415</u>
Cash:				
Beginning of year	19,518,123			19,518,123
End of year	<u>\$ 21,604,433</u>	<u>\$ 12,102,105</u>	<u>\$ -</u>	<u>\$ 33,706,538</u>
Presented in the financial statements as:				
Cash and cash equivalents	\$ 18,948,009	\$ 2,972,426		\$ 21,920,435
Restricted cash and cash equivalents	2,656,424	9,129,679		11,786,103
Total cash and cash equivalents	<u>\$ 21,604,433</u>	<u>\$ 12,102,105</u>		<u>\$ 33,706,538</u>

(continued)

LOWER PAXTON TOWNSHIP AUTHORITY

COMBINING STATEMENTS OF CASH FLOWS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019
 (See independent auditor's report)

	Sewer fund	Stormwater fund	Eliminations	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Reconciliation of operating income to net cash provided by operating activities, operating income	\$ 3,443,790	\$ 1,198,198		\$ 4,641,988
Adjustments to reconcile operating income to net cash provided by operating activities, depreciation expense	3,402,806	563,761		3,966,567
Noncash expenses	78,717			78,717
(Increase) decrease in:				
Receivables	(360,722)	(1,062,207)		(1,422,929)
Due from:				
Stormwater fund	(1,406,428)		\$ 1,406,428	-
Other governments	83,250			83,250
Prepaid expenses	620	(2,256)		(1,636)
Increase (decrease) in:				
Accounts payable and accrued expenses	95,633	78,787		174,420
Due to:				
Sewer fund		1,406,428	(1,406,428)	-
Lower Paxton Township	102,183	832,562		934,745
Other governments	1,337,598			1,337,598
Developers escrow	50,350			50,350
Net cash provided by operating activities	<u>\$ 6,827,797</u>	<u>\$ 3,015,273</u>	<u>\$ -</u>	<u>\$ 9,843,070</u>
Supplemental disclosure of noncash transactions:				
Capital lease additions	\$ 158,536			\$ 158,536
Developer contributions	1,058,101			1,058,101
Township contributions		\$ 15,434,586		15,434,586
Amortization of:				
Bond premium	(218,605)	(11,217)		(229,822)
Deferred refundings	73,933			73,933

See notes to financial statements.