

**LOWER PAXTON TOWNSHIP**  
**DAUPHIN COUNTY, PENNSYLVANIA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**

LOWER PAXTON TOWNSHIP  
YEAR ENDED DECEMBER 31, 2022  
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## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
Lower Paxton Township  
Harrisburg, Pennsylvania

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

#### **Opinion**

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, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, and the changes in its financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### ***Responsibility of Management for the Financial Statements***

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

## **Adoption of Governmental Accounting Standards Board Principles**

As discussed in Note 1 to the financial statements in 2022, the Township adopted the provisions of GASB Statement No. 87, "Leases", GASB Statement No. 91, "Conduit Debt Obligations", GASB Statement No. 92, "Omnibus", certain requirements of GASB Statement No. 93 "Replacement of Interbank Offered Rates" and certain provisions of GASB Statement No. 99, "Omnibus 2022". Our opinion is not modified with respect to these matters.



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**CERTIFIED PUBLIC ACCOUNTANTS**

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## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; budgetary comparison information; schedules of changes in net pension liability and related ratios and employer contributions; schedules of investment returns for the pension plans and schedules of changes in total OPEB liability and related ratios on pages 4-13, 68, 69-71, 72-74, 75 and 76 respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The combining statements are presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The combining statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of operating expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Zelenkofske Axelrod LLC*

ZELENKOFKSKE AXELROD LLC

June 29, 2023  
Harrisburg, Pennsylvania

**LOWER PAXTON TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2022**

## **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 ("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, 2022. 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, 2022.

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

## **FINANCIAL HIGHLIGHTS**

The following items detail the Township's financial highlights for the fiscal year ended December 31, 2022:

- 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, 2022 by \$100,129,387 (net position). The net position increased by \$23,248,294 over 2021, primarily related to significant developer contributions relative to road and related infrastructure to the Township and sewer and stormwater infrastructure systems to the Authority, continued growth of earned income taxes, strong real estate transfer tax results, and recognition of American Rescue Plan Act ("ARPA") grant funding utilized for public safety expenses. The majority of the Township's net position (\$64,028,420, or 63.95%) is invested in capital assets and is not available for future spending.
- Fund balances increased by \$9,882,560 to \$22,155,674, primarily related to continued growth in earned income taxes, strong real estate transfer tax results, and recognition of ARPA grant funding utilized for public safety expenses.
- The Township refunded outstanding amounts under the 2010 PennVest loan, and issued \$13,123,386 and \$335,000 for Authority stormwater and General Fund capital projects, respectively. The Authority continued to draw on available proceeds from the 2019 PennVest loan and utilize unspent bond proceeds from 2019 series issuances for continued sewer and from 2020A and 2022 series issuances for continued stormwater infrastructure projects. Net increase in outstanding bond, lease and loan debt for 2022 was \$9,808,048.
- 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 2022, with net additions to capital assets totaling \$17,875,700 for the Township.

**LOWER PAXTON TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2022**

## **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 the 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 sole business-type activity of the Township is the Authority.

### **Fund financial statements**

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

- *Governmental funds* financial statements, which explain how services, such as public safety and public works, are financed. The governmental funds include the General Fund, General Improvement Fund, and the Fire Equipment Capital Fund as well as the nonmajor State Highway Aid.
- *Enterprise funds* financial statements offer information about the activities that the Township operates like a business. There is one Township enterprise fund: the Authority.
- *Fiduciary funds* financial statements reflect activities involving resources that are held by the Township as trustee for others. The Township has one Length of Service Award Program (LOSAP) fund for volunteer firefighter and fire police officers, two employee pension funds: one covering sworn police officers and one for full-time, non-uniformed employees, and one custodial fund for County real estate taxes processed through the elected tax collectors account in the Township's name. Fiduciary funds are not reflected in the government-wide statements because resources cannot be used to support the Township's operations.

**LOWER PAXTON TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2022**

**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, 2022 and 2021

	2022			2021		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Current and other assets	\$25,533,940	\$58,591,711	\$ 84,125,651	\$17,271,703	\$58,546,271	\$75,817,974
Capital assets	<u>48,991,923</u>	<u>179,217,754</u>	<u>228,209,677</u>	<u>43,500,022</u>	<u>166,241,295</u>	<u>209,741,317</u>
Total assets	<u>74,525,863</u>	<u>237,809,465</u>	<u>312,335,328</u>	<u>60,771,725</u>	<u>224,787,566</u>	<u>285,559,291</u>
Deferred outflows of resources	<u>14,528,568</u>	<u>2,401,631</u>	<u>16,930,199</u>	<u>6,091,647</u>	<u>2,567,694</u>	<u>8,659,341</u>
Current portion of liabilities	5,298,538	10,413,929	15,712,467	7,156,683	11,105,470	18,262,153
Long-term portion of liabilities	<u>45,534,413</u>	<u>163,039,221</u>	<u>208,573,634</u>	<u>40,513,101</u>	<u>151,727,141</u>	<u>192,240,242</u>
Total liabilities	<u>50,832,951</u>	<u>173,453,150</u>	<u>224,286,101</u>	<u>47,669,784</u>	<u>162,832,611</u>	<u>210,502,395</u>
Deferred inflows of resources	<u>4,850,039</u>	<u>-</u>	<u>4,850,039</u>	<u>6,833,608</u>	<u>-</u>	<u>6,833,608</u>
Net position:						
Net investment in capital assets	30,543,254	33,485,166	64,028,420	17,276,984	45,256,504	62,533,488
Restricted	2,974,322	-	2,974,322	2,083,136	-	2,083,136
Unrestricted	<u>(146,135)</u>	<u>33,272,780</u>	<u>33,126,645</u>	<u>(7,000,140)</u>	<u>19,266,145</u>	<u>12,266,005</u>
Total net position	<u>\$33,371,441</u>	<u>\$66,757,946</u>	<u>\$100,129,387</u>	<u>\$12,359,980</u>	<u>\$64,522,649</u>	<u>\$76,882,629</u>

Over time, net position may serve as a useful indication of a government's financial position. In the case of the Township, total assets and deferred outflows of resources exceeded total liabilities by \$100,129,387 as of December 31, 2022. The largest portion of the Township's net position, 63.95%, is net investment in capital assets which reflects total capital assets offset by debt incurred to acquire the assets. Restricted net position of \$2,974,322 or 2.97%, primarily represents third-party escrows and unspent restricted grants and contributions for specified purposes. The remaining balance of net position (deficit) of \$33,126,645 or 33.08%, 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, 2022**

