

LOWER PAXTON TOWNSHIP

YEAR ENDED DECEMBER 31, 2021



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS
A Professional Corporation

LOWER PAXTON TOWNSHIP

YEAR ENDED DECEMBER 31, 2021

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Independent Auditor's Report

Board of Supervisors
Lower Paxton Township
Harrisburg, Pennsylvania

Report on the Audit of 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, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Qualified and Unmodified Opinions

Qualified Opinion on Fiduciary Funds

In our opinion, except for the effects of the matter described in the Matter Giving Rise to Qualified Opinion on Fiduciary Funds paragraph, the financial statements referred to above present fairly, in all material respects, the respective net position of the fiduciary funds of the Township as of December 31, 2021, and the respective changes in fiduciary net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the Governmental Activities, Business-Type Activities, Each Major Fund and the Aggregate Remaining Fund Information

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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

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

Matter Giving Rise to Qualified Opinion on Fiduciary Funds

Management has not included the fiduciary activities related to the Township tax collector in the fiduciary fund financial statements. The Governmental Accounting Standards Board requires that the activity of the Township tax collector be included in the fiduciary fund financial statements when the taxes levied by other taxing bodies are collected by the Township tax collector. The amount by which this departure would affect the assets, liabilities, fiduciary net position and changes in fiduciary net position has not been determined.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; budgetary comparison information; schedules of changes in net pension liability and related ratio and employer contributions; schedules of investment returns for the pension plans and schedules of changes in total OPEB liability and related ratios on pages 5-16, 94-95, 96-100, 101-103, 104 and 105, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining nonmajor governmental fund financial statements and the combining statements of fiduciary funds on pages 106 through 109 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was 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 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2022 on our consideration of Lower Paxton Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of the effectiveness of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lower Paxton Township's internal control over financial reporting and compliance.

Other Matter

As described in Note 24 to the financial statements, the beginning net position and fund balances of the Township have been restated to correct errors related to the recording of the Fireman's LOSAP fund and the police outside employment fund balance for the year ended December 31, 2020. Our opinion is not modified with respect to this matter.

Brown, Schultz, Sheridan & Fritz

Camp Hill, Pennsylvania

July 26, 2022

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2021

Introduction:

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, 2021. 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, 2021.

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

Financial highlights:

The following items detail Lower Paxton Township's financial highlights for the fiscal year ended December 31, 2021:

- The Township's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended December 31, 2021 by \$76,946,991 (net position). The net position increased by \$11,288,777 over 2020 to \$76,946,991, primarily related to significant developer contributions relative to the sewer and stormwater infrastructure systems to the Authority, reduction in Township swap liability (gain on swap investment), continued growth of earned income taxes and strong transfer tax results. The majority of the Township's net position (\$62,533,488, or 81.27%) is invested in capital assets and is not available for future spending.
- Fund balances increased in the General Fund by \$1,417,974 to \$9,955,316, primarily related to continued growth in earned income taxes, strong transfer tax results and significant building permit activity tied to continued residential community growth throughout the Township.
- The Township closed operation of the Friendship Community Center fund into governmental activities effective January 1, 2021, resulting in \$4,114,192 in net book value assets transferred from business-type activities, primarily related to undepreciated facilities' costs.
- No new general obligation debt was authorized and issued in 2021. The Authority continued to draw on available proceeds from the 2019 PennVest loan and utilize unspent bond proceeds from respective 2019 and 2020A Series issuances for continued sewer and stormwater infrastructure projects. Net reduction in outstanding bond and loan debt for 2021 was \$31,262.

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2021

Financial highlights (continued):

- The Township's bond rating remains at Aa2, as set by Moody's Investors Service, denoting a very strong capacity to meet financial commitments.
- Significant sewer and stormwater infrastructure investment continued in 2021, with net additions to capital assets totaling \$16,837,867 for the Township.

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. 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.

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 the government's assets and liabilities. All 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, which was closed to governmental activities effective January 1, 2021.

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, as well as the nonmajor General Improvement Fund, Fire Equipment Capital Fund and State Highway Aid Fund.
- *Enterprise funds* financial statements offer information about the activities that the Township operates like a business. There are two Township enterprise funds: the Authority and Friendship Community Center. The Friendship Community Center was closed into the General Fund effective January 1, 2021.

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2021

Overview of the financial statements (continued):

Fund financial statements:

- *Fiduciary funds* financial statements reflect activities involving resources that are held by the Township as trustee for future employee pension payments. The Township has one Length of Service Award Program (LOSAP) fund for volunteer firefighters and fire police officers, and two employee 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 fiduciary activity of the Township's tax collector, relating to custodial activities and balances of Dauphin County's real estate taxes under a Township bank account, has not been included in these financial statements.

Government-wide financial analysis:

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

Table A-1
Statements of net position
December 31, 2021 and 2020

	2021			2020		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Current assets	\$ 14,675,699	\$ 30,785,919	\$ 45,461,618	\$ 9,659,935	\$ 30,725,839	\$ 40,385,774
Capital assets	43,500,022	166,241,295	209,741,317	36,093,468	156,809,982	192,903,450
Other noncurrent assets	2,596,004	27,760,352	30,356,356	2,996,220	36,769,332	39,765,552
Total assets	\$ 60,771,725	\$ 224,787,566	\$ 285,559,291	\$ 48,749,623	\$ 224,305,153	\$ 273,054,776
Deferred outflows of resources	\$ 6,091,647	\$ 2,567,694	\$ 8,659,341	\$ 4,474,999	\$ 2,737,480	\$ 7,212,479
Current liabilities	\$ 7,156,683	\$ 11,105,470	\$ 18,262,153	\$ 2,743,246	\$ 9,717,847	\$ 12,461,093
Long-term liabilities	40,513,101	151,727,141	192,240,242	42,356,301	153,242,644	195,598,945
Total liabilities	\$ 47,669,784	\$ 162,832,611	\$ 210,502,395	\$ 45,099,547	\$ 162,960,491	\$ 208,060,038
Deferred inflows of resources	\$ 6,833,608	\$ -	\$ 6,833,608	\$ 6,683,635	\$ -	\$ 6,683,635
Net investment in capital assets	\$ 17,276,984	\$ 45,256,504	\$ 62,533,488	\$ 17,014,658	\$ 37,298,085	\$ 54,312,743
Restricted	2,083,136		2,083,136	2,218,739	10,799,332	13,018,071
Unrestricted	(7,000,140)	19,266,145	12,266,005	(17,791,957)	15,984,725	(1,807,232)
Total net position	\$ 12,359,980	\$ 64,522,649	\$ 76,882,629	\$ 1,441,440	\$ 64,082,142	\$ 65,523,582

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2021

Government-wide financial analysis (continued):

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 \$76,946,991 as of December 31, 2021. The largest portion of the Township's net position, 81.27%, is net investment in capital assets which reflects total capital assets offset by debt incurred to acquire the assets. Restricted net position of \$2,083,136, or 2.71%, represents third-party escrows and unspent restricted grants and contributions for specified purposes. The remaining balance of net position (deficit) of \$12,330,367, or 16.02%, 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, 2021

Government-wide financial analysis (continued):

Table A-2 takes the information from the statement of activities and rearranges it to depict the changes in net position.

Table A-2
Statements of changes in net position
December 31, 2021 and 2020

	2021			2020		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Revenues:						
Program revenues:						
Charges for service	\$ 7,268,107	\$ 20,706,576	\$ 27,974,683	\$ 7,170,899	\$ 21,408,546	\$ 28,579,445
Operating grants and contributions	1,472,717		1,472,717	1,390,718		1,390,718
Capital grants and contributions	2,155,402		2,155,402	1,966,116		1,966,116
General revenues:						
Property taxes	6,732,062		6,732,062	6,608,764		6,608,764
Other taxes	12,130,421		12,130,421	10,620,233		10,620,233
Grants				2,609,043		2,609,043
Interest and rents	395,688	42,365	438,053	95,366	110,876	206,242
Net investment gain (loss)	1,892,580		1,892,580	(3,640,854)		(3,640,854)
Miscellaneous	5,740		5,740	16,351		16,351
Transfers and other revenues (expense):						
Transfers	4,114,192	(4,114,192)	-	(1,177,756)	1,177,756	-
Other	145,365	15,770	161,135	80,643	77,562	158,205
Total revenues	36,312,274	16,650,519	52,962,793	25,739,523	22,774,740	48,514,263
Expenses:						
Operating expenses:						
General government	1,762,757		1,762,757	1,930,855		1,930,855
Police department	11,337,784		11,337,784	12,806,386		12,806,386
Highways and streets				328,983		328,983
Fire and ambulance	1,706,533		1,706,533	1,657,909		1,657,909
Community development	1,039,898		1,039,898	978,673		978,673
Public works:						
Health and sanitation	2,498,797		2,498,797	2,692,223		2,692,223
Highways and streets	3,558,165		3,558,165	3,520,295		3,520,295
Parks and recreation	1,809,601		1,809,601	811,237		811,237
Interest	614,490		614,490	618,584		618,584
Depreciation, unallocated	989,568		989,568	445,537		445,537
Friendship Center					1,462,903	1,462,903
Lower Paxton Township Authority					17,491,376	17,491,376
Total operating expenses	25,317,593	18,867,295	44,184,888	25,790,682	18,954,279	44,744,961
Excess (deficiency) of revenues over expenses	10,994,681	(2,216,776)	8,777,905	(51,159)	3,820,461	3,769,302
Other financing sources (uses):						
Contributions	(76,141)	2,657,283	2,581,142		584,759	584,759
Bond issue costs				(823,169)	(637,812)	(1,460,981)
Total other financing sources (uses)	(76,141)	2,657,283	2,581,142	(823,169)	(53,053)	(876,222)
Changes in net position	10,918,540	440,507	11,359,047	(874,328)	3,767,408	2,893,080
Net position, beginning of year (restated)	1,441,440	64,082,142	65,523,582	2,315,768	60,314,734	62,630,502
Net position, end of year (restated)	\$ 12,359,980	\$ 64,522,649	\$ 76,882,629	\$ 1,441,440	\$ 64,082,142	\$ 65,523,582

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2021

Government-wide financial analysis (continued):

During the current fiscal year, net position for governmental activities increased \$10,848,270, primarily the result of reduction in Township swap liability (gain on swap investment), continued growth of earned income taxes, strong transfer tax results and net transfer from the conveyance of the Friendship Community Center's net facilities assets. The net position of the business-type activities increased \$440,507, with increases from significant developer contributions relative to the sewer and stormwater infrastructure systems mostly offset with the net transfer of the Friendship Community Center's net facilities assets noted above.

Financial analysis of the Township funds:

Governmental funds:

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

At the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$12,250,638, of which \$2,083,136 was externally restricted, such as by legal restrictions or intention of grantors, donors or trustees; \$443,553 was in nonspendable form (e.g., deposits and prepaid expenses) and \$1,688,282 was assigned, primarily for 2022 budgetary reserve needs. The remaining \$8,035,667 (65.59%) is unassigned and can be used for any lawful purpose, all of which is from the General Fund – the Township's primary operating fund.

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

	<u>2021</u>	<u>2020</u>
Revenues	\$ 27,289,902	\$ 27,837,171
Expenditures	25,762,077	33,012,746
Net other financing sources (uses)	<u>(109,851)</u>	<u>8,212,062</u>
Net changes in fund balances	<u>\$ 1,417,974</u>	<u>\$ 3,036,487</u>

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2021

Financial analysis of the Township funds (continued):

Governmental funds:

Overall revenues declined by \$547,269 from 2020 to 2021, primarily related to significant CARES Act funding received in 2020 (\$2,609,043) mostly offset with increase in tax revenues (\$1,555,824), primarily in earned income and transfer taxes received. Overall expenditures declined by \$7,250,669, primarily related to debt refunding in 2020 (decrease in debt service and related costs of \$9,372,578) mildly offset with increased costs for parks and recreation (\$553,466, primarily to shift Friendship Community Center operations to the General Fund) and public safety (\$814,551, primarily related to increased contractual payroll and related benefit costs). Finally, other financing sources (uses), typically insignificant, were substantially higher in 2020 relative to issuance of new debt for the refunding transaction noted above (\$9,296,466) and slightly offset with continued operating subsidy of the Friendship Community Center (\$1,170,704), which was transferred to the General Fund effective January 1, 2021.

Enterprise funds:

The Township's enterprise funds provide the same type of information found in the government-wide financial statements summarized earlier. As previously noted, the Friendship Community Center fund was closed and transferred into the General Fund effective January 1, 2021, so activity related to that fund was limited to the transfer of net resources (\$4,114,192, primarily related to the net book value of capital assets).

As of December 31, 2021, the net position of the Authority totaled \$64,522,649, an increase of \$4,554,699 from 2020. Total operating revenues decreased in 2021 by \$245,991 due to the reduction of stormwater rates approved with the operating budget, but partially matched with increased customer revenues through continued development growth in the Township. Operating expenses increased in 2021 by \$1,258,189 primarily due to a rise in treatment and transmission charges to Capital Region Water (CRW). Net nonoperating expenses declined in 2021 by \$2,566,381 due to significant developer contributions received partially offsetting debt interest costs.

General Fund budgetary analysis:

The original budget for the General Fund was not amended by the Township's Board of Supervisors during 2021. Overall, actual operating revenues during the current fiscal period exceeded budget by \$1,131,196, primarily due to earned income and transfer taxes, as well as building permit and related service charges well in excess of expectations, relative to continued residential property improvement, sale and occupancy.

Overall, actual expenditures were \$332,977 less than planned, primarily due to the following:

- Police department expenditures were less than budget by \$423,455, primarily due to significant 2020 health insurance premium dividend received in 2021.

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2021

General Fund budgetary analysis (continued):

- Community development expenditures were more than budget by \$285,264, primarily related to third-party professional review costs for permits (mostly offset with corresponding charges to developers) and increased costs for implementation and management of community development software against expectations.
- Public works expenditures were less than budget by \$576,012, primarily due to significant 2020 health insurance premium dividend received in 2021 and contractual wages budgeted that were charged for stormwater services (health and sanitation).