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, 2022 and 2021

	2022			2021		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Revenues:						
Program revenues:						
Charges for service	\$ 1,603,297	\$20,281,874	\$ 21,885,171	\$ 7,268,107	\$ 20,706,576	\$27,974,683
Grants and contributions	14,537,692	-	14,537,692	3,628,119	-	3,628,119
General revenues:						
Taxes	21,107,903	-	21,107,903	18,862,483	-	18,862,483
Interest revenue	6,875,482	852,755	7,728,237	8,239	42,365	50,604
Net investment gain (loss)	-	-	-	1,892,580	-	1,892,580
Rental income	-	-	-	387,449	-	387,449
Gain (loss) on sale of capital assets	1,030,250	(11,230)	1,019,020	145,365	15,770	161,135
License and permits	1,074,772	-	1,074,772	-	-	-
Fines and forfeitures	228,793	-	228,793	-	-	-
Contributions	80,518	79,907	160,425	(76,141)	76,141	-
Developer contributions	5,419,069	391,058	5,810,127	-	2,581,142	2,581,142
Miscellaneous	29,881	-	29,881	5,740	-	5,740
Transfers	(354,504)	354,504	-	4,114,192	(4,114,192)	-
Total revenues	<u>51,633,153</u>	<u>21,948,868</u>	<u>73,582,021</u>	<u>36,236,133</u>	<u>19,307,802</u>	<u>55,543,935</u>
Expenses:						
General government	2,360,826	-	2,360,826	1,762,757	-	1,762,757
Police department	13,365,851	-	13,365,851	11,337,784	-	11,337,784
Fire and ambulance	1,846,953	-	1,846,953	1,706,533	-	1,706,533
Community development	1,257,303	-	1,257,303	1,039,898	-	1,039,898
Public works	8,354,829	-	8,354,829	6,056,962	-	6,056,962
Parks and recreation	2,987,812	-	2,987,812	1,809,601	-	1,809,601
Interest	446,582	-	446,582	614,490	-	614,490
Depreciation, unallocated	-	-	-	989,568	-	989,568
Lower Paxton Township Authority	-	19,713,571	19,713,571	-	18,867,295	18,867,295
Total expenses	<u>30,620,156</u>	<u>19,713,571</u>	<u>50,333,727</u>	<u>25,317,593</u>	<u>18,867,295</u>	<u>44,184,888</u>
Increase (decrease) in net position	21,012,997	2,235,297	23,248,294	10,918,540	440,507	11,359,047
Net position at beginning of year (restated)	<u>12,358,444</u>	<u>64,522,649</u>	<u>76,881,093</u>	<u>1,441,440</u>	<u>64,082,142</u>	<u>65,523,582</u>
Net position at end of year	<u>\$33,371,441</u>	<u>\$66,757,946</u>	<u>\$100,129,387</u>	<u>\$12,359,980</u>	<u>\$ 64,522,649</u>	<u>\$76,882,629</u>

**LOWER PAXTON TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2022**

During the current fiscal year, net position for governmental activities increased \$21,012,997, primarily the result of continued growth of earned income taxes, strong real estate transfer tax results, and recognition of ARPA grant funding utilized for public safety expense. The net position of the business-type activities increased \$2,235,297, with a significant climb in interest earnings on investments and transfers recognized for pass-through grant funding for stormwater projects.

## **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 \$22,155,674, of which \$2,974,322 was externally restricted, such as by legal restrictions or intention of grantors, donors, or trustees, \$135,919 was in nonspendable form (e.g., deposits and prepaid expenses), and \$5,436,141 was assigned, primarily for earmarked capital projects and 2023 budgetary reserve needs. The remaining \$13,609,292 (61.43%) 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>2022</u>	<u>2021</u>
Revenues	\$ 33,738,034	\$ 27,289,902
Expenditures	25,916,935	25,762,077
Net other financing sources (uses)	<u>(443,397)</u>	<u>(109,851)</u>
Net changes in fund balances	<u>7,377,702</u>	<u>\$ 1,417,974</u>

Overall revenues increased by \$6,448,132 from 2021 to 2022, primarily related to continued earned income and real estate transfer taxes receipt growth and recognition of ARPA grant funding utilized for public safety expense. Overall expenditures increased slightly by \$152,858, with growth in payroll and related benefits offset by the shift of fire expenses to segregated Special Revenue Fund. Finally, other financing sources (uses), typically insignificant, were slightly higher in 2022 relative to interfund transfers towards capital project spending.

**LOWER PAXTON TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2022**

**Enterprise Funds**

The Township's enterprise funds provide the same type of information found in the government-wide financial statements summarized earlier. As of December 31, 2022, the net position of the Authority totaled \$66,757,946, an increase of \$2,235,297 from 2021. Total operating revenues increased in 2022 by \$259,212 with increased customer revenues through continued residential development growth in the Township. Operating expenses slightly decreased in 2022 by \$25,361. Net nonoperating expenses declined in 2022 by \$2,130,121 due to less developer contributions of sewer and stormwater infrastructure and increase in interest costs on outstanding debts.

**GENERAL FUND BUDGETARY ANALYSIS**

The original budget for the General Fund was not amended by the Township's Board of Supervisors during 2022. Overall, actual operating revenues during the current fiscal period exceeded budget by \$8,530,531, result of continued growth of earned income taxes, strong real estate transfer tax results, and recognition of ARPA grant funding utilized for public safety expense.

Overall, actual expenditures were \$778,664 less than planned, primarily due to the following:

- General Government expenditures were less than budget by \$382,425, primarily due to significant 2021 health insurance premium dividend received in 2022 and overall reduction in information technology support costs.
- Police department expenditures were less than budget by \$404,001, primarily due to significant 2021 health insurance premium dividend received in 2022.
- Public works expenditures were less than budget by \$396,317, primarily due to significant 2021 health insurance premium dividend received in 2022.

**LOWER PAXTON TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2022**

**CAPITAL ASSETS**

The Township's capital assets as of December 31, 2022, net of accumulated depreciation, were \$228,209,677. 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, 2022 and is detailed in Note 4 to the financial statements:

	2022		2021	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Land	\$ 2,342,639	\$ 1,540,192	\$ 3,142,639	\$ 1,540,192
Intangibles (non depreciable)	421,850	2,740,869	421,850	2,740,869
Construction in progress	233,792	4,911,374	554,075	15,112,457
Buildings	23,093,232	1,517,541	23,121,829	1,517,541
Land improvements	8,557,029	-	8,003,195	-
Machinery and equipment	5,579,190	2,358,550	5,118,478	1,484,055
Vehicles	11,058,047	-	9,962,405	-
Infrastructure	59,173,988	215,057,817	51,595,275	189,589,622
Right-to-use assets	1,079,998	81,617	2,601,095	81,617
Furniture	-	40,973	-	40,973
Sewer capacity costs	-	21,144,628	-	21,144,628
Accumulated depreciation / amortization	<u>(62,547,842)</u>	<u>(70,175,807)</u>	<u>(60,428,159)</u>	<u>(67,010,659)</u>
	<u>\$48,991,923</u>	<u>\$ 179,217,754</u>	<u>\$44,092,682</u>	<u>\$ 166,241,295</u>

**LOWER PAXTON TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2022**

## DEBT ADMINISTRATION

The Township's long-term debt activity for 2022 is as follows and is detailed in Note 5 to the financial statements:

Type	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
General Obligation Debt	\$ 17,750,000	\$ 320,000	\$ (1,720,000)	\$ 16,350,000
Loan Payable	<u>40,452</u>	<u>-</u>	<u>(40,452)</u>	<u>-</u>
Total Governmental Activities Long-Term Debt	<u>\$ 17,790,452</u>	<u>\$ 320,000</u>	<u>\$ (1,760,452)</u>	<u>\$ 16,350,000</u>
Business-Type Activities:				
General Obligation Debt	\$ <u>147,641,705</u>	\$ <u>22,244,027</u>	\$ <u>(10,945,246)</u>	\$ <u>158,940,486</u>
Total Business-Type Activities Long-Term Debt	<u>\$ 147,641,705</u>	<u>\$ 22,244,027</u>	<u>\$ (10,945,246)</u>	<u>\$ 158,940,486</u>

At the end of 2022, the Township had total long-term debt, net of current maturities, in the amount of \$175,290,486, \$158,940,486 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, 2022, \$11,210,486 had been drawn on the 2019 PennVest loan, leaving \$2,067,709 available for further capital project related costs.

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 BUDGET AND RATES

### Township

The Township's 2023 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 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 2023 budget for the General Fund was adopted utilizing \$476,755 in reserves, which would reduce carryover reserves to just over \$10,550,000 million to enter into 2024.

**LOWER PAXTON TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2022**

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. The Township began 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 addition, the Township 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, expecting study completion in mid-2023. The Township implemented a 0.175 mill increase to the current Fire Protection Tax in 2022 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.

### **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, 2022, the Authority estimates that additional investments for compliance with the agreements are \$54,963,000 for Beaver Creek and \$16,064,000 for Paxton Creek Basin interceptors through 2036.

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, 2022, the estimated additional MS4 capital costs relative to the plan total \$13,124,000.

To fund the capital projects noted above, the Authority anticipates further subsidy agreements with the Township for issuance of debt financing as follows: \$14,500,000 in 2024, \$42,600,000 during the period of 2027 through 2036 for sewer projects (\$57,100,000 total), and for stormwater \$12,000,000 in 2025, and \$12,000,000 in 2028 for stormwater projects associated with the MS4 permit required to be renewed in July 2025.

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 2023 budget reflects a \$5 per quarter increase in the sewer charges and no change in the stormwater charges from 2022 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 \$7,164,899 for sewer and \$4,297,754 for stormwater.

**LOWER PAXTON TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2022**

**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, contact the Finance Department at the Township Municipal Center, 425 Prince Street, Harrisburg, PA 17109.

LOWER PAXTON TOWNSHIP  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 14,835,609	\$ 10,453,487	\$ 25,289,096
Investments	-	19,150,501	19,150,501
Receivables			
Accounts	931,907	-	931,907
Interest	73,978	421,145	495,123
Taxes	2,781,027	-	2,781,027
Lease	374,287	-	374,287
Rental and fees	-	6,579,293	6,579,293
Other	-	20,539	20,539
Internal Balances	3,267,281	(3,267,281)	-
Other Assets	135,919	87,247	223,166
Restricted Assets			
Cash and Cash Equivalents	3,133,932	23,599	3,157,531
Investments	-	25,123,181	25,123,181
Capital Assets, Not Being Depreciated	2,998,281	9,192,435	12,190,716
Capital Assets, Being Depreciated, net	45,993,642	170,025,319	216,018,961
<b>Total Assets</b>	<b>74,525,863</b>	<b>237,809,465</b>	<b>312,335,328</b>
<b>Deferred Outflows of Resources</b>			
OPEB	1,146,441	2,401,631	3,548,072
Refundings	287,155	-	287,155
Pensions	13,094,972	-	13,094,972
<b>Total Deferred Outflows of Resources</b>	<b>14,528,568</b>	<b>2,401,631</b>	<b>16,930,199</b>
<b>Liabilities</b>			
Accounts Payable	1,385,104	2,265,826	3,650,930
Accrued Expenses and Withholdings	532,310	-	532,310
Accrued Interest	149,668	1,296,779	1,446,447
Developers Escrow	855,110	23,599	878,709
Due to Other Governments	-	1,250,503	1,250,503
Unearned Revenue	12,118	-	12,118
Current Portions of Long Term Liabilities			
Lease Payable	466,779	17,788	484,567
Debt Payable, Subject to Subsidy Agreements	-	5,559,434	5,559,434
Bonds Payable	1,845,000	-	1,845,000
Compensated Absences	52,449	-	52,449
Non-Current Portions of Long Term Liabilities			
Lease Payable	830,690	-	830,690
Debt Payable, Subject to Subsidy Agreements	-	153,381,052	153,381,052
Bonds Payable	14,505,000	-	14,505,000
Bond Premium	938,687	9,658,169	10,596,856
Compensated Absences	2,529,654	-	2,529,654
OPEB Liability	10,871,623	-	10,871,623
Pension Liability	15,858,759	-	15,858,759
<b>Total Liabilities</b>	<b>50,832,951</b>	<b>173,453,150</b>	<b>224,286,101</b>
<b>Deferred Inflows of Resources</b>			
OPEB	257,062	-	257,062
Pensions	4,244,204	-	4,244,204
Leases	348,773	-	348,773
<b>Total Deferred Inflows of Resources</b>	<b>4,850,039</b>	<b>-</b>	<b>4,850,039</b>
<b>Net Position</b>			
Net Investment In Capital Assets	30,543,254	33,485,166	64,028,420
Restricted for:			
Program Purposes	2,974,322	-	2,974,322
Unrestricted	(146,135)	33,272,780	33,126,645
<b>Total Net Position</b>	<b>\$ 33,371,441</b>	<b>\$ 66,757,946</b>	<b>\$ 100,129,387</b>

The accompanying notes are an integral part of the financial statements.