Capital assets:

The Township's capital assets as of December 31, 2021, net of accumulated depreciation, were \$209,741,317. Capital assets consist primarily of the sewer and stormwater collection and conveyance systems and deferred capacity costs, and administrative, public safety, public works and recreation facilities owned by the Township. The following is a summary of capital assets as of December 31, 2021 and 2020:

	2021		2020	
	Governmental activities	Business-type activities	Governmental activities	Business-type activities
Land	\$ 3,142,639	\$ 1,540,192	\$ 3,235,494	\$ 1,540,192
Intangibles, not depreciated	421,850	2,740,869	421,850	2,740,869
Construction in progress	554,075	15,112,457	1,523,862	
Buildings	23,121,829	1,517,541	12,463,251	12,212,653
Land Improvements	8,003,195		7,692,447	
Machinery and equipment	5,379,811	1,565,672	4,954,569	1,650,400
Vehicles	11,229,757		10,233,911	
Infrastructure	51,595,275	189,589,622	49,298,527	186,573,947
Furniture		40,973		40,973
Sewer capacity costs		21,144,628		21,144,628
Accumulated depreciation	(59,948,409)	(67,010,659)	(53,730,443)	(69,093,680)
Net capital assets	<u>\$ 43,500,022</u>	<u>\$ 166,241,295</u>	<u>\$ 36,093,468</u>	<u>\$ 156,809,982</u>

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2021

Debt administration:

The Township's long-term debt activity for 2021 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 2010A	\$ 300,000		\$ (300,000)	\$ -
Series of 2014	5,995,000		(560,000)	5,435,000
Series of 2015	13,535,000		(10,000)	13,525,000
Series of 2016	16,055,000		(685,000)	15,370,000
Series of 2019	51,280,000		(735,000)	50,545,000
Series of 2020A	25,970,000		(505,000)	25,465,000
Series of 2020B	8,665,000		(1,745,000)	6,920,000
Series of 2020C	34,760,000		(355,000)	34,405,000
Total general obligation bonds	156,560,000		(4,895,000)	151,665,000
Loans:				
PennVest loan 2010	6,554,251		(481,019)	6,073,232
PennVest loan 2019	2,228,786	\$ 5,424,686		7,653,472
PA Infrastructure Bank	120,382		(79,929)	40,453
Total loans	8,903,419	5,424,686	(560,948)	13,767,157
Total long-term debt activity	\$ 165,463,419	\$ 5,424,686	\$ (5,455,948)	\$ 165,432,157
Governmental activities	\$ 19,060,381		\$ (1,269,929)	\$ 17,790,452
Business-type activities	146,403,038	\$ 5,424,686	(4,186,019)	147,641,705
Total long-term debt activity	\$ 165,463,419	\$ 5,424,686	\$ (5,455,948)	\$ 165,432,157

At the end of 2021, the Township had total long-term debt, net of current maturities, in the amount of \$165,432,157; \$147,641,705 of which is based on amounts under subsidy agreements with the Authority. The debt includes General Obligation Bonds, as well as Pennsylvania Infrastructure Investment Authority (PennVest) loans. As of December 31, 2021, \$7,653,472 had been drawn on the 2019 PennVest loan, leaving \$5,624,723 available for further capital project related costs.

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2021

Debt administration (continued):

The Authority agrees to pay the Township, from receipts and revenues from its sewer and stormwater systems, amounts sufficient to pay the Authority's portion of the principal and interest on the bonds and PennVest debts. 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.

Economic factors and next year's budgets and rates:

Township:

The Township's 2022 adopted budget reflects the ongoing challenges meeting a balanced budget, particularly in the General Fund, as fixed expenses continue to rise, and many revenue streams continue to flatten. While the Township's significant residential and modest commercial growth has been strong over the past several years, contractual costs and inflation continue to pressure, match or outpace these funding sources; and the real estate tax millage for general purposes has remain unchanged since 2016. The 2022 budget for the General Fund was adopted utilizing \$1,476,096 in reserves, which would reduce carryover reserves to just under \$8,500,000 to enter into 2023.

The Township continues to focus investment on strategic planning and assessment tools to aid in assessing long-term financial stress factors as expenditures rise due to inflation and contractual pressures.

- In 2021, the initial Phase I evaluation in Pennsylvania's Strategic Management Planning Program (STMP) began, a program administered by the Governor's Center for Local Government Services of the Department of Community and Economic Development (DCED). The STMP provides grants, matched by the Township, to evaluate the administration and operations of all the departments of the municipality with the goal of providing opportunities and suggestions for efficiencies, technology, alternate modes of operation and staffing levels. The results of that study will be under review for implementation of initiatives over the coming years.
- In 2022's budget, the Township has invested funds for a comprehensive reassessment of current volunteer fire and rescue services, as well as emergency medical services, currently provided by a regional partner. The Township implemented a 0.175 mill increase to the current Fire Protection Tax to assist in the study, rising costs of new fire apparatus, the hiring of a deputy fire chief to oversee the study's recommendations and long-range plan development and the potential future needs of complemented paid staff.

Finally, the Township continues to evaluate significant capital investment, much deferred, for investment relative to the American Rescue Plan Act (ARPA) funds received, which will ensure significant capital rehabilitation and revitalization improvements are made to the Township's parks and playground assets, municipal and public safety center and public works administration campus.

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2021

Economic factors and next year's budgets and rates (continued):

Authority:

The Township (and Authority) is governed by a consent decree and settlement agreement with the Pennsylvania Department of Environmental Protection (PADEP) relative to the Beaver Creek, Paxton Creek and Spring Creek Basin interceptors for sewage overflows and hydraulic overloads in these regions and manage limitations on equivalent dwelling units (EDU's) and connections in the respective areas. As capital improvements have been made, modeling and metering data updated and removal rates for overflow/overload have occurred, revised long-term corrective action plans are provided to PADEP and have been approved as submitted. As of December 31, 2021, the Authority estimates that additional investments for compliance with the agreements are \$60,317,363 for Beaver Creek; \$14,682,637 for Paxton Creek and \$0 for Spring Creek Basin interceptors through 2031.

The Authority also is governed by the Township's PADEP Municipal Separate Storm Sewer System (MS4) permit, approved through July 2025, which requires the implementation of a Storm Water Management Plan to manage the conveyance and proper discharge of stormwater. As of December 31, 2021, the estimated additional MS4 capital costs relative to the plan total \$11,280,556.

To fund the capital projects noted above, the Authority anticipates further subsidy agreements with the Township for issuance of debt financing as follows: \$25,000,000 in 2024; \$30,000,000 in 2027 and \$20,000,000 in 2030 for sewer projects (\$75,000,000 total) and \$12,000,000 in 2026 and \$12,000,000 in 2029 for stormwater projects (\$24,000,000 total).

The Authority's long-term costing and rate models assist annually in the determination of sewer and stormwater charges sufficient to meet current operating and debt-related capital needs and provide adequate operating reserves per Board directive. The adopted 2022 budget reflects no change in the sewer and stormwater charges from 2021 rates. The budgets continue to reflect significant capital investments into the respective infrastructure systems relating to the consent order and MS4 management plans in effect, totaling \$12,080,600 for sewer and \$5,696,924 for stormwater.

Contacting the Township:

This financial report is designed to provide citizens, investors and creditors with a general overview of the Township's finances. If you have questions about this report or need additional information, including copies of the separate financial statements of the Authority, contact the Finance Department at the Lower Paxton Township Municipal Center, 425 Prince Street, Harrisburg, PA 17109.

LOWER PAXTON TOWNSHIP

STATEMENT OF NET POSITION - DECEMBER 31, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Governmental activities	Business-type activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 9,197,922	\$ 23,992,630	\$ 33,190,552
Investments		1,511,999	1,511,999
Receivables:			
Accounts	722,559	6,187,766	6,910,325
Taxes	2,885,730		2,885,730
Other		452,257	452,257
Internal balances	1,425,935	(1,425,935)	-
Other assets	443,553	67,202	510,755
Total current assets	<u>14,675,699</u>	<u>30,785,919</u>	<u>45,461,618</u>
Noncurrent assets:			
Restricted for debt service and capital projects, cash and cash equivalents	2,596,004	27,760,352	30,356,356
Capital assets:			
Property, plant and equipment, net	43,500,022	153,021,543	196,521,565
Deferred capacity costs, net		13,219,752	13,219,752
Total noncurrent assets	<u>46,096,026</u>	<u>194,001,647</u>	<u>240,097,673</u>
Total assets	<u>60,771,725</u>	<u>224,787,566</u>	<u>285,559,291</u>
Deferred outflows of resources:			
Charge on refunding	299,506	2,567,694	2,867,200
Other postemployment benefits	1,331,206		1,331,206
Pensions	4,460,935		4,460,935
Total deferred outflows of resources	<u>6,091,647</u>	<u>2,567,694</u>	<u>8,659,341</u>
Total assets and deferred outflows of resources	<u>\$ 66,863,372</u>	<u>\$ 227,355,260</u>	<u>\$ 294,218,632</u>

See notes to financial statements.

LOWER PAXTON TOWNSHIP

STATEMENT OF NET POSITION – DECEMBER 31, 2021

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Governmental activities	Business-type activities	Total
Liabilities:			
Current liabilities:			
Accounts payable	\$ 729,136	\$ 3,241,926	\$ 3,971,062
Deferred taxes	61,869		61,869
Current portion of long-term debt subject to subsidy agreements:			
Bonds payable		4,045,000	4,045,000
Note payable		989,316	989,316
Current portion of long-term debt:			
Bonds payable	1,720,000		1,720,000
Note payable	40,452		40,452
Capital lease obligations	327,688	49,139	376,827
Compensated absences	117,690		117,690
Developers' escrow	877,701	418,438	1,296,139
Unearned revenue	2,635,620		2,635,620
Accrued:			
Interest	145,958	1,177,503	1,323,461
Expenses and withholdings	500,569		500,569
Due to other governments		1,184,148	1,184,148
 Total current liabilities	 7,156,683	 11,105,470	 18,262,153
Noncurrent liabilities:			
Long-term debt, subject to subsidy agreements, net of current portion:			
Bonds payable		129,870,000	129,870,000
Note payable		12,737,389	12,737,389
Long-term debt, net of current portion:			
Bonds payable	16,030,000		16,030,000
Capital lease obligations	698,634	18,930	717,564
Bond premium	1,082,494	9,100,822	10,183,316
Compensated absences, net of current portion	2,326,328		2,326,328
OPEB liability	10,457,203		10,457,203
Pension liability	4,020,881		4,020,881
SWAP liability	5,897,561		5,897,561
 Total noncurrent liabilities	 40,513,101	 151,727,141	 192,240,242
 Total liabilities	 47,669,784	 162,832,611	 210,502,395
 Deferred inflows of resources:			
Other postemployment benefits	300,710		300,710
Pensions	6,532,898		6,532,898
 Total deferred inflows of resources	 6,833,608	 6,833,608	
 Net position:			
Net investment in capital assets	17,276,984	45,256,504	62,533,488
Restricted for program purposes	2,083,136		2,083,136
Unrestricted	(7,000,140)	19,266,145	12,266,005
 Total net position	 12,359,980	 64,522,649	 76,882,629
 Total liabilities, deferred inflows of resources and net position	 \$ 66,863,372	 \$ 227,355,260	 \$ 294,218,632

See notes to financial statements.

LOWER PAXTON TOWNSHIP

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2021

Functions/programs	Program revenues					Net (expense) revenue and changes in net position	
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
General government	\$ 1,762,757	\$ 1,281,590	\$ 971,238		\$ 490,071		\$ 490,071
Police department	11,337,784	212,829	14,802		(11,110,153)		(11,110,153)
Fire and ambulance	1,706,533		270,236		(1,436,297)		(1,436,297)
Community development	1,039,898	1,367,551			327,653		327,653
Public works:							
Health and sanitation	2,498,797	3,065,357	167,083		733,643		733,643
Highway and streets	3,558,165	1,166,192	41,044	\$ 2,155,402	(195,527)		(195,527)
Parks and recreation	1,809,601	174,588	8,314		(1,626,699)		(1,626,699)
Unallocated depreciation	989,568				(989,568)		(989,568)
Interest on long-term debt	614,490				(614,490)		(614,490)
Total governmental activities	25,317,593	7,268,107	1,472,717	2,155,402	(14,421,367)		(14,421,367)
Business-type activities:							
Lower Paxton Township Authority	18,867,295	20,706,576			\$ 1,839,281		1,839,281
Total business-type activities	18,867,295	20,706,576			1,839,281		1,839,281
Total government	\$ 44,184,888	\$ 27,974,683	\$ 1,472,717	\$ 2,155,402	\$ (14,421,367)	\$ 1,839,281	\$ (12,582,086)

(continued)

LOWER PAXTON TOWNSHIP

STATEMENT OF ACTIVITIES (CONTINUED) YEAR ENDED DECEMBER 31, 2021

Functions/programs	Program revenues					Net (expense) revenue and changes in net position
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	
		Business-type activities	Total			
General revenues:						
Taxes:						
Real estate:						
General levy					\$ 6,732,062	\$ 6,732,062
Transfer tax					2,029,369	2,029,369
Earned income tax					8,962,354	8,962,354
Local services tax					1,138,698	1,138,698
Interest revenue					8,239	\$ 42,365
Net gain on investments					1,892,580	1,892,580
Rental income					387,449	387,449
Miscellaneous					5,740	5,740
Total general revenues					21,156,491	42,365
						21,198,856
Transfers					4,114,192	(4,114,192)
Gain on disposal of capital assets					145,365	15,770
Township contributions					(76,141)	76,141
Developer contributions						2,581,142
Total transfers and other					4,183,416	(1,441,139)
						2,742,277
Changes in net position					10,918,540	440,507
						11,359,047
Net position:						
Beginning of year (restated)					1,441,440	64,082,142
End of year					\$ 12,359,980	\$ 64,522,649
						\$ 76,882,629

See notes to financial statements.

LOWER PAXTON TOWNSHIP

BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<u>Major fund</u>		<u>Total governmental funds</u>	
	<u>General fund</u>	<u>Nonmajor funds</u>		
ASSETS				
Assets:				
Cash and cash equivalents	\$ 8,525,243	\$ 672,679	\$ 9,197,922	
Receivables:				
Accounts	701,665	20,894	722,559	
Taxes	2,800,837	84,893	2,885,730	
Due from other funds	1,425,935		1,425,935	
Other assets	443,553		443,553	
Restricted assets, cash and cash equivalents	649,754	1,946,250	2,596,004	
Total assets	\$ 14,546,987	\$ 2,724,716	\$ 17,271,703	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 361,611	\$ 367,525	\$ 729,136	
Deferred taxes		61,869	61,869	
Accrued expenses and withholdings	500,569		500,569	
Unearned revenue	2,635,620		2,635,620	
Developers' escrow	877,701		877,701	
Total liabilities	4,375,501	429,394	4,804,895	
Deferred inflows of resources, unavailable revenue, property taxes	216,170		216,170	
Fund balances:				
Nonspendable	443,553		443,553	
Restricted		2,083,136	2,083,136	
Assigned	1,476,096	212,186	1,688,282	
Unassigned	8,035,667		8,035,667	
Total fund balances	9,955,316	2,295,322	12,250,638	
Total liabilities, deferred inflows of resources and fund balances	\$ 14,546,987	\$ 2,724,716	\$ 17,271,703	

See notes to financial statements.