LOWER PAXTON TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Primary Government		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary Government							
Governmental Activities							
General Government	\$ 2,360,826	\$ 293,264	\$ 5,229,537	\$ 1,412,171	\$ 4,574,146	\$ -	\$ 4,574,146
Police	13,365,851	35,327	-	161,866	(13,168,658)	-	(13,168,658)
Fire and Ambulances	1,846,953	-	-	353,917	(1,493,036)	-	(1,493,036)
Community Development	1,257,303	915,521	-	-	(341,782)	-	(341,782)
Public Works	8,354,829	79,443	2,989,191	3,831,227	(1,454,968)	-	(1,454,968)
Parks and Recreation	2,987,812	279,742	559,783	-	(2,148,287)	-	(2,148,287)
Interest on Long-Term Debt	446,582	-	-	-	(446,582)	-	(446,582)
Total Governmental Activities	30,620,156	1,603,297	8,778,511	5,759,181	(14,479,167)	-	(14,479,167)
Business-type Activities							
Lower Paxton Township Authority	19,713,571	20,281,874	-	-	-	568,303	568,303
	19,713,571	20,281,874	-	-	-	568,303	568,303
Total Primary Government	\$ 50,333,727	\$ 21,885,171	\$ 8,778,511	\$ 5,759,181	\$ (14,479,167)	\$ 568,303	\$ (13,910,864)
General Revenues							
Taxes					21,107,903	-	21,107,903
Interest Revenue					6,875,482	852,755	7,728,237
Gain (Loss) on Disposal of Assets					1,030,250	(11,230)	1,019,020
Contributions					80,518	-	80,518
Capital Contributions					-	79,907	79,907
Developer Contributions					5,419,069	391,058	5,810,127
License and Permits					1,074,772	-	1,074,772
Fines and Forfeitures					228,793	-	228,793
Miscellaneous					29,881	-	29,881
Transfers					(354,504)	354,504	-
Total General Revenues					35,492,164	1,666,994	37,159,158
Change in Net Position					21,012,997	2,235,297	23,248,294
Net Position - Beginning (as restated, Note 21)					12,358,444	64,522,649	76,881,093
Net Position - Ending					\$ 33,371,441	\$ 66,757,946	\$ 100,129,387

The accompanying notes are an integral part of the financial statements.

LOWER PAXTON TOWNSHIP  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2022

	General Fund	General Improvement Fund	Non-Major Funds	TOTAL
<b>Assets</b>				
Cash and Cash Equivalents	\$ 12,148,901	\$ 2,215,380	\$ 471,328	\$ 14,835,609
Restricted Cash and Cash Equivalents	855,110	-	2,278,822	3,133,932
Receivables				
Accounts	807,424	124,483	-	931,907
Interest	55,747	-	18,231	73,978
Lease	374,287	-	-	374,287
Taxes	2,681,850	-	99,177	2,781,027
Due From Other Funds	3,263,086	4,195	-	3,267,281
Prepaid Items	134,920	999	-	135,919
Total Assets	<u>\$ 20,321,325</u>	<u>\$ 2,345,057</u>	<u>\$ 2,867,558</u>	<u>\$ 25,533,940</u>
<b>Liabilities</b>				
Accounts Payable	\$ 1,038,970	\$ 168,403	\$ 177,731	\$ 1,385,104
Accrued Expenses and Withholdings	532,310	-	-	532,310
Unearned Revenue	12,118	-	-	12,118
Developers Escrows	855,110	-	-	855,110
Total Liabilities	<u>2,438,508</u>	<u>168,403</u>	<u>177,731</u>	<u>2,784,642</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Property Taxes	178,550	-	66,301	244,851
Leases	348,773	-	-	348,773
Total Deferred Inflows of Resources	<u>527,323</u>	<u>-</u>	<u>66,301</u>	<u>593,624</u>
<b>Fund Balances</b>				
Nonspendable	134,920	999	-	135,919
Restricted	70,505	280,291	2,623,526	2,974,322
Assigned	3,540,777	1,895,364	-	5,436,141
Unassigned	13,609,292	-	-	13,609,292
Total Fund Balances	<u>17,355,494</u>	<u>2,176,654</u>	<u>2,623,526</u>	<u>22,155,674</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 20,321,325</u>	<u>\$ 2,345,057</u>	<u>\$ 2,867,558</u>	<u>\$ 25,533,940</u>

The accompanying notes are an integral part of the financial statements.

LOWER PAXTON TOWNSHIP  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2022

Total Fund Balances for Governmental Funds \$ 22,155,674

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	2,998,281	
Depreciable assets, net of accumulated depreciation of \$62,547,842	45,993,642	

Total Capital Assets		48,991,923
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Some of the Township's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue-property taxes in the funds.		244,851
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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, 2022 are:

Compensated Absences	(2,582,103)	
Accrued Interest on Bonds and Loan	(149,668)	
Deferred Charges on Refundings	287,155	
Bond (Premium)/Discount	(938,687)	
Bonds Payable	(16,350,000)	
Lease Payable	(1,297,469)	
Deferred Outflows of Resources - Pensions	13,094,972	
Deferred Inflows of Resources - Pensions	(4,244,204)	
Deferred Outflows of Resources - OPEB	1,146,441	
Deferred Inflows of Resources - OPEB	(257,062)	
Net Pension Liability	(15,858,759)	
OPEB Liability	(10,871,623)	
		(38,021,007)

Total Net Position of Governmental Activities		\$ 33,371,441
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LOWER PAXTON TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>General</u>	<u>General Improvement</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 18,968,100	\$ -	\$ 2,111,122	\$ 21,079,222
Licenses and Permits	1,021,618	53,154	-	1,074,772
Fines and Forfeitures	228,793	-	-	228,793
Interest and Rents	911,674	39,307	26,940	977,921
Intergovernmental	10,948,550	1,994,510	1,594,632	14,537,692
Charges for Services	1,548,900	54,397	-	1,603,297
Contributions and Donations	80,518	-	-	80,518
Miscellaneous Income	29,881	-	-	29,881
Total Revenues	<u>33,738,034</u>	<u>2,141,368</u>	<u>3,732,694</u>	<u>39,612,096</u>
Expenditures				
General Government	1,850,956	337,381	-	2,188,337
Police	11,625,664	197,037	-	11,822,701
Fire and Ambulance	455,103	13,388	926,870	1,395,361
Community Development	1,231,035	47,792	-	1,278,827
Public Works	7,179,199	1,703,074	1,306,699	10,188,972
Parks and Recreation	1,256,794	1,313,113	-	2,569,907
Debt Service				
Principal	1,841,627	-	447,872	2,289,499
Interest	476,557	4,308	116,109	596,974
Total Expenditures	<u>25,916,935</u>	<u>3,616,093</u>	<u>2,797,550</u>	<u>32,330,578</u>
Excess of Revenues Over (Under) Expenditures	<u>7,821,099</u>	<u>(1,474,725)</u>	<u>935,144</u>	<u>7,281,518</u>
Other Financing Sources (Uses)				
Transfers Out	(450,986)	-	-	(450,986)
Transfers In	-	77,172	19,310	96,482
Debt Proceeds	-	171,631	171,015	342,646
Lease Proceeds	7,589	-	175,933	183,522
Sale of Capital Assets	-	2,407,378	22,000	2,429,378
Total Other Financing Sources	<u>(443,397)</u>	<u>2,656,181</u>	<u>388,258</u>	<u>2,601,042</u>
Net Change in Fund Balances	7,377,702	1,181,456	1,323,402	9,882,560
Fund Balances - Beginning of year (as restated, Note 21)	<u>9,977,792</u>	<u>995,198</u>	<u>1,300,124</u>	<u>12,273,114</u>
Fund Balances - End of year	<u>\$ 17,355,494</u>	<u>\$ 2,176,654</u>	<u>\$ 2,623,526</u>	<u>\$ 22,155,674</u>

The accompanying notes are an integral part of the 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  
 FOR THE YEAR ENDED DECEMBER 31, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 9,882,560

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

Governmental funds report capital outlays 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 \$9,785,284 exceeded depreciation (\$3,486,915) and net deletions (\$1,399,128) in the current period. 4,899,241

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.

Debt Issued:		
Bonds		(320,000)
Leases		(183,522)
Repayments:		
Bonds and Loans Payable		1,760,452
Leases		529,047
		1,785,977
Net Adjustment		1,785,977

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 12/31/21 to 12/31/22. 28,681

Under the modified accrual basis of accounting used in the 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 assets, swap liability bond (premium)/discount, pension expense, and OPEB expense.

Compensated Absences		(138,085)
Accrued Interest on Bonds		(3,710)
Deferred Charges on Refunding		(12,351)
Bond (Premium)/Discount		143,807
Swap Liability		5,897,561
Pension Expense		(915,147)
OPEB Expense		(555,537)
		4,416,538

Change in Net Position of Governmental Funds \$ 21,012,997

LOWER PAXTON TOWNSHIP  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2022

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	Business Type Activities Enterprise Funds
	Lower Paxton Township Authority
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 10,453,487
Investments	19,150,501
Receivables	
Accounts - Unbilled	5,123,789
Accounts - Billed	1,455,504
Interest	421,145
Other	20,539
Prepaid Items	87,247
Total Current Assets	36,712,212
Noncurrent Assets	
Restricted Cash and Cash Equivalents	23,599
Restricted Investments	25,123,181
Capital Assets, Not Being Depreciated	9,192,435
Capital Assets, Being Depreciated, net	170,025,319
Total Noncurrent Assets	204,364,534
Total Assets	241,076,746
Deferred Outflows of Resources	
Deferred Charges on Refundings	2,401,631
Total Deferred Outflows of Resources	2,401,631
Liabilities	
Current Liabilities	
Accounts Payable	2,265,826
Current Portion of Long-Term Debt, Subsidy	
Agreements with the Township	5,559,434
Accrued Interest	1,296,779
Developers Escrows	23,599
Due to Other Funds	3,267,281
Lease Payable	17,788
Due to Other Governments	1,250,503
Total Current Liabilities	13,681,210
Noncurrent Liabilities	
Long-Term Debt, Subsidy Agreements	
with the Township, Net of Current Portion	153,381,052
Bond Premium	9,658,169
Total Noncurrent Liabilities	163,039,221
Total Liabilities	176,720,431
Net Position	
Net Investment in Capital Assets	33,485,166
Unrestricted	33,272,780
Total Net Position	\$ 66,757,946

The accompanying notes are an integral part of the financial statements.

LOWER PAXTON TOWNSHIP  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022

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Business Type Activities -  
Enterprise Funds

Lower Paxton  
Township Authority

Operating Revenues	
Rentals and Fees	19,837,580
Miscellaneous	39,460
	<hr/>
Total Operating Revenues	19,877,040
	<hr/>
Operating Expenses	
Cost of Sales and Service	6,749,065
Administration	4,151,507
Depreciation	3,697,210
	<hr/>
Total Operating Expenses	14,597,782
	<hr/>
Operating Income	5,279,258
	<hr/>
Nonoperating Revenues (Expenses)	
Interest Income	852,755
Tapping Fees	404,834
Interest and Amortization, net	(5,115,789)
Developer Contributions	391,058
Capital Contribution	79,907
Loss on Disposal of Capital Assets	(11,230)
	<hr/>
Total Nonoperating Expenses, net	(3,398,465)
	<hr/>
Change Before Operating Transfers	1,880,793
	<hr/>
Transfers In	354,504
	<hr/>
Total Transfers	354,504
	<hr/>
Changes in Net Position	2,235,297
	<hr/>
Total Net Position - Beginning of Year	64,522,649
	<hr/>
Total Net Position - End of Year	\$ 66,757,946
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

LOWER PAXTON TOWNSHIP  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022

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Business Type Activities -  
Enterprise Funds

Lower Paxton  
Township Authority

Cash Flows From Operating Activities	
Receipts from Customers and Users	\$ 19,828,182
Receipts from Miscellaneous	39,460
Payments to	
Suppliers	(7,703,194)
Lower Paxton Township	(2,262,539)
	<hr/>
Net Cash Provided by Operating Activities	9,901,909
	<hr/>
Cash Flows from Noncapital and Related Financing Activities	354,504
	<hr/>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(16,604,992)
Tapping Fees	404,834
Contributions	391,058
Bond Proceeds	22,244,027
Principal Payments on Long-term Debt	(10,945,250)
Principal Payments on Leases	(50,281)
Interest Payments	(5,062,777)
	<hr/>
Net Cash Provided by (Used in) Capital and Related Financing Activities	(9,623,381)
	<hr/>
Cash Flows from Investing Activities	
Purchase of Investments, net	(42,761,683)
Interest Income	852,755
	<hr/>
Net Cash Provided by (Used in) Investing Activities	(41,908,928)
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(41,275,896)
	<hr/>
Cash and Cash Equivalents, Beginning of Year	51,752,982
	<hr/>
Cash and Cash Equivalents, End of Year	\$ 10,477,086
	<hr/> <hr/>
<u>Presented in Financial Statements as</u>	
Cash and Cash Equivalents	\$ 10,453,487
Restricted Cash and Cash Equivalents	23,599
	<hr/>
	\$ 10,477,086
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.