LOWER PAXTON TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2021

Total fund balances, governmental funds	\$ 12,250,638
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	\$ 4,118,564
Depreciable assets, net of accumulated depreciation of \$59,948,409	<u>39,381,458</u>
Total capital assets	43,500,022
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.	
	216,170
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, 2021 are:	
Compensated absences	(2,444,018)
Accrued interest on bonds and loan	(145,958)
Deferred charges on refundings	299,506
Bond (premium) discount	(1,082,494)
Capital lease payable	(1,026,322)
Bonds payable	(17,750,000)
Note payable	(40,452)
Deferred outflows of resources, OPEB	1,331,206
Deferred inflows of resources, OPEB	(300,710)
Deferred outflows of resources, pensions	4,460,935
Deferred inflows of resources, pensions	(6,532,898)
Net pension liability	(4,020,881)
Total OPEB liability	(10,457,203)
SWAP liability	<u>(5,897,561)</u>
	<u>(43,606,850)</u>
Net position, governmental activities	<u>\$ 12,359,980</u>

See notes to financial statements.

LOWER PAXTON TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2021

	<u>Major fund</u>		Total governmental funds
	General	Nonmajor	
Revenues:			
Taxes	\$ 18,158,886	\$ 642,524	\$ 18,801,410
Licenses and permits	1,043,390		1,043,390
Fines and forfeitures	212,829		212,829
Interest and rents	394,451	1,237	395,688
Intergovernmental	5,584,670	2,155,402	7,740,072
Charges for services	1,871,165	127,082	1,998,247
Contributions and donations	18,771	10,000	28,771
Miscellaneous income	5,740		5,740
Total revenue	27,289,902	2,936,245	30,226,147
Expenditures:			
General government	2,154,423	16,029	2,170,452
Police department	11,385,371	335,262	11,720,633
Fire and ambulance	1,295,043	748,546	2,043,589
Community development	1,122,427		1,122,427
Public works:			
Health and sanitation	2,916,258		2,916,258
Highways and streets	4,150,147	2,485,835	6,635,982
Parks and recreation	1,166,837	365,211	1,532,048
Debt service:			
Principal	1,071,327	218,000	1,289,327
Interest	500,244	96,890	597,134
Total expenditures	25,762,077	4,265,773	30,027,850
Excess (deficiency) of revenues over expenditures	1,527,825	(1,329,528)	198,297
Other financing sources (uses):			
Operating transfers (out) in	(461,033)	438,926	(22,107)
Township contributions	(76,141)		(76,141)
Proceeds from:			
Long-term debt	236,788	228,600	465,388
Capital leases		206,875	206,875
Sale of assets	190,535	260,000	450,535
Total other financing sources (uses)	(109,851)	1,134,401	1,024,550
Net changes in fund balances	1,417,974	(195,127)	1,222,847
Fund balances:			
Beginning of year, restated	8,537,342	2,490,449	11,027,791
End of year	\$ 9,955,316	\$ 2,295,322	\$ 12,250,638

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, 2021

Net changes in fund balances, governmental funds	\$ 1,222,847
The changes 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 capital outlays of \$4,845,807 exceeded depreciation of \$(2,984,991) and net deletions of \$(305,170) in the current period.	1,555,646
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	\$ 1,190,000
Loans payable	79,930
Capital leases	<u>(549,260)</u>
Net adjustment	720,670
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, 2020 to December 31, 2021.	
	61,075
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:	
Transfer of Friendship Community Center fund to general fund	4,137,272
Compensated absences	(469,598)
Accrued interest on bonds	(17,356)
Deferred charges on refunding	287,999
Bond (premium) discount	168,759
Pension expense	2,133,520
OPEB expense	(774,874)
SWAP liability	<u>1,892,580</u>
	<u>7,358,302</u>
Changes in net position of governmental activities	<u>\$ 10,918,540</u>

See notes to financial statements.

LOWER PAXTON TOWNSHIP

STATEMENT OF NET POSITION – PROPRIETARY FUNDS DECEMBER 31, 2021

ASSETS

	<u>Lower Paxton Township Authority</u>
Current assets:	
Cash and cash equivalents	\$ 23,992,630
Investments	1,511,999
Rental and fees receivables:	
Billed	1,033,512
Unbilled	5,154,254
Other	452,257
Prepaid expenses	67,202
 Total current assets	32,211,854
 Noncurrent assets:	
Restricted for debt service and capital projects, cash and cash equivalents	27,760,352
Property, plant and equipment, net	153,021,543
Deferred capacity costs, net	13,219,752
 Total noncurrent assets	194,001,647
 Total assets	226,213,501
 Deferred outflows of resources, charges on refundings	2,567,694
 Total assets and deferred outflows of resources	\$ 228,781,195

See notes to financial statements.

LOWER PAXTON TOWNSHIP

STATEMENT OF NET POSITION – PROPRIETARY FUNDS DECEMBER 31, 2021

LIABILITIES AND NET POSITION

Lower Paxton
Township Authority

Current liabilities:

Accounts payable	\$ 3,241,926
Current portion of long-term debt, subsidy agreements with the Township	5,034,316
Capital lease obligations, current portion	49,139
Developers escrow	418,438
Accrued interest	1,177,503
Due to:	
Other governments	1,184,148
Township	1,425,935
Total current liabilities	<u>12,531,405</u>

Noncurrent liabilities:

Long-term debt, subsidy agreements with the Township, net of current portion	142,607,389
Capital lease obligations, net of current portion	18,930
Bond premium	9,100,822
Total noncurrent liabilities:	<u>151,727,141</u>

Total liabilities

164,258,546

Net position:

Net investment in capital assets	45,256,504
Unrestricted	19,266,145
Total net position	<u>64,522,649</u>

Total liabilities and net position

\$ 228,781,195

See notes to financial statements.

LOWER PAXTON TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2021

	Lower Paxton Township Authority	Friendship Community Center	Total
Operating revenues:			
Rentals and fees	\$ 19,979,528		\$ 19,979,528
Miscellaneous	110,158		110,158
Total operating revenues	<u>20,089,686</u>		<u>20,089,686</u>
Operating expenses:			
Cost of sales and service	5,373,069		5,373,069
Other, operating	477,157		477,157
Administration	5,096,962		5,096,962
Depreciation and amortization	3,319,455		3,319,455
Total operating expenses	<u>14,266,643</u>		<u>14,266,643</u>
Operating income	<u>5,823,043</u>		<u>5,823,043</u>
Nonoperating revenues (expenses):			
Interest income	42,365		42,365
Tapping fees	616,890		616,890
Interest and amortization, net	(4,600,652)		(4,600,652)
Developer contributions	2,581,142		2,581,142
Township contributions	76,141		76,141
Gain on sale of assets	15,770		15,770
Total nonoperating revenues (expenses)	<u>(1,268,344)</u>		<u>(1,268,344)</u>
Change before operating transfers	4,554,699		4,554,699
Transfers out, net	\$ (4,114,192)		(4,114,192)
Changes in net position	<u>4,554,699</u>	<u>(4,114,192)</u>	<u>440,507</u>
Net position:			
Beginning of year	<u>59,967,950</u>	<u>4,114,192</u>	<u>64,082,142</u>
End of year	<u>\$ 64,522,649</u>	<u>\$ -</u>	<u>\$ 64,522,649</u>

See notes to financial statements.

LOWER PAXTON TOWNSHIP

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2021

	Lower Paxton Township Authority	Friendship Community Center	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 20,384,796		\$ 20,384,796
Payments to:			
Suppliers	(6,965,789)		(6,965,789)
Lower Paxton Township	(4,933,710)		(4,933,710)
Net cash provided by operating activities	<u>8,485,297</u>		<u>8,485,297</u>
Cash flow used in noncapital financing activities, transfers out	<u>\$ (807)</u>		<u>(807)</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(14,618,193)		(14,618,193)
Proceeds from sale of capital assets	15,770		15,770
Tapping fees	616,890		616,890
Township contributions	76,141		76,141
Proceeds from the issuance of long-term debt, subsidy agreements	5,424,686		5,424,686
Principal payments on long-term debt, subsidy agreements	(4,186,019)		(4,186,019)
Capital lease payments	(48,407)		(48,407)
Interest payments	(4,910,253)		(4,910,253)
Net cash used in capital and related financing activities	<u>(17,629,385)</u>		<u>(17,629,385)</u>
Cash flows from investing activities:			
Purchase of investments	(1,511,999)		(1,511,999)
Sale of investments	246,196		246,196
Interest income	42,365		42,365
Net cash used in investing activities	<u>(1,223,438)</u>		<u>(1,223,438)</u>
Net decrease in cash and cash equivalents	<u>(10,367,526)</u>	<u>(807)</u>	<u>(10,368,333)</u>
Cash:			
Beginning of year	62,120,508	807	62,121,315
End of year	<u>\$ 51,752,982</u>	<u>\$ -</u>	<u>\$ 51,752,982</u>
Presented in financial statements as:			
Cash and cash equivalents	\$ 23,992,630		\$ 23,992,630
Restricted cash	27,760,352		27,760,352
	<u>\$ 51,752,982</u>		<u>\$ 51,752,982</u>

(continued)

LOWER PAXTON TOWNSHIP

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED) YEAR ENDED DECEMBER 31, 2021

	Business type activities, enterprise funds		
	Lower Paxton Township Authority	Friendship Community Center	Total
	\$	\$	\$
Reconciliation of operating income to net cash provided by operating activities, operating income	5,823,043		5,823,043
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation/amortization expense	3,319,455		3,319,455
Decrease in:			
Accounts receivable	32,918		32,918
Prepaid expenses	355,033		355,033
Increase (decrease) in:			
Accounts payable	(990,400)		(990,400)
Due to:			
Township	(569,018)		(569,018)
Other governments	174,561		174,561
Developers escrow	339,705		339,705
Net cash provided by operating activities	<u>8,485,297</u>		<u>8,485,297</u>
Supplemental disclosures of noncash transactions:			
Developer contributions	\$ 2,581,142		\$ 2,581,142
Accounts payable for property, plant and equipment	2,274,884		2,274,884
Amortization of:			
Bond premiums	(471,871)		(471,871)
Deferred refundings	168,302		168,302

See notes to financial statements.

LOWER PAXTON TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
DECEMBER 31, 2021

	<u>Pension trust funds</u>
Assets:	
Cash	\$ 840,627
Accounts receivable, employee contributions	17,516
Interest receivable	8,204
Investments	<u>62,098,225</u>
Total assets	<u>\$ 62,964,572</u>
Liabilities, accounts payable	\$ 3,610
Net position, restricted for pensions	<u>62,960,962</u>
Total liabilities and net position	<u>\$ 62,964,572</u>

See notes to financial statements.

LOWER PAXTON TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Pension trust funds
Additions:	
Contributions:	
Employee	\$ 457,333
Employer	1,839,529
Employer, Commonwealth funding	<u>954,659</u>
Total contributions	<u>3,251,521</u>
Investment income:	
Interest and dividends	657,496
Net appreciation in fair value of investments	<u>5,780,988</u>
Net investment gain	<u>6,438,484</u>
Total additions	<u>9,690,005</u>
Deductions:	
Retirement benefits	2,685,014
Refunds to terminated employees	8,326
Administrative	<u>157,834</u>
Total deductions	<u>2,851,174</u>
Net increase	<u>6,838,831</u>
Net position restricted for pensions:	
Beginning of year, restated	<u>56,122,131</u>
End of year	<u>\$ 62,960,962</u>

See notes to financial statements.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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, 2021

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 affected 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, 2021

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 fiduciary 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 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 noncurrent 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, 2021

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 fund:

- 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 Township's nonmajor funds include the State Highway Aid, General Improvement and Fire Equipment 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. Nonoperating 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.

The Township reports the following major proprietary fund:

- The Lower Paxton Township Authority is used to account for the fiscal activities of providing sewer and stormwater management services.

Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as a custodian 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.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Measurement focus basis of accounting and financial statement presentation:

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.

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 and the Fireman's Length of Service Award Program (LOSAP) fund.

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.

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 as of December 31 and not billed until the following January.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Assets, liabilities and net position or fund balances:

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 cash equivalents balances from developers' escrow, forfeiture funds, unspent bond proceeds and fire equipment funds. As of December 31, 2021, the restricted cash balance was \$2,596,004.

Restricted assets for the Authority represent cash and investment balances from developers' escrow and unspent bond proceeds. As of December 31, 2021, the restricted cash balance was \$27,760,352.

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.

Capital assets are evaluated periodically for impairment and when deemed appropriate, are written down to reflect an approximation of estimated future cash flows related to the asset.

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.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Assets, liabilities and net position or fund balances:

Capital assets:

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

Assets	Years
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*.

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.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Assets, liabilities and net position or fund balances:

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.

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 provision, or by enabling legislation.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Assets, liabilities and net position or fund balances:

Net position/fund balances:

- 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 Township's 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.
- 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.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Assets, liabilities and net position or fund balances:

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 three items that qualify for reporting in this category: deferred outflows related to pensions, deferred outflows related to other postemployment benefits and deferred outflows on refunding bonds. Deferred outflows related to pensions are described further in Notes 9 and 10 and deferred outflows related to other postemployment benefits are described further in Note 11. The components of deferred outflows related to pensions are amortized into pension expense for the non-uniform pension plan, police pension plan and fireman's LOSAP 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, 2021

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 three items that qualify for reporting in this category: deferred inflows related to pensions, deferred inflows related to other postemployment benefits and unavailable tax revenue deferred inflows related to pensions are described further in Notes 9 and 10 and deferred inflows related to other postemployment benefits are described further in Note 11. 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). The remaining components of deferred inflows related to pensions are amortized into pension expense for the non-uniform pension plan, police pension plan and fireman's LOSAP plan over the remaining service life of participants, beginning the year in which the deferred amount 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.

New Government Accounting Standards Board (GASB) 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 the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The new pronouncement is reflected in the current year disclosures.

Pending Government Accounting Standards Board (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 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, 2021

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

Pending Government Accounting Standards Board (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.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate is effective for the Township's December 31, 2022 financial statements. All other requirements of the Statement are effective for the Township's December 31, 2023 financial statements.

In January 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement is to improve financial reporting by addressing issues related to public-private and public-public partnerships arrangements (PPPs). The provisions of GASB Statement No. 94 are effective for the Township's December 31, 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The provisions of GASB No. 96 are effective for the Township's December 31, 2023 financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This Statement is to improve financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The provisions of GASB Statement No. 97 related to Section 457 plans are effective for the Township's December 31, 2022 financial statements.

The effect of implementation of these Statements on future periods has not yet been determined.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

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, General Improvement and Fire Equipment Funds and is based on estimates of revenues and expenditures approved by the Township's Board of Supervisors. The Township adopted the 2021 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 Township's 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 Township's Board of Supervisors.
3. The Township's 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 Township's Board of Supervisors may, at any time by resolution, make supplemental appropriations.
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.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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. As of December 31, 2021, the Township's cash balance consisted of \$35,378,514 and \$28,231,806, in financial institutions and Pennsylvania investments accounts, respectively. Its bank balance was \$64,464,185. Of the bank balance, \$504,173 was covered by the Federal Deposit Insurance Corporation, and \$33,226,730 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. As of December 31, 2021, the Township had external investment funds totaling \$30,696,951 invested in the Pennsylvania Local Government Investment Trust (PLGIT).

As of December 31, 2021, the Township had \$36,331 of funds held in Wells Fargo money markets that relate to the Fireman's LOSAP fund.

As of December 31, 2021, the Township's business-type activities had \$1,507,826 of debt investments and maturities within its operating fund accounts. These investments consisted of certificates of deposit with maturity dates of greater than three months from the date of purchase, excluding them from cash and cash equivalents.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

2. Deposits and related risks (continued):

Reconciliation to the financial statements:

Collateral held by the pledging bank under Act 72 but not in the Township's name	\$ 33,226,730
Wells Fargo, money market	626,000
City National Rochdale, money market	214,627
PLGIT investments, money market	30,696,951
Insured by Federal Deposit Insurance Corporation	504,173
Deposits in transit	132,174
Outstanding checks	(1,015,391)
Petty cash	<u>2,271</u>
 Total cash deposits	 <u>\$ 64,387,535</u>

Reconciliation to financial statements, cash:

Governmental activities:	
Unrestricted	\$ 9,197,922
Restricted	2,596,004
Business-type activities:	
Unrestricted	23,992,630
Restricted	27,760,352
Fiduciary funds	<u>840,627</u>
 Total cash and cash equivalents	 <u>\$ 64,387,535</u>

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.

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, 2021, investments in fixed income investments were rated AAA, AA, A, BAA and NR by Moody's and 100% of the governmental fund investments were not rated by Moody's.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

2. Deposits and related risks (continued):

Concentration of credit risk:

The Township does not have a formal policy that places limits on the amount or percent that may be invested in any one issuer for the governmental funds or Pension Trust Funds. As of December 31, 2021, 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, 2021

3. Investments (continued):

The Township's Fireman's LOSAP fund had the following investments as of December 31, 2021. All investments are deemed to be Level 1 investments.

<u>Investment type</u>	<u>Fair value</u>
Mutual funds:	
Equity funds	\$ 768,724
Corporate bonds	347,648
Fixed income funds	<u>116,772</u>
Total	<u><u>\$ 1,233,144</u></u>

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

3. Investments (continued):

The Township's non-uniform pension trust fund had the following recurring fair value measurements as of December 31, 2021:

	Level 1 investments		
	Wells Fargo	City National Rochdale	Total investments
Mutual funds:			
Emerging markets	\$ 351,226		\$ 351,226
International	1,391,484		1,391,484
Fixed income	2,498,186	\$ 548,857	3,047,043
Equity	673,750		673,750
Bond	3,605,730		3,605,730
Small cap	574,215		574,215
Mid cap	980,018		980,018
Large cap	888,775		888,775
Growth	209,223		209,223
Closed-end		102,839	102,839
Common stock		1,060,453	1,060,453
Exchange-traded funds		94,663	94,663
Corporate bonds		305,772	305,772
 Total investments at fair value level (Level 1)	 <u>\$ 11,172,607</u>	 <u>\$ 2,112,584</u>	 13,285,191
 Investments measured at the net asset value, pooled separate accounts			 <u>12,800,627</u>
 Total investments, non-uniform pension trust fund			 <u>\$ 26,085,818</u>

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

3. Investments (continued):

The Township's police pension trust fund had the following recurring fair value measurements as of December 31, 2021:

	Level 1 investments		
	Wells Fargo	City National Rochdale	Total investments
Mutual funds:			
Emerging markets	\$ 234,603		\$ 234,603
International	928,032		928,032
Fixed income	1,659,258	\$ 2,065,057	3,724,315
Equity	452,240		452,240
Bond	2,395,129		2,395,129
Small cap	379,286		379,286
Mid cap	645,328		645,328
Large cap	586,768		586,768
Growth	140,407		140,407
Closed-end		383,820	383,820
Common stock		3,964,086	3,964,086
Exchange-traded funds		345,549	345,549
Governmental bonds		510,530	510,530
Treasury notes		40,512	40,512
Corporate bonds		541,480	541,480
Other		8,295	8,295
 Total investments at fair value level (Level 1)	 <u>\$ 7,421,051</u>	 <u>\$ 7,859,329</u>	 15,280,380
 Investments measured at the net asset value, pooled separate accounts			 <u>19,498,883</u>
 Total investments, police pension trust fund			 <u>\$ 34,779,263</u>

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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. Dauphin County bills these taxes, which are collected by the County and remitted to the Township. Real estate taxes levied for 2021 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2021 and expected to be collected within the first 60 days of 2022 are recognized as revenue in 2021. 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 2021 was 1.554 mills for general purposes, 0.4615 mills for fire protection and 0.041 mills for library funding purposes on a total Township assessed valuation of \$3,320,642,089.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

5. Capital assets:

A summary of changes in the governmental activities capital assets for the year ended December 31, 2021 was as follows:

	Beginning balance	Additions	Disposals	Transfers	Ending balance
Capital assets, not being depreciated:					
Land	\$ 3,235,494	\$ 6,280	\$ (99,135)		\$ 3,142,639
Intangibles	421,850				421,850
Construction in progress	1,523,862	1,299,562		\$ (2,269,349)	554,075
Total capital assets, not being depreciated	5,181,206	1,305,842	(99,135)	(2,269,349)	4,118,564
Capital assets being depreciated (cost):					
Buildings	12,463,251	69,790	(106,324)	10,695,112	23,121,829
Land improvements	7,692,447	313,114	(2,366)		8,003,195
Machinery and equipment	4,954,569	358,241	(491,271)	558,272	5,379,811
Vehicles	10,233,911	502,072	(1,775,575)	2,269,349	11,229,757
Infrastructure	49,298,527	2,296,748			51,595,275
Total capital assets, being depreciated	84,642,705	3,539,965	(2,375,536)	13,522,733	99,329,867
Accumulated depreciation:					
Buildings	(3,808,841)	(604,671)	53,630	(4,957,608)	(9,317,490)
Land improvements	(5,000,694)	(287,693)	1,696		(5,286,691)
Machinery and equipment	(2,921,577)	(316,728)	446,260	(444,868)	(3,236,913)
Vehicles	(5,505,172)	(763,564)	1,667,915		(4,600,821)
Infrastructure	(36,494,159)	(1,012,335)			(37,506,494)
Total accumulated depreciation	(53,730,443)	(2,984,991)	2,169,501	(5,402,476)	(59,948,409)
Total capital assets, being depreciated, net	30,912,262	554,974	(206,035)	8,120,257	39,381,458
Governmental activities, capital assets, net	\$ 36,093,468	\$ 1,860,816	\$ (305,170)	\$ 5,850,908	\$ 43,500,022

Depreciation expense was charged to functions/programs of the Township for 2021 as follows:

Governmental activities:	
General government	\$ 185,200
Police department	176,540
Fire and ambulance	480,900
Public works	498,496
Parks and recreation	654,287
Infrastructure, unallocated	989,568
Total depreciation expense, governmental activities	\$ 2,984,991

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

5. Capital assets (continued):

A summary of changes in the business-type activities capital assets for the year ended December 31, 2021 is as follows:

	Beginning balance	Additions	Disposals	Transfers	Ending balance
Lower Paxton Township Authority:					
Capital assets, not being depreciated:					
Land	\$ 1,540,192				\$ 1,540,192
Construction in progress		\$ 15,112,457			15,112,457
Intangibles	<u>2,740,869</u>				<u>2,740,869</u>
Total capital assets, not being depreciated	<u>4,281,061</u>	<u>15,112,457</u>			<u>19,393,518</u>
Capital assets, being depreciated:					
Buildings	1,517,541				1,517,541
Machinery and equipment	1,092,128	473,544			1,565,672
Furniture	40,973				40,973
Sewer system	168,192,567	1,192,906			169,385,473
Stormwater system	<u>18,381,380</u>	<u>1,822,769</u>			<u>20,204,149</u>
Total capital assets, being depreciated	<u>189,224,589</u>	<u>3,489,219</u>			<u>192,713,808</u>
Accumulated depreciation:					
Buildings	(509,347)	(37,938)			(547,285)
Machinery and equipment	(429,896)	(123,276)			(553,172)
Furniture	(19,479)	(1,084)			(20,563)
Sewer system	(54,021,075)	(2,305,221)			(56,326,296)
Stormwater system	<u>(1,167,607)</u>	<u>(470,860)</u>			<u>(1,638,467)</u>
Total accumulated depreciation	<u>(56,147,404)</u>	<u>(2,938,379)</u>			<u>(59,085,783)</u>
Net capital assets being depreciated	<u>133,077,185</u>	<u>550,840</u>			<u>133,628,025</u>
Net property, plant and equipment	<u>137,358,246</u>	<u>15,663,297</u>			<u>153,021,543</u>
Sewer capacity costs	21,144,628				21,144,628
Accumulated amortization	<u>(7,543,800)</u>	<u>(381,076)</u>			<u>(7,924,876)</u>
Net sewer capacity costs	<u>13,600,828</u>	<u>(381,076)</u>			<u>13,219,752</u>
Net capital assets, Authority	<u>150,959,074</u>	<u>15,282,221</u>			<u>166,241,295</u>
Friendship Community Center:					
Capital assets, being depreciated:					
Buildings	10,695,112			\$ (10,695,112)	-
Machinery and equipment	<u>558,272</u>			<u>(558,272)</u>	<u>-</u>
Total capital assets, being depreciated	<u>11,253,384</u>			<u>(11,253,384)</u>	<u>-</u>
Accumulated depreciation:					
Buildings	(4,957,608)			4,957,608	-
Machinery and equipment	<u>(444,868)</u>			<u>444,868</u>	<u>-</u>
Total accumulated depreciation	<u>(5,402,476)</u>			<u>5,402,476</u>	<u>-</u>
Net capital assets, Friendship Community Center	<u>5,850,908</u>			<u>(5,850,908)</u>	<u>-</u>
Net capital assets, business type activities	<u>\$ 156,809,982</u>	<u>\$ 15,282,221</u>		<u>\$ (5,850,908)</u>	<u>\$ 166,241,295</u>

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

6. Long-term liabilities:

The Township's long-term liabilities consisted 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 \$147,641,705 as of December 31, 2021.

The following was a summary of Township debt obligations as of December 31, 2021:

	Original borrowing	Year of issue/maturity	Interest rates to maturity	Annual principal payments to maturity	Beginning balance	Additions	Deletions	Ending balance
General obligation bonds:								
Series of 2010A	\$ 4,355,000	2010/2021			\$ 300,000	\$ (300,000)	\$ -	
Series of 2014	23,350,000	2014/2044	1.75% - 5.00%	\$800,000 to \$980,000	5,995,000	(560,000)	5,435,000	
Series of 2015	14,005,000	2015/2029	2.00% - 4.00%	\$160,000 to \$2,125,000	13,535,000	(10,000)	13,525,000	
Series of 2016	23,840,000	2016/2046	2.00% - 5.00%	\$685,000 to \$1,115,000	16,055,000	(685,000)	15,370,000	
Series of 2019	52,040,000	2019/2044	3.00% - 4.00%	\$495,000 to \$4,975,000	51,280,000	(735,000)	50,545,000	
Series of 2020A	25,970,000	2020/2050	1.00% - 4.00%	\$510,000 to \$1,450,000	25,970,000	(505,000)	25,465,000	
Series of 2020B	8,665,000	2020/2027	1.00% - 4.00%	\$785,000 to \$2,390,000	8,665,000	(1,745,000)	6,920,000	
Series of 2020C	34,760,000	2020/2046	0.51% - 2.98%	\$410,000 to \$2,555,000	34,760,000	(355,000)	34,405,000	
Total general obligation bonds					156,560,000		(4,895,000)	151,665,000
Loans:								
PennVest loan 2010	10,901,017	2010/2032	2.45% - 3.13%	\$336,662 to \$657,732	6,554,251	(481,019)	6,073,232	
PennVest loan 2019	7,653,472	2020/2032	1.51% - 2.06%	\$493,009 to \$777,665	2,228,786	\$ 5,424,686	7,653,472	
PA Infrastructure Bank	750,000	2011/2022	1.63%	\$40,453	120,382	(79,929)	40,453	
Total loans					8,903,419	5,424,686	(560,948)	13,767,157
Total long-term debt					\$ 165,463,419	\$ 5,424,686	\$ (5,455,948)	\$ 165,432,157

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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	\$ 17,750,000
Loan	<u>40,452</u>

Total long-term debt, governmental activities

17,790,452

Business-type activities:

Lower Paxton Township, subsidy agreements with Lower Paxton Township Authority:	
General obligation bonds	133,915,000
Loans	<u>13,726,705</u>

Total long-term debt, business-type activities

147,641,705

Total long-term debt

\$ 165,432,157

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

6. Long-term liabilities (continued):

Long-term debt:

Changes in the Township's long-term debt for the year ended December 31, 2021 were as follows:

Type	Beginning balance	Additions	Deletions	Ending balance
General obligation bonds:				
Series of 2010A	\$ 300,000		\$ (300,000)	\$ -
Series of 2014	5,995,000		(560,000)	5,435,000
Series of 2015	13,535,000		(10,000)	13,525,000
Series of 2016	16,055,000		(685,000)	15,370,000
Series of 2019	51,280,000		(735,000)	50,545,000
Series of 2020A	25,970,000		(505,000)	25,465,000
Series of 2020B	8,665,000		(1,745,000)	6,920,000
Series of 2020C	<u>34,760,000</u>		<u>(355,000)</u>	<u>34,405,000</u>
Total general obligation bonds	<u>156,560,000</u>		<u>(4,895,000)</u>	<u>151,665,000</u>
Loans:				
PennVest loan 2010	6,554,251		(481,019)	6,073,232
PennVest loan 2019	2,228,786	\$ 5,424,686		7,653,472
PA Infrastructure Bank	<u>120,382</u>		<u>(79,929)</u>	<u>40,453</u>
Total loans	<u>8,903,419</u>	<u>5,424,686</u>	<u>(560,948)</u>	<u>13,767,157</u>
Total long-term debt activity	<u>\$ 165,463,419</u>	<u>\$ 5,424,686</u>	<u>\$ (5,455,948)</u>	<u>\$ 165,432,157</u>

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. As of December 31, 2021, \$7,653,472 has been drawn on this loan.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

6. Long-term liabilities (continued):

Long-term debt:

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

	Principal	Interest	Total
2022	\$ 1,760,452	\$ 551,759	\$ 2,312,211
2023	1,785,000	485,689	2,270,689
2024	1,845,000	415,621	2,260,621
2025	1,920,000	344,598	2,264,598
2026	1,785,000	278,299	2,063,299
2027-2031	5,800,000	727,358	6,527,358
2032-2036	2,760,000	185,040	2,945,040
2037-2041	75,000	19,500	94,500
2042-2044	60,000	3,600	63,600
	<hr/> <u>\$ 17,790,452</u>	<hr/> <u>\$ 3,011,464</u>	<hr/> <u>\$ 20,801,916</u>

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

	Principal	Interest	Total
2022	\$ 5,034,316	\$ 4,859,565	\$ 9,893,881
2023	5,363,179	4,705,155	10,068,334
2024	5,544,596	4,529,308	10,073,904
2025	5,721,685	4,349,861	10,071,546
2026	5,889,465	4,185,039	10,074,504
2027-2031	32,143,320	18,367,653	50,510,973
2032-2036	34,435,144	12,787,959	47,223,103
2037-2041	30,995,000	6,340,269	37,335,269
2042-2046	17,055,000	2,390,728	19,445,728
2047-2050	5,460,000	447,800	5,907,800
	<hr/> <u>\$ 147,641,705</u>	<hr/> <u>\$ 62,963,337</u>	<hr/> <u>\$ 210,605,042</u>

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

6. Long-term liabilities (continued):

Capital leases:

Governmental activities:

The Township utilizes capital leases to finance the purchase of certain equipment and vehicles. The leases have terms varying from three to five years with payments that began in March 2017 and continue through November 2026.