LOWER PAXTON TOWNSHIP  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

Page 23

	Business Type Activities - Enterprise Funds
	Lower Paxton Township Authority
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 5,279,258
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	3,697,210
Change in Assets and Liabilities	
Receivables	40,191
Accounts Payable	(976,100)
Interest Receivable	(421,145)
Due to Other Governments	66,355
Developers Escrows	394,839
Prepaid Expense	(20,045)
Due to Other Funds	1,841,346
Net Cash Provided by Operating Activities	<u>\$ 9,901,909</u>
Supplemental Disclosure of Noncash Transactions (Capital Related and Investing Activities)	
Deferred Loss on Refunding	166,063
Bond Premium	528,583

The accompanying notes are an integral part of the financial statements.

LOWER PAXTON TOWNSHIP  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2022

	<u>Component Unit Pension Trust Funds</u>	<u>Custodial Fund - Tax Collector Fund</u>	<u>Totals</u>
Assets			
Cash	\$ 6,483,538	106,090	\$ 6,589,628
Receivables			
Employee	17,997	-	17,997
Interest	12,394	-	12,394
County	-	760,219	760,219
Miscellaneous	2,744		2,744
Investments, at fair value	<u>47,726,425</u>	<u>-</u>	<u>47,726,425</u>
Total Assets	<u>\$ 54,243,098</u>	<u>\$ 866,309</u>	<u>\$ 55,109,407</u>
Liabilities			
Accounts Payable	\$ 10,888	\$ -	\$ 10,888
Due to Other Governments	-	858,389	858,389
Due to Individuals	<u>-</u>	<u>7,920</u>	<u>7,920</u>
Total Liabilities	<u>10,888</u>	<u>866,309</u>	<u>877,197</u>
Net Position Restricted for Pensions	<u>\$ 54,232,210</u>	<u>\$ -</u>	<u>\$ 54,232,210</u>

The accompanying notes are an integral part of the financial statements.

LOWER PAXTON TOWNSHIP  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED DECEMBER 31, 2022

	Component Unit Pension Trust Funds	Custodial Fund - Tax Collector Fund
Additions		
Contributions		
Employee	\$ 479,989	\$ -
Employer	1,763,327	-
Employer - Commonwealth Funding	1,015,369	-
Total Contributions	<u>3,258,685</u>	<u>-</u>
Investment Income		
Interest and Dividends	977,753	-
Net Depreciation in Fair Value of Investments	<u>(9,848,838)</u>	<u>-</u>
Net Investment Loss	<u>(8,871,085)</u>	<u>-</u>
Collections		
Real Estate Taxes	<u>-</u>	<u>24,162,457</u>
Total Collections	<u>-</u>	<u>24,162,457</u>
Total Additions	(5,612,400)	24,162,457
Deductions		
Retirement Benefits	2,918,464	-
Refunds to Employees	53,589	-
Payments of Real Estate Tax	-	24,162,457
Administrative	<u>144,299</u>	<u>-</u>
Total Deductions	<u>3,116,352</u>	<u>24,162,457</u>
Net Decrease	(8,728,752)	-
Beginning of Year	<u>62,960,962</u>	<u>-</u>
End of Year	<u>\$ 54,232,210</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lower Paxton Township ("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:

A) 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.

Fiduciary Component Units

The Township's Pension Plans ("Plans") were established to provide retirement, disability, and death benefits to eligible retirees of the Township. The Plans are included in the financial reporting entity as a fiduciary fund because the Plans are (1) considered to be a separate legal entity, (2) the Township appoints a voting majority of the governing board, and (3) the Plans impose a financial burden on the Township as it is legally obligated or has assumed an obligation to make contributions to the Plans.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

A) Reporting Entity (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, stormwater, relating 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 Authority operates on a calendar year ending December 31. The Authority does not prepare separate financial statements.

B) Government-Wide and Fund Financial Statements

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

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

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

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other 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.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

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

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 180 days of the end of the current fiscal period with the exception of property taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the Township receives cash.

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

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

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

The Township reports the following major governmental funds:

- The General Fund is the primary government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The General Improvement Fund is used to account for capital improvement projects throughout the Township.

The Township's enterprise funds are proprietary funds. In the fund financial statements, the 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 fund 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.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

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

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

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

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

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 an agent for individuals, private organizations, other governments, and/or other funds. These include the Pension Trust funds and Agency 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 fund's financial statements are prepared using the accrual basis of accounting.

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

Additionally, the Township reports the following fiduciary fund types:

- The Pension Trust Funds account for the revenue (i.e., member contributions, Township contributions, and net investment income) and the expenses (i.e., contributions refunded, retirement allowances, and death benefits paid) of the Police and Non-Uniformed Municipal Employees Pension Trust Funds and the Fireman's Length of Service Award Program (LOSAP) fund.
- The Tax Collector Fund accounts for the revenue and expenses related to the Township's Tax Collector.

D) Assets, Liabilities, and Net Position or Fund Balances

1. Cash and Cash Equivalents

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

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

2. 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 and Stormwater Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Unbilled sewer rentals receivable relate to services performed at December 31 and not billed until the following January.

3. 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.

4. Restricted Assets

Restricted assets represent cash and cash equivalent balances from developers' escrow, forfeiture funds, unspent bond proceeds and fire equipment funds. At December 31, 2022, the restricted cash balance was \$3,133,932.

Restricted assets for the Authority represent cash and investment balances from developers' escrow and unspent bond proceeds. At December 31, 2022, the restricted cash balance was \$23,599 and the restricted investment balance was \$25,123,181.

5. 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 (except for intangible right-to-use lease assets, the measurement of which is discussed in Note 4. Donated capital assets are recorded at acquisition value.



LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

5. Capital Assets

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

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

<u>Assets</u>	<u>Years</u>
Intangibles	3-60
Right-To-Use	2-5
Infrastructure	20-50
Buildings	50
Land improvements	20
Machinery, equipment and vehicles	5-15
Sewer system / Deferred capacity	15-60

6. 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*.

7. 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 (CONTINUED)  
DECEMBER 31, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

8. 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.

9. 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.

10. 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.

11. 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 in tact.
- *Restricted Fund Balance* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed Fund Balance* – Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (i.e. Township Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same level action to remove or change the constraint. This formal action is a Board approved Resolution.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

- *Assigned Fund Balance* – Amounts the Township intends to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance can be created by the Township Manager pursuant to authorization established by the Board of Supervisors.
- *Unassigned Fund Balance* – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

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

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, 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.

12. 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.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

13. 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.