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

Assets:

Leasehold assets	\$ 1,544,243
Less accumulated depreciation	<u>(220,214)</u>
Total	<u><u>\$ 1,324,029</u></u>

Business-type activities:

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 the capital leases were as follows:

Assets:

Leasehold	\$ 240,153
Less accumulated depreciation	<u>(91,758)</u>
Total	<u><u>\$ 148,395</u></u>

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

6. Long-term liabilities (continued):

Capital leases:

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

Year ending December 31,	Governmental activities	Business-type activities
2022	\$ 361,456	\$ 52,478
2023	262,230	18,586
2024	243,642	
2025	163,904	
2026	73,722	
 Total minimum lease payments	1,104,954	71,064
 Less:		
Amount representing interest	78,632	2,995
Present value of minimum lease payments, current portion	327,688	49,139
 Total present value of net minimum lease payments, noncurrent	\$ 698,634	\$ 18,930

7. Defeased debt:

In prior years, the Township defeased portions of the Governmental Authority (Sewer) General Obligation Bonds, Series of 2014 and 2016 by placing the proceeds of new issues in irrevocable trusts to provide for all future debt service payments on the old bonds, first callable in 2024. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Township's financial statements. There has been no substitution of essentially risk-free monetary assets.

As of December 31, 2021, the principal amount outstanding relative to Series of 2014 and 2016 defeased debt was \$20,040,000 and \$9,145,000, respectively.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Deferred compensation:

The Township, in accordance with the Board of Supervisor's approval, offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan is available to all Township employees. The plan permits employees to defer a portion of their salary until future years, which the employees are fully vested in upon contribution, with no forfeiture provision. The Township does not contribute to the deferred compensation plan. Employees can defer the lesser of \$19,500, and up to an additional \$6,500 catch-up for employees age 50 or over, or 100% of their includable salaries over the plan year. Employee contributions made to the 457(b) plan for the year ended December 31, 2021 were \$436,389.

All amounts of compensation deferred under the plan and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose. The plan administrator, Empower Retirement, is the trustee of the investments.

9. 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 12 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 Township's 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:

As of December 31, 2021, participants in the non-uniform plan consisted of the following:

Participants:

Retirees and beneficiaries currently receiving benefits	40
Terminated employees entitled to benefits but not yet receiving them	12
Active employees	87

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. 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:

		Non-uniformed
Normal retirement eligibility		Township Unit employees, hired on or after January 1, 2013 - age 65 with 10 years of service; Township Unit employees, hired before January 1, 2013 - the earliest of age 65 with 10 years of service or 60 with 15 years of service; Authority employees - age 65 with 10 years of service.
Average compensation period		36 months
Early retirement eligibility		Township Unit employees, hired on or after January 1, 2013 - age 60 with 15 years of service; Township Unit employees, hired before January 1, 2013 - age 55 with 15 years of service; Authority employees - age 55 with 10 years of service.
Vesting		Township Unit employees - 100% after completion of 9 years of service; Authority Unit employees - 30% after 3 years of service, increasing 10% each year up to 100% after 10 years of service.
Normal forms of benefits		Life
Normal retirement benefits		A monthly benefit equal to 2% of final average monthly compensation averaged over the final 36-month period prior to retirement multiplied by years of service (maximum 27 years).
Early retirement benefits		The normal retirement benefit calculated at termination is payable at early retirement, actuarially reduced for commencement prior to normal retirement. Employees (other than Authority Unit employees) 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 employees - Accrued benefit at date of disability, 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> - the surviving spouse will receive the survivor portion of the participant's accrued benefit after reduction to an actuarial equivalent joint and 50% survivor benefit and reduction for commencement prior to normal retirement, payable at early retirement. <u>After retirement</u> - the normal form of payment is a life annuity. At retirement, the participant may select an optional form of benefit payment that is an actuarial equivalent of the normal form.
Cost of living adjustment		None
Service increment		None

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. 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 (Act 205), 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 \$1,003,335 which was funded by the Township through a state aid amount of \$407,769 and Township contributions of \$595,566. Employee contributions in 2021 totaled \$172,808.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. 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, 2021 were as follows:

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) - (b)
Balances at December 31, 2020	<u>\$ 24,419,482</u>	<u>\$ 23,579,539</u>	<u>\$ 839,943</u>
Service cost	633,242	633,242	633,242
Interest cost	1,612,963	1,612,963	1,612,963
Differences between expected and actual experience	(164,906)	(164,906)	(164,906)
Change in assumptions	356,839	356,839	356,839
Contributions:			
Employer	1,003,335	(1,003,335)	(1,003,335)
Employee	172,808	(172,808)	(172,808)
Net investment income	2,601,458	(2,601,458)	(2,601,458)
Benefit payments, including refunds of member contributions	(873,417)	(873,417)	-
Administrative expense	(4,254)	4,254	4,254
Net changes	<u>1,564,721</u>	<u>2,899,930</u>	<u>(1,335,209)</u>
Balances at December 31, 2021	<u>\$ 25,984,203</u>	<u>\$ 26,479,469</u>	<u>\$ (495,266)</u>

As of December 31, 2021, the plan fiduciary net position as a percentage of the total liability was 101.9%.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. Pension plans (continued):

Non-Uniform Pension Plan:

Net pension liability:

As of December 31, 2021, 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		\$ 856,217
Change in assumptions		\$ 1,104,781
Net difference between projected and actual investment earnings	399,646	2,494,222
Total	\$ 1,504,427	\$ 3,350,439

The total pension income recognized in 2021 for the Non-Uniform Pension Plan was \$184,846. The deferred outflows of resources and the deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31,

2022	\$ (484,570)
2023	(836,522)
2024	(416,436)
2025	(182,171)
2026	31,316
Thereafter	<u>42,371</u>
	<u><u>\$(1,846,012)</u></u>

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. 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, 2021 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50 %
Salary increases, including inflation	4.75 %
Expected long-term rate of return	6.50 %, applied to all periods

Mortality rates were based on the 2010 Public Plan – Public General (PubG-2010) mortality tables and mortality improvement projected from the base year 2020 with rates derived from the Long-Range Demographic Assumptions for the 2020 Social Security Administration'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, 2021 are summarized in the following table:

Asset class	Target allocation	Long-term expected rate of return
Equity	0.00 - 60.00 %	4.00 - 10.00 %
Fixed income	0.00 - 50.00 %	1.00 - 5.00 %
Cash	0.00 %	0.00 - 1.00 %

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. Pension plans (continued):

Non-Uniform Pension Plan:

Discount rate:

The discount rate used to measure the total pension liability was 6.50%. 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, 5.50%	Current discount rate 6.50%	1% Increase, 7.50%
Non-uniform net pension liability	2,600,766	(495,265)	(3,106,827)

Rate of return:

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments was 11.10%. The money-weighted rate of return expresses investment performance, net of investment expenses, not funded through the MMO.

Police Pension Plan:

Plan membership:

As of December 31, 2021, participants in the police plan consisted of the following:

Participants:

Retirees and beneficiaries currently receiving benefits	49
Terminated employees entitled to benefits but not yet receiving them	3
Active employees	59

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. 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	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	A monthly benefit equal to 50% of gross pay averaged over the last 36 months of employment, plus service increment.
Early benefit	N/A
Disability benefit	50% of the participant's final monthly average salary at disability/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 age 18, or age 23 if attending college.
Cost of living adjustment	Effective on first anniversary of retirement, retiree will receive an increase in the monthly benefit equal to the lesser of 2% or the increase in CPI, 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, 2021

9. 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 \$1,696,051 which was funded by the Township through a state aid amount of \$546,890 and Township contributions of \$1,149,161. Employee contributions in 2021 totaled \$284,525.

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, 2021 were as follows:

	Total pension liability (a)	Plan fiduciary net position (b)	Increase (decrease) Net pension liability (a) - (b)
Balances at December 31, 2020	\$ 36,206,809	\$ 31,440,037	\$ 4,766,772
Service cost	993,643		993,643
Interest cost	2,475,674		2,475,674
Differences between expected and actual experience	555,470		555,470
Change in assumptions	1,205,445		1,205,445
Contributions:			
Employer		1,696,051	(1,696,051)
Employee		284,525	(284,525)
Net investment income		3,562,665	(3,562,665)
Benefit payments, including refunds of member contributions	(1,776,114)	(1,776,114)	-
Administrative expense		(3,350)	3,350
Net changes	3,454,118	3,763,777	(309,659)
Balances at December 31, 2021	<u>\$ 39,660,927</u>	<u>\$ 35,203,814</u>	<u>\$ 4,457,113</u>

As of December 31, 2021, the plan fiduciary net position as a percentage of the total liability was 88.8%.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. Pension plans (continued):

Police Pension Plan:

Net pension liability:

As of December 31, 2021, 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	\$ 691,538	\$ 25,328
Change in assumptions	1,665,348	
Net difference between projected and actual investment earnings	530,026	3,082,207
Total	\$ 2,886,912	\$ 3,107,535

The total pension expense recognized in 2021 for the Police Pension Plan was \$819,982. The deferred outflows of resources and the deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31,

2021	\$ (29,260)
2022	(590,462)
2023	(61,740)
2024	120,019
2025	284,019
Thereafter	<u>56,801</u>
	<u><u>\$ (220,623)</u></u>

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. Pension plans (continued):

Police Pension Plan:

Actuarial methods and assumptions:

The Township's police net pension liability was measured as of January 1, 2021 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50 %
Salary increases, including inflation	5.50 %
Expected long-term rate of return	6.50 %, applied to all periods

Mortality rates were based on the 2010 Public Plan – Public General (PubG-2010) mortality tables and mortality improvement projected from the base year 2020 with rates derived from the Long-Range Demographic Assumptions for the 2020 Social Security Administration'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, 2021 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 %	4.00 - 10.00 %
Fixed income	0.00 - 50.00 %	1.00 - 5.00 %
Cash	0.00 %	0.00 - 1.00 %

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. Pension plans (continued):

Police Pension Plan:

Discount rate:

The discount rate used to measure the total pension liability was 6.50%. 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, 5.50%	Current discount rate 6.50%	1% Increase, 7.50%
Police net pension liability	9,650,852	4,457,113	137,856

Rate of return:

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments was 11.47%. The money-weighted rate of return expresses investment performance, net of investment expenses, not funded through the MMO.

10. Length of Service Award Program (LOSAP):

Plan description:

Plan administration:

The Lower Paxton Township Length of Service Award Program (LOSAP) for Firefighters was established January 1, 2008, to provide retirement benefits for the volunteer firefighters and fire police officers of the Colonial Park, Linglestown and Paxtonia Fire Companies. Volunteer firefighters and fire police officers join the LOSAP plan upon employment. The LOSAP plan is reported as a pension trust fund in the statement of fiduciary net position and changes therein. The LOSAP plan does not issue stand-alone financial reports.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

10. Length of Service Award Program (LOSAP):

Plan description:

Plan membership:

As of December 31, 2021, participants in the LOSAP plan consisted of the following:

Plan membership:

Inactive members or beneficiaries currently receiving benefits	15
Inactive members entitled to benefits but not yet receiving them	27
Active members	73
Total	115
	<u><u> </u></u>

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

10. Length of Service Award Program (LOSAP):

Plan description:

Plan benefits:

A summary of the benefits provided by the LOSAP is as follows:

<hr/> LOSAP <hr/>	
Normal retirement eligibility	A member is eligible for normal retirement after attainment of age 65 and completion of five years of participation. The normal retirement pension is payable during the member's lifetime, with payments ceasing upon death. The amount of monthly pension is equal to \$10 per year of service with a maximum monthly pension of \$250.
Late retirement eligibility	If a member continues working after his normal retirement date, his pension does not start until he actually retires. The late retirement benefit is the benefit accrued to the late retirement date.
Early retirement eligibility	N/A
Vesting	A member's benefits vest upon completion of five years of service earned after January 1, 2008, and attainment of age 40. The vested benefit is a deferred pension beginning at normal retirement equal to the benefit accrued to the date of termination.
Normal forms of benefits	Life
Disability benefit	None
Death benefit	None
Cost of living adjustment	None
Service increment	None

Plan description:

Contributions:

Contributions to the LOSAP plan from the Township in 2021 totaled \$94,802.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

10. Length of Service Award Program (LOSAP) (continued):

Net pension liability:

The components and changes in the Township's net pension liability for the LOSAP plan for the year ended December 31, 2021 were as follows:

	Total pension liability (a)	Plan fiduciary net position (b)	Increase (decrease) Net pension liability (a) - (b)
Balances at December 31, 2020	\$ 1,237,184	\$ 1,102,552	\$ 134,632
Service cost	16,512		16,512
Interest cost	88,345		88,345
Differences between expected and actual experience	(44,673)		(44,673)
Change in assumptions	74,950		74,950
Contributions, employer		94,805	(94,805)
Net investment income		120,602	(120,602)
Benefit payments, including refunds of member contributions	(43,810)	(43,810)	-
Administrative expense		(4,675)	4,675
Net changes	91,324	166,922	(75,598)
Balances at December 31, 2021	<u>\$ 1,328,508</u>	<u>\$ 1,269,474</u>	<u>\$ 59,034</u>

As of December 31, 2021, the plan fiduciary net position as a percentage of the total liability was 95.6%.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

10. Length of Service Award Program (LOSAP) (continued):

Net pension liability:

As of December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to the LOSAP plan from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$ 41,482
Change in assumptions	\$ 69,596	
Net difference between projected and actual investment earnings		33,442
Total	\$ 69,596	\$ 74,924

The total pension expense recognized in 2021 for the LOSAP plan was \$24,535. The deferred outflows of resources and the deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31,

2022	\$ (6,197)
2023	(6,197)
2024	(6,197)
2025	(6,197)
2026	2,163
Thereafter	<u>17,297</u>
	<u><u>\$ (5,328)</u></u>

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

10. Length of Service Award Program (LOSAP) (continued):

Net pension liability:

Actuarial methods and assumptions:

The Township's LOSAP net pension liability was measured as of December 31, 2021 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The following are the significant actuarial assumptions applied to all periods included in the measurement:

Inflation	3.00%
Salary increases (average, including inflation)	0.00%
Investment rate of return (including inflation)	7.00%
Postretirement cost of living increase	0.00%
Discount rate	7.00%

Mortality rates were based on the PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.

The long-term expected rate of return on 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) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2021 are summarized in the following table:

Asset class	Target allocation	Long-term expected rate of return
Domestic equity	50 %	5.50 - 7.50 %
International equity	15 %	4.50 - 6.50 %
Fixed income	35 %	1.00 - 3.00 %

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

10. Length of Service Award Program (LOSAP) (continued):

Net pension liability:

Discount rate:

The discount rate used to measure the total pension liability was 7.00%. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 6.00%	Current rate 7.00%	1% increase 8.00%
Township's net pension liability	\$ 229,674	\$ 59,034	\$ (134,205)

11. Postemployment benefit plan:

Plan description:

Plan administration:

The Township administers a single-employer defined benefit postemployment benefit (OPEB) 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.

Plan membership:

As of December 31, 2021, the Plan's membership consisted of the following:

Active participants	57
Retired participants	15
Total	72

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

11. Postemployment benefit plan (continued):

Plan description:

Benefits provided:

All police officers retiring with a normal or disability retirement under the pension plan are eligible for other postemployment benefits. Normal retirement eligibility is the age of 50 and completion of 25 years of service. Disability retirement eligibility is considered total and permanent disability that occurs in the line of duty. The length of benefits is 120 months for retirees and eligible spouses.

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 5% of any increase in annual cost. Thereafter, the Township and the retiree share equally for any annual increases exceeding 5%.

Contributions:

The contribution requirements of Plan members and the Township are established and may be amended by the Township's 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.

Total OPEB liability:

The Township's total OPEB liability of \$8,918,193 was measured as of December 31, 2020, 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, 2020 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.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

11. Postemployment benefit plan (continued):

Total OPEB liability:

Changes in the Township's total OPEB liability for the Plan as of December 31, 2021 was as follows:

	Total OPEB liability
Balance at January 1, 2021	<u>\$ 8,918,193</u>
Changes for the year:	
Service cost	575,648
Interest	257,488
Benefit payments	(198,381)
Changes in assumptions	1,087,896
Differences between expected and actual experience	<u>(183,641)</u>
Net changes	<u>1,539,010</u>
Balance at December 31, 2021	<u><u>\$ 10,457,203</u></u>

As of December 31, 2021, 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
Differences between expected and actual experience	\$ 367,783	\$ 162,629
Change in assumptions	<u>963,423</u>	<u>138,081</u>
Total	<u><u>\$ 1,331,206</u></u>	<u><u>\$ 300,710</u></u>

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

11. Postemployment benefit plan (continued):

Total OPEB liability:

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

Year ended December 31,

2022	\$ 141,117
2023	141,117
2024	141,117
2025	141,117
2026	141,117
Thereafter	<u>324,911</u>
	<u><u>\$ 1,030,496</u></u>

Actuarial assumptions and other inputs:

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Discount rate	2.50%
Dental/vision trend rate	2.00%
Medical trend rate	6.75% for 2022, decreasing to 5.00% by 2028 and beyond

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 Heath 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.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

11. Postemployment benefit plan (continued):

Total OPEB liability:

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 1% lower or higher than the current discount rate:

	1% decrease 6.00%	Current rate 7.00%	1% increase 8.00%
Township total OPEB liability	\$ 9,529,363	\$ 10,457,203	\$ 11,563,645

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 1% lower or higher than the current discount rate:

	1% decrease 1.50%	Current rate 2.50%	1% increase 3.50%
Township total OPEB liability	\$ 11,501,964	\$ 10,457,203	\$ 9,511,048

OPEB expense:

For the year ended December 31, 2021, the Township recognized OPEB expense of \$3,201,371.

12. Risk management:

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township purchases commercial insurance coverage for these types of losses, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years, and there have been no significant reductions in insurance coverage.

The Township is a member of a risk sharing pool, the Susquehanna Municipal Trust (the Trust), to provide workers' compensation coverage. The 2021 contribution for this coverage was \$229,451, net of \$84,752 dividend received.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

12. Risk management (continued):

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. Each Trust 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, 2021, 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 and their qualifying family members and dependents. Under this program, the Township pays varying amounts of reasonable and customary healthcare expenses. For 2021, the Township paid premiums of \$2,851,090. For the year ended December 31, 2021, the Township was limited in liability for claims to \$70,000 per enrollee. Actual claims paid for the year ended December 31, 2021 were \$2,710,429. 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 2022.

13. Interfund receivables and payables:

Interfund receivable and payable balances consisted of the following as of December 31, 2021:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Governmental funds, General Fund	\$ 1,425,935	
Enterprise funds, Lower Paxton Township Authority		\$ 1,425,935
Total interfund receivables and payables	<u>\$ 1,425,935</u>	<u>\$ 1,425,935</u>

14. Interfund transfers:

As a result of the lease with the Harrisburg Area YMCA, the Township opted to eliminate the Friendship Community Center proprietary fund and transferred all Friendship Community Center assets to the General Fund. This transfer of assets occurred January 1, 2021 and is shown on the government-wide statement of activities as a transfer of \$4,114,192 from business-type activities to the governmental activities.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

14. Interfund transfers (continued):

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>Transfers in</u>	<u>Transfers out</u>
Governmental funds:		
General Fund		\$ 461,033
General improvement fund	<u>\$ 438,926</u>	<u> </u>
Total governmental funds	438,926	461,033
Enterprise funds, Friendship Community Center	<u>22,107</u>	<u> </u>
Total interfund transfers	<u><u>\$ 461,033</u></u>	<u><u>\$ 461,033</u></u>

15. 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 2021 amounted to \$478,485. 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 \$3,624,016 for the year ended December 31, 2021. As of December 31, 2021, the Authority owed the Township \$1,425,935 primarily for the fourth quarter of calendar year 2021.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

16. 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	Assigned	Unassigned	
General fund:					
Other assets	\$ 443,553				\$ 443,553
Use of budgetary reserves		\$ 1,476,096			1,476,096
Available for any purpose			\$ 8,035,667		8,035,667
Nonmajor funds:					
State highway aid	\$ 212,164				212,164
General improvement fund, Township improvements	783,012	212,186			995,198
Fire protection services	1,087,960				1,087,960
	\$ 443,553	\$ 2,083,136	\$ 1,688,282	\$ 8,035,667	\$ 12,250,638

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

Fiduciary funds	
Fireman's LOSAP trust fund, amounts restricted for payment of LOSAP benefits	\$ 1,269,475
Non-uniform pension trust fund, amounts restricted for payment of non-uniform pension benefits	26,482,360
Police pension trust fund, amounts restricted for payment of police pension benefits	<u>35,209,127</u>
Total fiduciary funds, net position	<u><u>\$ 62,960,962</u></u>

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

17. Commitments and contingencies:

The Township participates in several federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by or for the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Township may be required to reimburse the grantor government. The Township believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Township.

The Township is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the Township. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the Township.

The Township is involved with various lawsuits in the normal course of operations. In most cases, management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Management believes that losses resulting from these matters, if any, would be substantially covered under the Township's professional liability insurance policy and would not have a material effect on the financial position of the Township.

The Authority has entered into agreements for repairs and rehabilitation of its sewer and stormwater systems. There were seven total construction contracts open as of December 31, 2021 which totaled \$23,284,367. Work totaling \$16,771,220 had been completed on these contracts as of year end.

18. 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, the Authority's operating costs amounted to \$1,151,978 for the year ended December 31, 2021.

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 \$4,221,091.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

18. Agreements (continued):

During 2020, the Authority disputed the method of calculating certain 2015 through 2019 charges related to the services provided above. The disputed amount was \$1,337,598. 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 and paid in full in 2021.

The Authority is currently disputing the method of calculating certain 2021 charges related to the services provided above. The disputed amount of \$1,184,148 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, 2021.

19. Legal agreements and restrictions regarding Authority operations:

The Authority and Township are governed by a consent decree and settlement agreement with the Pennsylvania Department of Environmental Protection (PADEP) relative to the Beaver Creek, Paxton Creek and Spring Creek Basin interceptors for sewage overflows and hydraulic overloads in these regions, and manage limitations on equivalent dwelling units (EDU's) and connections in the respective areas. As capital improvements have been made, modeling and metering data updated and removal rates for overflow/overload have occurred, revised long-term corrective action plans are provided to PADEP and have been approved as submitted. As of December 31, 2021, the Authority estimates that additional investments for compliance with the agreements are \$60,317,363 for Beaver Creek; \$14,682,637 for Paxton Creek and \$0 for Spring Creek Basin interceptors through 2031.

The Authority also is governed by the Township's PADEP Municipal Separate Storm Sewer System (MS4) permit, approved through July 2025, which requires the implementation of a Storm Water Management Plan to manage the conveyance and proper discharge of stormwater. As of December 31, 2021, the estimated additional MS4 capital costs relative to the plan total \$11,280,556.

20. Operating leases:

Friendship Community Center:

On December 1, 2020, the Township entered into an operating lease to lease approximately 90% of the Friendship Community Center to the Harrisburg Area YMCA. Under the terms of the agreements, the Harrisburg Area YMCA will be responsible for all operating and occupancy costs and will operate, staff and maintain the community recreation facilities of the Friendship Community Center, including all related parking areas. The lease has an initial term of 30 years, ending October 21, 2050, and the option to renew the lease for two additional 29-year terms. The lease requires rental payments of \$10 per month throughout the term of the lease and requires an additional \$4,000 per year, paid in monthly installments, to cover the snow removal and lawn care costs of the facility.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

20. Operating leases (continued):

Township vehicle and equipment leases:

The Township has committed, under several operating leases, for certain vehicles and equipment. Future minimum operating lease commitments as of December 31, 2021 are as follows:

Year ending December 31

2022	\$ 106,268
2023	86,072
2024	47,366
2025	16,991
2026	<u>4,605</u>
	 <u>\$ 261,302</u>

Authority vehicle leases:

The Authority has committed, under several operating leases, for certain vehicles and equipment. Future minimum operating lease commitments as of December 31, 2021 are as follows:

Year ending December 31

2022	\$ 141,082
2023	132,924
2024	77,574
2025	40,572
2026	<u>11,211</u>
	 <u>\$ 403,363</u>

As of December 31, 2021, lease expense was \$115,753 and \$161,045 for the Township and Authority, respectively.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

21. 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.

Cash-settling swap	Current notional	Related debt	Trade date	Termination date	Mandatory early termination	Counterparty
2018 SWAP	\$ 42,465,000	2009D bonds	September 14, 2018	October 1, 2048	October 1, 2023	RBC

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 to the liability for the swap investment to \$4,149,287 and a loss on investment of \$2,642,710. In 2020, the swap investment decreased further resulting in an increase to the liability for the swap investment to \$7,790,141 and a loss on investment of \$3,640,854. In 2021, the swap investment increased resulting in a decrease to the liability for the swap investment to \$5,897,561 and a gain on investment of \$1,892,580.

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.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

21. Derivative instruments (continued):

Credit risk:

As of December 31, 2021, 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, 2021, 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.

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.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

21. Derivative instruments (continued):

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's 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.

22. Risks and uncertainties:

The Township has underground storage tanks for fuel and performs necessary testing in the surrounding land areas as necessary for leaks and potential contamination and operates a wastewater facility. In addition, the Township, as part of the closure plan for the landfill, performs well tests and water analysis in the landfill and surrounding areas. If a leak or contamination occurs, the Township could become liable for the cost to remediate.

The Township is currently subject to risks and uncertainties resulting from the novel coronavirus (COVID-19) pandemic. While the Township expects this matter may negatively impact its results, the extent of the impact of COVID-19 on the Township's operational and financial performance will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions and the impact of COVID-19 on overall demand for the Township's services, all of which are highly uncertain and cannot be predicted.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

23. American Rescue Plan:

On March 11, 2021, the American Rescue Plan Act of 2021 (American Rescue Plan), a \$1.9 trillion COVID-19 relief package was signed into law. The American Rescue Plan provides additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals and businesses. The American Rescue Plan provides \$130 billion in emergency funding for local governments to enable them to continue to support the public health response and lay the foundation for a strong and equitable economic recovery. The Township was allocated \$5,226,762 in funding from the American Rescue Plan, which will be disbursed to the Township in two tranches of \$2,613,381 each. The Township will have until December 31, 2024 to spend these funds. Any funds not spent by December 31, 2024 are to be turned back over to the federal treasury.

The Township received the first tranche of \$2,613,381 during 2021, of which \$13,750 was used. As of December 31, 2021, the unused portion of \$2,599,631 was recorded as unearned revenue.

The American Rescue Plan second tranche of \$2,613,381 will be received by the Township during 2022.

24. Prior period adjustment:

In the December 31, 2020 financial statements for the Township, the Fireman's LOSAP fund was incorrectly recorded in governmental activities and as a nonmajor governmental fund. This amount should not have been included in governmental activities and nonmajor governmental funds, and instead should have been recorded as a separate fiduciary fund. In addition, the police outside employment fund balance was incorrectly excluded from governmental activities net position and General Fund balance. The Township's governmental activities net position, governmental funds total fund balance, General Fund balance and fiduciary funds net position have been restated to correct the aforementioned errors.

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

24. Prior period adjustment (continued):

The following schedule summarizes the restatement changes and the impact to the Township's net position and fund balances as of January 1, 2021.