14. 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 four items that qualify for reporting in this category: deferred outflows related to pensions, other postemployment benefits (OPEB) and refunding bonds. Deferred outflows related to pensions are described further in Notes 9 and 10. Deferred outflows related to OPEB are described further in Note 18. Deferred outflows related to leases are described further in Note 7. The components of deferred outflows are amortized into pension expense for the non-uniform, police pension 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 shorted of the life of the refunded or refunding debt.

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 four items that qualify for reporting in this category: deferred inflows related to pensions, OPEB, leases and unavailable tax revenue. Deferred inflows related to pensions are further described in Note 9 and 10. Deferred inflows related to OPEB are further described in Note 18. Deferred inflows related to leases are further described in Note 7. The annual difference between the projected and actual earnings on investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year). Unavailable tax revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Lease-related amounts are recognized at the inception of the lease. The deferred inflow of resources is recorded in amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before commencement of the lease term that relate to future periods, less any incentives paid to, or on behalf of the lessee at or before commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

15. Leases

The Township is a lessee for a noncancellable leases of equipment. The Township recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Township recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Township initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Township determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Township uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Township generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Township is reasonably certain to exercise.

The Township monitors changes in circumstance that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

16. Adoption of Governmental Accounting Standards

The Township adopted the provisions of Statement No. 87, "Leases", GASB Statement No. 91, "Conduit Debt Obligations", and GASB Statement No. 92, "Omnibus 2020", certain requirements GASB Statement No. 93, "Replacement of Interbank Offered Rates" and certain provisions of GASB Statement No. 99, "Omnibus 2022." The adoption of GASB No. 87 resulted in the recording of leases receivable and payable and a deferred inflow/outflow of resources-leases and a modification of the footnotes as well as a restatement in net position and fund balance in Note 21. The remaining GASB's adopted had no effect on previously reported amounts.

17. Pending Changes in Accounting Principles

In March 2020, the GASB issued Statement No. 93, "Replacement of Interbank Offered Rates". The Township is required to adopt statement No. 93 for its calendar year 2022 statements, except for the requirements of paragraphs 11b, 13, and 14 which are effective for the Township's calendar year 2023 statements.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balances (Continued)

17. Pending Changes in Accounting Principles (Continued)

In March 2020, the GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The Township is required to adopt statement No. 94 for its calendar year 2023 statements.

In May 2020, the GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements". The Township is required to adopt statement No. 96 for its calendar year 2023 statements.

In April 2022, the GASB issued Statement No. 99, "*Omnibus 2022*". The Township is required to adopt the requirements related to leases, PPPs, and SBITAs which are effective for the Authority's calendar year 2023 statements and the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53.

In June 2022, the GASB issued Statement No. 100, "*Accounting Changes and Error Corrections, an Amendment of GASB Statement No. 62.*" The Township is required to adopt this statement for its calendar year 2024 financial statements.

In June 2022, the GASB issued Statement No. 101, "*Compensated Absences.*" The Township is required to adopt this statement for its calendar year 2024 financial statements.

The Township has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

E) Budgets and Budgetary Accounting

Legal Requirements

Commonwealth of Pennsylvania statutes require that Township Governments establish budgetary systems and adopt annual operating budgets. The Township's annual budget includes the General Fund, State Highway Aid, Fire Equipment, Firemen's LOSAP, and General Improvement and is based on estimates of revenues and expenditures approved by the Township Board of Supervisors. The Township adopted the 2018 budget on a modified accrual basis of accounting. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

Township Budget Process

1. At least 30 days prior to January 1, the Township manager submits to the board of supervisors a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public meeting is conducted to obtain citizen comments on the proposed budget. Prior to December 31, the budget is adopted through passage of a resolution by the board of supervisors.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

E) Budgets and Budgetary Accounting (continued)

3. The board of supervisors is authorized to transfer unencumbered monies from one Township account to another, but no monies shall be transferred from the fund allocated for the payment of debts or from any funds raised by a special tax levy for a particular purpose. Transfers of unencumbered monies shall not be made during the first three months of the fiscal year. The board of supervisors may, at any time by resolution, make supplemental appropriations.
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.

NOTE 2: DEPOSITS AND INVESTMENTS

*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, 2022, the Township's cash balance was \$28,446,627 and its bank balance was \$24,990,259 excluding fiduciary funds. Of the bank balance, \$15,473,755 was covered by the Federal Deposit Insurance Corporation, and \$9,516,504 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 described in more detail below. The Township does not have a formal investment policy related to custodial credit risk.

As of December 31, 2022, the Township had funds totaling \$59,247,437 invested in the Pennsylvania Local Government Investment Trust (PLGIT). Each of these entities issues separately audited financial statements that are available to the public. The fair value of the Township's position in the external investment pool is equivalent to the value of the pool shares. PLGIT does not place any limitations or restrictions on withdrawals from the programs. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pools. At December 31, 2022, PLGIT carry AAAM and AAAM ratings, respectively, and have an average maturity of less than one year.

*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, 2022, the Township did not have any investments subject to concentration of credit risk.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

*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 Fund.

*Fair Value.* 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 and fixed income mutual funds are valued using quoted market prices (Level 1 inputs). The Township's Pension Trust Funds have the following recurring fair value measurements as of December 31, 2022:

	December 31, 2022	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments by fair value level				
Mutual Funds - Equity	\$ 31,494,213	\$ 31,494,213	\$ -	\$ -
Mutual Funds - Fixed Income	14,127,400	14,127,400	-	-
Total investments by fair value level	45,621,613	\$ 45,621,613	\$ -	\$ -
Investments measured at the net asset value (NAV)				
Pooled Separate Accounts (1)	2,104,812			
Total investments measured at NAV	2,104,812			
Total investments measured at fair value	\$ 47,726,425			

<sup>(1)</sup> *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.

NOTE 3: REAL ESTATE TAXES

Real estate taxes attach as an enforceable lien on property on January 1. Taxes are billed on March 1, payable under the following terms: 2% discount, March 1 based on the assessed value listed as of the prior December 31 for the real property located in the Township through April 30; face amount, May 1 through June 30, and 10% penalty after June 30. The County bills these taxes which are collected by the County and remitted to the Township. Real estate taxes levied for 2022 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2022 and expected to be collected within the first sixty (60) days of 2023 are recognized as revenue in 2022. 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.



LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 3: REAL ESTATE TAXES (CONTINUED)

The rate of real estate taxation in 2022 was 1.554 mills for general purposes, 0.6365 mills for fire protection, and 0.041 mills for library funding purposes on a total Township assessed valuation of \$3,367,400,214.