	Governmental activities	Business-type activities	Total	
Beginning net position, originally stated	\$ 2,624,181	\$ 64,082,142	\$ 66,706,323	
Adjust for net pension liability for Fireman's LOSAP not previously included in governmental activities as of January 1, 2021	(134,632)		(134,632)	
Remove Fireman's LOSAP fund incorrectly included in governmental activities as of January 1, 2021	(1,102,555)		(1,102,555)	
Add outside police fund balance not previously included to governmental activities as of January 1, 2021	54,446		54,446	
Beginning net position, restated	\$ 1,441,440	\$ 64,082,142	\$ 65,523,582	
	General fund	Nonmajor funds	Total governmental funds	
Beginning fund balances, originally stated	\$ 8,482,896	\$ 3,593,004	\$ 12,075,900	
Remove Fireman's LOSAP fund incorrectly included in nonmajor governmental funds as of January 1, 2021		(1,102,555)	(1,102,555)	
Add outside police fund balance not previously included to General Fund as of January 1, 2021	54,446		54,446	
Beginning fund balances, restated	\$ 8,537,342	\$ 2,490,449	\$ 11,027,791	
	Non-uniformed Pension Plan	Police Pension Plan	Fireman's LOSAP	Total fiduciary funds
Beginning net position, fiduciary funds, originally stated	\$ 23,579,540	\$ 31,440,036	\$ -	\$ 55,019,576
Add Fireman's LOSAP fund incorrectly included in nonmajor governmental funds to fiduciary funds as of January 1, 2021			1,102,555	1,102,555
Beginning net position, fiduciary funds, restated	\$ 23,579,540	\$ 31,440,036	\$ 1,102,555	\$ 56,122,131

LOWER PAXTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

25. Subsequent events:

In March 2022, the Township awarded a contract for state highway aid paving for \$947,077.

In March 2022, the Authority executed a subsidy agreement with the Township relative to the issuance of the Series of 2022 General Obligation Bonds in the amount of \$18,550,000 for stormwater capital projects (\$13,123,386) and for current refunding of outstanding 2010 PennVest Loan for sewer capital projects (\$5,962,001) and related costs.

In April 2022, the Township sold 91.5 acres of unimproved land at public auction for \$2,407,239 to an unrelated third party.

In June 2022, the Township awarded a contract for Phase III improvements (concession stand and restrooms construction) for Heroes Grove in the amount of \$452,000, and acquired a replacement compost recycler through a COSTARS contract for \$530,606, partially offset with \$350,000 state grant awarded.

In June 2022, the Township terminated its cash-settling SWAP agreement with Royal Bank of Canada at no cost. At the date of termination, the swap fair market value exceeded its notional amount, resulting in a payment to the Township of \$345,180.

The Township has evaluated subsequent events through July 26, 2022, 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, 2021**

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

	Original budget	Final budget	Actual amounts	Variance with final budget positive (negative)
Revenues:				
Taxes	\$ 17,493,483	\$ 17,493,483	\$ 18,158,886	\$ 665,403
Licenses and permits	1,073,200	1,073,200	1,043,390	(29,810)
Fines and forfeitures	240,000	240,000	212,829	(27,171)
Interest and rents	193,000	193,000	394,451	201,451
Intergovernmental	5,608,662	5,608,662	5,584,670	(23,992)
Charges for services	1,384,889	1,384,889	1,871,165	486,276
Contributions and donations	7,250	7,250	18,771	11,521
Miscellaneous income	158,222	158,222	5,740	(152,482)
Total revenues	26,158,706	26,158,706	27,289,902	1,131,196
Expenditures:				
General government	2,170,264	2,170,264	2,154,423	15,841
Police department	11,808,826	11,808,826	11,385,371	423,455
Fire and ambulance	1,108,859	1,108,859	1,295,043	(186,184)
Community development	837,163	837,163	1,122,427	(285,264)
Public works:				
Health and sanitation	2,876,079	2,876,079	2,916,258	(40,179)
Highways and streets	4,726,159	4,726,159	4,150,147	576,012
Parks and recreation	1,005,621	1,005,621	1,166,837	(161,216)
Debt service:				
Principal	1,059,690	1,059,690	1,071,327	(11,637)
Interest	502,393	502,393	500,244	2,149
Total expenditures	26,095,054	26,095,054	25,762,077	332,977
Excess of revenues over expenditures	63,652	63,652	1,527,825	1,464,173
Other financing sources (uses):				
Operating transfers out	(73,652)	(73,652)	(461,033)	(387,381)
Township contributions			(76,141)	(76,141)
Proceeds from long-term debt			236,788	236,788
Proceeds from sale of capital assets	10,000	10,000	190,535	180,535
Total other financing sources (uses)	(63,652)	(63,652)	(109,851)	(46,199)
Net changes in fund balance	\$ -	\$ -	\$ 1,417,974	\$ 1,417,974

See note to schedule of revenues, expenditures and changes in fund balance.

LOWER PAXTON TOWNSHIP

NOTE TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

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

1. Budgetary data:

The budgetary comparison schedule, included in the required supplementary information, presents a comparison of budgetary data to actual results of operations for the General Fund, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results.

LOWER PAXTON TOWNSHIP

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

(Required supplementary information)

YEAR ENDED DECEMBER 31, 2021

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	\$ 633,242	\$ 545,189	\$ 535,173	\$ 451,165	\$ 455,943	\$ 431,365	\$ 459,270	\$ 468,852
Interest	1,612,963	1,570,740	1,489,190	1,456,600	1,378,467	500,267	1,291,194	1,210,063
Changes of benefit terms						(885,043)		1,161,316
Differences between expected and actual experience	(164,906)		(541,352)			(524,611)		
Changes of assumptions	356,839		603,643		1,127,497			
Benefit payments, including refunds of employee contributions	(873,417)	(829,434)	(823,121)	(778,275)	(650,761)	(564,472)	(481,740)	(375,414)
Net change in total pension liability	1,564,721	1,286,495	1,263,533	1,129,490	1,926,370	1,158,087	662,982	1,254,754
Total pension liability:								
Beginning of year	24,419,482	23,132,987	21,869,454	20,739,964	18,813,594	17,655,507	16,992,525	15,737,771
End of year (a)	\$ 25,984,203	\$ 24,419,482	\$ 23,132,987	\$ 21,869,454	\$ 20,739,964	\$ 18,813,594	\$ 17,655,507	\$ 16,992,525

(continued)

LOWER PAXTON TOWNSHIP

**SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (NON-UNIFORM) –
LAST TEN YEARS (CONTINUED)**
(Required supplementary information)
YEAR ENDED DECEMBER 31, 2021
(See independent auditor's report on required supplemental information)

	2021	2020	2019	2018	2017	2016	2015	2014
Plan fiduciary net position:								
Contributions:								
Employer	\$ 1,003,335	\$ 797,538	\$ 757,954	\$ 683,408	\$ 696,477	\$ 674,462	\$ 789,950	\$ 728,949
Employee	172,808	172,276	156,778	148,881	139,772	138,797	130,169	130,676
Net investment income (loss)	2,601,458	2,715,471	3,265,845	(741,030)	2,246,805	846,552	25,833	830,920
Benefit payments, including refunds of employee contributions	(873,417)	(829,434)	(823,121)	(778,275)	(650,761)	(564,472)	(481,740)	(375,414)
Administrative expense	(4,254)	(4,325)	(7,944)	(11,556)	(3,800)	(5,555)	(8,162)	(4,925)
Net change in plan fiduciary position	2,899,930	2,851,526	3,349,512	(698,572)	2,428,493	1,089,784	456,050	1,310,206
Total plan fiduciary net position:								
Beginning of year	23,579,539	20,728,013	17,378,501	18,077,073	15,648,580	14,558,796	14,102,746	12,792,540
End of year (b)	\$ 26,479,469	\$ 23,579,539	\$ 20,728,013	\$ 17,378,501	\$ 18,077,073	\$ 15,648,580	\$ 14,558,796	\$ 14,102,746
Township's net pension liability, end of year (a) - (b)	\$ (495,266)	\$ 839,943	\$ 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	101.91%	96.56%	89.60%	79.46%	87.16%	83.18%	82.46%	82.99%
Covered employee payroll	\$ 5,659,105	\$ 5,523,146	\$ 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	-8.75%	15.21%	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 eight years of information is available.

LOWER PAXTON TOWNSHIP

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

(Required supplementary information)

YEAR ENDED DECEMBER 31, 2021

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	\$ 993,643	\$ 892,583	\$ 846,050	\$ 760,444	\$ 720,800	\$ 583,904	\$ 579,640	\$ 589,923
Interest	2,475,674	2,343,945	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	555,470		408,630		(109,753)		(314,057)	
Changes of assumptions	1,205,445		969,624		515,076			
Benefit payments, including refunds of employee contributions	(1,776,114)	(1,696,789)	(1,681,639)	(1,543,825)	(1,363,028)	(1,279,358)	(1,122,739)	(1,095,944)
Net change in total pension liability	3,454,118	1,539,739	2,788,763	1,353,469	1,805,386	1,289,952	1,035,665	1,315,723
Total pension liability:								
Beginning of year	36,206,809	34,667,070	31,878,307	30,524,838	28,719,452	27,429,500	26,393,835	25,078,112
End of year (a)	\$ 39,660,927	\$ 36,206,809	\$ 34,667,070	\$ 31,878,307	\$ 30,524,838	\$ 28,719,452	\$ 27,429,500	\$ 26,393,835

(continued)

LOWER PAXTON TOWNSHIP

SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (POLICE) –

LAST TEN YEARS (CONTINUED)

(Required supplementary information)

YEAR ENDED DECEMBER 31, 2021

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

	2021	2020	2019	2018	2017	2016	2015	2014
Plan fiduciary net position:								
Contributions:								
Employer	\$ 1,696,051	\$ 1,306,621	\$ 1,353,346	\$ 1,181,408	\$ 1,163,830	\$ 1,165,107	\$ 1,063,399	\$ 868,304
Employee	284,525	287,739	265,560	254,312	241,314	230,727	228,477	225,150
Net investment income (loss)	3,562,665	3,114,184	4,404,499	(915,505)	3,077,444	1,136,341	165,482	1,294,725
Benefit payments, including refunds of employee contributions	(1,776,114)	(1,696,789)	(1,681,639)	(1,543,825)	(1,363,028)	(1,279,358)	(1,122,739)	(1,095,944)
Administrative expense	(3,350)	(3,350)	(8,349)	(8,936)	(2,900)	(3,397)	(6,965)	(6,519)
Net change in plan fiduciary position	3,763,777	3,008,405	4,333,417	(1,032,546)	3,116,660	1,249,420	327,654	1,285,716
Total plan fiduciary net position:								
Beginning of year	31,440,037	28,431,632	24,098,215	25,130,761	22,014,101	20,764,681	20,437,027	19,151,311
End of year (b)	\$ 35,203,814	\$ 31,440,037	\$ 28,431,632	\$ 24,098,215	\$ 25,130,761	\$ 22,014,101	\$ 20,764,681	\$ 20,437,027
Township's net pension liability, end of year (a) - (b)	\$ 4,457,113	\$ 4,766,772	\$ 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	88.76%	86.83%	82.01%	75.59%	82.33%	76.65%	75.70%	77.43%
Covered employee payroll	\$ 5,680,580	\$ 5,754,758	\$ 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	78.46%	82.83%	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 eight years of information is available.

LOWER PAXTON TOWNSHIP

SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (LOSAP) –
LAST TEN YEARS
(Required supplementary information)
YEAR ENDED DECEMBER 31, 2021
(See independent auditor's report on required supplemental information)

Total pension liability:

Service cost	\$ 16,512
Interest	88,345
Differences between expected and actual experience	(44,673)
Changes of assumptions	74,950
Benefit payments, including refunds of employee contributions	<u>(43,810)</u>
Net change in total pension liability	91,324

Total pension liability:

Beginning of year	<u>1,237,184</u>
End of year (a)	<u>\$ 1,328,508</u>

Plan fiduciary net position:

Contributions, employer	\$ 94,805
Net investment income	120,602
Benefit payments, including refunds of employee contributions	(43,810)
Administrative expense	<u>(4,675)</u>

Net change in plan fiduciary position	166,922
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Total plan fiduciary net position:

Beginning of year	<u>1,102,552</u>
End of year (b)	<u>\$ 1,269,474</u>

Township's net pension liability, end of year (a) - (b)	\$ 59,034
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Plan fiduciary net position as a percentage of total pension liability	95.56%
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Covered employee payroll	N/A
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Township net pension (asset) liability as a percentage of covered employee payroll	N/A
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* The Township adopted GASB 67 on a prospective basis in 2021; therefore, only one year of information is available.

LOWER PAXTON TOWNSHIP

SCHEDULES OF EMPLOYER CONTRIBUTIONS (NON-UNIFORM) – LAST TEN YEARS

(Required supplementary information)

YEAR ENDED DECEMBER 31, 2021

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 961,941	\$ 797,538	\$ 757,954	\$ 683,408	\$ 696,477	\$ 674,462	\$ 789,950	\$ 728,949	\$ 708,378	\$ 525,113
Contributions in relation to the actuarially determined contribution	1,003,335	797,538	757,954	683,408	696,477	674,462	789,950	728,949	708,378	476,490
Contribution deficiency (excess)	<u>\$ (41,394)</u>	<u>\$ -</u>	<u>\$ 48,623</u>							
Covered employee payroll	\$ 5,659,105	\$ 5,523,146	\$ 5,214,405	\$ 4,916,287	\$ 4,895,449	\$ 4,753,121	\$ 4,476,046	\$ 4,636,453	\$ 4,468,061	\$ 4,468,061
Contributions as a percentage of covered employee payroll	17.73%	14.44%	14.54%	13.90%	14.23%	14.19%	17.65%	15.72%	15.85%	10.66%

Notes to schedule:

Valuation date, January 1, 2021

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	Nine years (aggregate)
Asset valuation method	Four-year smoothing
Inflation	2.75%
Salary increases	4.75%, including inflation
Investment rate of return	6.75%, 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.

Effective January 1, 2019, interest rate was lowered from 7.00% to 6.75%.

LOWER PAXTON TOWNSHIP

SCHEDULES OF EMPLOYER CONTRIBUTIONS (POLICE) – LAST TEN YEARS

(Required supplementary information)

YEAR ENDED DECEMBER 31, 2021

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 1,690,357	\$ 1,306,621	\$ 1,353,346	\$ 1,181,408	\$ 1,163,830	\$ 1,165,107	\$ 1,063,399	\$ 868,304	\$ 856,605	\$ 601,358
Contributions in relation to the actuarially determined contribution	<u>1,696,051</u>	<u>1,306,621</u>	<u>1,353,346</u>	<u>1,181,408</u>	<u>1,163,830</u>	<u>1,165,107</u>	<u>1,063,399</u>	<u>868,304</u>	<u>856,605</u>	<u>522,235</u>
Contribution deficiency (excess)	<u>\$ (5,694)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,123</u>					
Covered employee payroll	\$ 5,680,580	\$ 5,754,758	\$ 5,216,310	\$ 5,076,864	\$ 4,919,546	\$ 4,685,623	\$ 4,519,407	\$ 4,436,005	\$ 4,281,572	\$ 4,281,572
Contributions as a percentage of covered employee payroll	29.86%	22.71%	25.94%	23.27%	23.66%	24.87%	23.53%	19.57%	20.01%	12.20%

Notes to schedule:

Valuation date, January 1, 2021

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	6.75%, net of investment expenses not funded through the MMO and including inflation
Retirement age	Age 50 with completion of 25 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 projected 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 assumption changed to rated of retirement.

Effective January 1, 2019, interest rate was lowered from 7.00% to 6.75%.

LOWER PAXTON TOWNSHIP

SCHEDULES OF EMPLOYER CONTRIBUTIONS (LOSAP) – LAST TEN YEARS

(Required supplementary information)

YEAR ENDED DECEMBER 31, 2021

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

	<u>2021</u>
Actuarially determined contribution	\$ 79,310
Contributions in relation to the actuarially determined contribution	<u>94,805</u>
Contribution deficiency (excess)	<u>\$ (15,495)</u>
Covered employee payroll	N/A
Contributions as a percentage of covered employee payroll	N/A

Notes to schedule:

Valuation date, January 1, 2021

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	13 years
Asset valuation method	Market value of assets as determined by the trustee
Inflation	3.00%
Salary increases	0.00%
Investment rate of return	5.00%
Retirement age	Normal retirement age
Mortality	IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected seven years and rates for non-annuitant's projected 15 years using Scale AA to reflect mortality improvement

Benefit changes:

None since January 1, 2019

* The Township adopted GASB 67 on a prospective basis in 2021; therefore, only one year of information is available.

LOWER PAXTON TOWNSHIP

SCHEDULES OF INVESTMENT RETURNS – LAST TEN FISCAL YEARS

(Required supplementary information)

YEAR ENDED DECEMBER 31, 2021

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

Annual money-weighted rate of return:	2021	2020	2019	2018	2017	2016	2015	2014
Non-uniform Pension Plan	11.10%	13.14%	18.95%	-4.13%	14.47%	5.83%	0.18%	6.49%
Police Pension Plan	11.47%	11.06%	18.54%	-3.70%	14.17%	5.53%	0.82%	6.85%
Fireman's LOSAP	10.68%							

*For Pension plans, the Township adopted GASB 67 on a prospective basis in 2014; therefore, only eight years of information is available. For the Fireman's LOSAP, the Township adopted GASB 67 on a prospective basis in 2021; therefore, only one year of information is available.

LOWER PAXTON TOWNSHIP

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

(Required supplementary information)

YEAR ENDED DECEMBER 31, 2021

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

	2021	2020	2019	2018
Total OPEB liability:				
Service cost	\$ 575,648	\$ 476,962	\$ 298,604	\$ 247,550
Interest	257,488	330,162	228,507	209,188
Changes of benefit terms		2,356,591		
Changes in assumptions	1,087,896		(205,989)	
Differences between expected and actual experience	(183,641)		548,659	
Benefit payments, including refunds of employee contributions	(198,381)	(428,589)	(275,372)	(394,123)
Net change in total OPEB liability	1,539,010	2,735,126	594,409	62,615
Total OPEB liability:				
Beginning of year	8,918,193	6,183,067	5,588,658	5,526,043
End of year (a)	\$ 10,457,203	\$ 8,918,193	\$ 6,183,067	\$ 5,588,658
Covered payroll	\$ 5,754,758	\$ 5,754,758	\$ 5,076,864	\$ 4,685,623
Township total OPEB liability as a percentage of covered payroll	181.71%	154.97%	121.79%	119.27%

The Township adopted GASB 75 on a prospective basis in 2018; therefore, only four 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.

Benefit changes:

Effective January 1, 2020, the length of benefits increased to 120 months for retirees and eligible spouses (from 108 months for retiree only or 60 months for husband/wife coverage). Coverage ceases at Medicare eligibility for either the retiree or spouse individually if Medicare eligibility occurs before 120 months.

Effective January 1, 2020, Township will pay first 5.0% of the increase in costs, then the Township and retiree share equally any increases in excess of 5%.

Changes to assumptions:

Effective January 1, 2019, trend rates were updated to reflect actual increase from 2019 to 2020.

Effective January 1, 2021, assumed discount rate reduced from 3.75% to 2.50%; assumed inflation rate was reduced from 2.75% to 2.50%; mortality and disability assumptions updated for 2022.

LOWER PAXTON TOWNSHIP

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2021

(See independent auditor's report on supplemental information)

	State highway aid	General improvement	Fire equipment	Total
Assets:				
Cash and cash equivalents	\$ 418,660	\$ 211,461	\$ 42,558	\$ 672,679
Receivables:				
Accounts		20,894		20,894
Taxes			84,893	84,893
Restricted assets, cash and cash equivalents	<u>923,012</u>	<u>1,023,238</u>		<u>1,946,250</u>
Total assets	<u>\$ 418,660</u>	<u>\$ 1,155,367</u>	<u>\$ 1,150,689</u>	<u>\$ 2,724,716</u>
Liabilities:				
Accounts payable	\$ 206,496	\$ 160,169	\$ 860	\$ 367,525
Deferred taxes			<u>61,869</u>	<u>61,869</u>
Total liabilities	<u>206,496</u>	<u>160,169</u>	<u>62,729</u>	<u>429,394</u>
Fund balances:				
Restricted	212,164	783,012	1,087,960	2,083,136
Assigned		<u>212,186</u>		<u>212,186</u>
Total fund balances	<u>212,164</u>	<u>995,198</u>	<u>1,087,960</u>	<u>2,295,322</u>
Total liabilities and fund balance	<u>\$ 418,660</u>	<u>\$ 1,155,367</u>	<u>\$ 1,150,689</u>	<u>\$ 2,724,716</u>

LOWER PAXTON TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2021

(See independent auditor's report on supplemental information)

	State highway aid	General improvement	Fire equipment	Total
Revenues:				
Taxes				\$ 642,524
Interest and rents	\$ 732	\$ 418	87	\$ 642,524
Intergovernmental	1,491,207	664,195		2,155,402
Charges for services		127,082		127,082
Contributions		10,000		10,000
Total revenues	1,491,939	801,695	642,611	2,936,245
Expenditures:				
General government			16,029	16,029
Police department		335,262		335,262
Fire and ambulance		2,199	746,347	748,546
Public works, highways and streets	2,163,436	322,399		2,485,835
Parks and recreation		365,211		365,211
Debt service:				
Principal			218,000	218,000
Interest			96,890	96,890
Total expenditures	2,163,436	1,041,100	1,061,237	4,265,773
Deficiency of revenues over expenditures	(671,497)	(239,405)	(418,626)	(1,329,528)
Other financing sources:				
Operating transfers in, net			438,926	438,926
Proceeds:				
Long-term debt	228,600			228,600
Capital leases		206,875		206,875
Sale of fixed assets			260,000	260,000
Total other financing sources	228,600	645,801	260,000	1,134,401
Net changes in fund balances	(442,897)	406,396	(158,626)	(195,127)
Fund balances:				
Beginning of year	655,061	588,802	1,246,586	2,490,449
End of year	\$ 212,164	\$ 995,198	\$ 1,087,960	\$ 2,295,322

LOWER PAXTON TOWNSHIP

COMBINING STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

DECEMBER 31, 2021

(See independent auditor's report on supplemental information)

	Non-Uniformed Pension Plan	Police Pension Plan	Fireman's LOSAP	Total
Assets:				
Cash	\$ 390,693	\$ 413,603	\$ 36,331	\$ 840,627
Accounts receivable, employee contributions	6,568	10,948		17,516
Interest receivable	2,891	5,313		8,204
Investments	<u>26,085,818</u>	<u>34,779,263</u>	<u>1,233,144</u>	<u>62,098,225</u>
Total assets	\$ 26,485,970	\$ 35,209,127	\$ 1,269,475	\$ 62,964,572
Liabilities, accounts payable	\$ 3,610			\$ 3,610
Net position, restricted for pensions	<u>26,482,360</u>	<u>\$ 35,209,127</u>	<u>\$ 1,269,475</u>	<u>62,960,962</u>
Total liabilities and net position	\$ 26,485,970	\$ 35,209,127	\$ 1,269,475	\$ 62,964,572

LOWER PAXTON TOWNSHIP

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION – FIDUCIARY FUNDS

DECEMBER 31, 2021

(See independent auditor's report on supplemental information)

	Non-Uniformed Pension Plan	Police Pension Plan	Fireman's LOSAP	Total
Additions:				
Contributions:				
Employee	\$ 172,808	\$ 284,525		\$ 457,333
Employer	595,566	1,149,161	\$ 94,802	1,839,529
Employer, Commonwealth funding	407,769	546,890		954,659
Total contributions	<u>1,176,143</u>	<u>1,980,576</u>	<u>94,802</u>	<u>3,251,521</u>
Investment income:				
Interest and dividends	236,200	404,104	17,192	657,496
Net appreciation in fair value of investments	2,427,640	3,245,312	108,036	5,780,988
Net investment gain	<u>2,663,840</u>	<u>3,649,416</u>	<u>125,228</u>	<u>6,438,484</u>
Total additions	<u>3,839,983</u>	<u>5,629,992</u>	<u>220,030</u>	<u>9,690,005</u>
Deductions:				
Retirement benefits	865,090	1,776,114	43,810	2,685,014
Refunds to terminated employees	8,326			8,326
Administrative	63,747	84,787	9,300	157,834
Total deductions	<u>937,163</u>	<u>1,860,901</u>	<u>53,110</u>	<u>2,851,174</u>
Net increase	<u>2,902,820</u>	<u>3,769,091</u>	<u>166,920</u>	<u>6,838,831</u>
Net position restricted for pensions:				
Beginning of year	23,579,540	31,440,036	1,102,555	56,122,131
End of year	<u>\$ 26,482,360</u>	<u>\$ 35,209,127</u>	<u>\$ 1,269,475</u>	<u>\$ 62,960,962</u>

LOWER PAXTON TOWNSHIP

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021
(See independent auditor's report on supplemental information)

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Federal expenditures
U.S. Department of Treasury, passed through the Commonwealth of PA, COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 13,750
U.S. Environmental Protection Agency, passed through the Pennsylvania Infrastructure Investment Authority, Clean Water State Revolving Fund Cluster	66.458	N/A	7,319,339
U.S. Department of Justice, Bulletproof Vest Partnership Program	16.607	N/A	12,776
U.S. Department of Transportation, passed through the Pennsylvania Department of Transportation, Highway Planning and Construction Cluster (Federal-Aid Highway Program)	20.205	N/A	<u>131,988</u>
Total federal expenditures			<u>\$ 7,477,853</u>

See notes to schedule of expenditures of federal awards.

LOWER PAXTON TOWNSHIP

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2021

(See independent auditor's report on supplemental information)

Notes to schedule of expenditures of federal awards:

Basis of presentation:

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Township and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, the amounts presented in this schedule may differ from the amounts presented in the preparation of the basic financial statements.

None of the federal awards received have been passed through to subrecipients.

Indirect costs:

The Township elected not to use the 10% deminimis indirect cost rate.



Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards*

Board of Supervisors
Lower Paxton Township
Harrisburg, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lower Paxton Township as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise Lower Paxton Township's basic financial statements, and have issued our report thereon dated July 26, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lower Paxton Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lower Paxton Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Lower Paxton Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lower Paxton Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lower Paxton Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Schultz, Steidam & Fritz

Camp Hill, Pennsylvania

July 26, 2022



Independent Auditor's Report on Compliance for the Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance

Board of Supervisors
Lower Paxton Township
Harrisburg, Pennsylvania

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Lower Paxton Township's (the Township) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Township's major federal program for the year ended December 31, 2021. The Township's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Township complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Township's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Township's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Township's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance; and therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Township's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Township's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Township's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that

material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown, Schultz, Sheridan & Fite

Camp Hill, Pennsylvania
July 26, 2022

LOWER PAXTON TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2021

I. SUMMARY OF AUDITOR'S RESULTS:

Financial statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? yes no

Identification of major program:

CFDA number(s) Name of federal program or cluster

66.458 Clean Water State Revolving Fund Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

LOWER PAXTON TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

II. FINANCIAL STATEMENT FINDINGS - NONE

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - NONE

LOWER PAXTON TOWNSHIP

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED DECEMBER 31, 2021

PRIOR YEAR FINDINGS

FINANCIAL STATEMENT FINDINGS:

Internal control over financial reporting

Finding number 2020-001

Condition and criteria:

The Township's journal entries made by the Finance Manager and Finance Director are not reviewed, and Fund 99 transactions, which are set up to automatically balance each fund with journal entries, are not well understood nor reviewed.

Current year status:

In November 2020, the Township hired a new Finance Manager, who prepares all Township journal entries. These entries are reviewed by the Finance Director, who no longer records entries. All journal entries made by the Authority Accountant are reviewed by the Finance Manager. The Township set up a process for review of Fund 99 activity and reconciles the activity monthly.

Finding number 2020-002

Condition and criteria:

The Township's staff did not record all fund level transactions, especially in relation to new bond issues.

Current year status:

The Township Finance Manager and Finance Director now record and reconcile all material transactions, including bond issuances, and are able to provide management and the Board with accurate and timely financial statements.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

Internal control over compliance

Finding number 2020-003

Clean Water State Revolving Fund Cluster

Condition and criteria:

Management was not aware that the Clean Water State Revolving Fund loan funds being spent were federal funds that required a Uniform Guidance audit (Single Audit).

(continued)

LOWER PAXTON TOWNSHIP

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED) YEAR ENDED DECEMBER 31, 2021

PRIOR YEAR FINDINGS (CONTINUED)

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

Internal control over compliance

Finding number 2020-003

Current year status:

As part of audit and internal policy review, the Township took appropriate steps to set up effective internal controls over compliance to successfully identify federal awards and the necessary compliance requirements. The Finance Director reviews all grant agreements and compliance requirements relative to funding sources, and maintains a schedule of expenditures of federal awards.

Finding number 2020-004

Clean Water State Revolving Fund Cluster
Covid-19 Coronavirus Relief Fund

Condition and criteria:

Management did not have any formal written internal controls over compliance policies for staff and management to follow.

Current year status:

The Finance Director reviews all grant agreements and compliance requirements relative to funding sources, and maintains a schedule of expenditures of federal awards. The Township implemented formal written internal controls over compliance, with proper and thorough communication of expectations and duties.