NOTE 4: CAPITAL ASSETS

A summary of changes in the capital assets for the year ended December 31, 2022 is as follows (\*restated for Right-to-use assets):

	Beginning Balance*	Additions	Reductions	Ending Balance
Governmental activities				
Capital assets not being depreciated (cost):				
Land	\$ 3,142,639	\$ -	\$ (800,000)	\$ 2,342,639
Intangibles	421,850	-	-	421,850
Construction in progress	554,075	2,316,465	(2,636,748)	233,792
Total capital assets not being depreciated	4,118,564	2,316,465	(3,436,748)	2,998,281
Capital assets being depreciated (cost):				
Buildings	23,121,829	17,403	(46,000)	23,093,232
Land improvements	8,003,195	1,177,168	(623,334)	8,557,029
Machinery and equipment	5,118,478	927,042	(727,663)	5,317,857
Vehicles	9,962,405	221,720	(569,363)	9,614,762
Infrastructure	51,595,275	7,578,713	-	59,173,988
Right-to-use assets	2,601,095	183,521	-	2,784,616
Total capital assets being depreciated	100,402,277	10,105,567	(1,966,360)	108,541,484
Less accumulated depreciation for:				
Buildings	(9,317,490)	(604,700)	21,160	(9,901,030)
Land improvements	(5,286,691)	(300,616)	233,170	(5,354,137)
Machinery and equipment	(3,234,119)	(305,866)	669,326	(2,870,659)
Vehicles	(4,383,401)	(638,643)	443,576	(4,578,468)
Infrastructure	(37,506,494)	(1,226,301)	-	(38,732,795)
Right-to-use assets	(699,964)	(410,789)	-	(1,110,753)
Total accumulated depreciation	(60,428,159)	(3,486,915)	1,367,232	(62,547,842)
Total capital assets being depreciated, net	39,974,118	6,618,652	(599,128)	45,993,642
Total capital assets, governmental activities	\$ 44,092,682	\$ 8,935,117	\$ (4,035,876)	\$ 48,991,923

Depreciation expense was charged to functions/programs of the Township's governmental activities as follows:

Governmental Activities	
General Government	\$ 406,488
Police	223,156
Fire and Ambulance	490,367
Community Development	4,326
Public Works	1,675,763
Parks and Recreation	686,815
Total depreciation	<u>\$ 3,486,915</u>

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

## NOTE 4: CAPITAL ASSETS (CONTINUED)

	Beginning Balance*	Additions	Reductions	Ending Balance
Business-type activities				
Capital assets not being depreciated (cost):				
Land	\$ 1,540,192	\$ -	\$ -	\$ 1,540,192
Intangibles	2,740,869	-	-	2,740,869
Construction in progress	15,112,457	9,855,078	(20,056,161)	4,911,374
Total capital assets not being depreciated	19,393,518	9,855,078	(20,056,161)	9,192,435
Capital assets being depreciated (cost):				
Buildings	1,517,541	-	-	1,517,541
Machinery and equipment	1,484,055	874,495	-	2,358,550
Furniture	40,973	-	-	40,973
Sewer system	169,385,473	21,219,461	(673,050)	189,931,884
Stormwater system	20,204,149	4,921,784	-	25,125,933
Sewer capacity	21,144,628	-	-	21,144,628
Right-to-use	81,617	-	-	81,617
Total capital assets being depreciated	213,858,436	27,015,740	(673,050)	240,201,126
Less accumulated depreciation for:				
Buildings	(547,285)	(37,938)	-	(585,223)
Machinery and equipment	(521,135)	(300,848)	-	(821,983)
Furniture	(20,563)	(1,084)	-	(21,647)
Sewer system	(56,326,296)	(2,534,061)	651,079	(58,209,278)
Stormwater system	(1,638,467)	(566,414)	-	(2,204,881)
Sewer capacity	(7,924,876)	(365,680)	-	(8,290,556)
Right-to-use	(32,037)	(10,202)	-	(42,239)
Total accumulated depreciation	(67,010,659)	(3,816,227)	651,079	(70,175,807)
Total capital assets being depreciated, net	146,847,777	23,199,513	(21,971)	170,025,319
Total capital assets, business-type activities	\$ 166,241,295	\$ 33,054,591	\$ (20,078,132)	\$ 179,217,754

Depreciation expense was charged to functions/programs of the Township's business-type activities as follows:

Business-type activities	
Lower Paxton Authority	\$ 3,816,227

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

## NOTE 5: LONG – TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended December 31, 2022 (\*restated for GASB 87):

	Balance at January 1, 2022*	Additions	Reductions	Balance at December 31, 2022	Due Within One Year
Governmental activities					
General obligation debt	\$ 17,750,000	\$ 320,000	\$ (1,720,000)	\$ 16,350,000	\$ 1,845,000
Loan payable	40,452	-	(40,452)	-	-
Lease obligation	1,642,994	183,522	(529,047)	1,297,469	466,779
Compensated absences	2,444,018	138,085	-	2,582,103	52,449
Net pension liability	4,020,881	11,837,878	-	15,858,759	-
Net OPEB liability	10,457,203	860,676	(446,256)	10,871,623	-
Governmental activities long-term liabilities	<u>\$ 36,355,548</u>	<u>\$ 13,340,161</u>	<u>\$ (2,735,755)</u>	<u>\$ 46,959,954</u>	<u>\$ 2,364,228</u>
Business-type activities					
Lower Paxton Township Authority					
Long-term debt, subsidy agreements	\$ 147,641,705	\$ 22,244,027	\$ (10,945,246)	\$ 158,940,486	\$ 5,559,434
Lease obligation	68,069	-	(50,281)	17,788	17,788
Business-type activities long-term liabilities	<u>\$ 147,709,774</u>	<u>\$ 22,244,027</u>	<u>\$ (10,995,527)</u>	<u>\$ 158,958,274</u>	<u>\$ 5,577,222</u>

In March 2022, the Township issued General Obligation Bonds, Series of 2022, in the amount of \$18,550,000. The principal on these bonds is payable in annual installments ranging from \$370,000 to \$1,055,000 in 2047. Interest payments on the outstanding principal shall be due semi-annually, on April 1 and October 1 of each year, beginning October 1, 2022. The bonds bear fixed interest rates ranging from 2.00% to 4.00% and included a premium of \$1,108,577. The proceeds of the bonds were used for capital projects, to currently refund the 2010 PennVest Loan and to pay issuance costs.

The Township had additional draws on the Pennvest Loan 2019 in the amount of \$4,014,043.

Pertinent information regarding long-term debt obligations outstanding is presented below (payable from general fund tax revenues and sewer revenues):

	Original borrowing	Year of issue/maturity	Interest rates to maturity	Annual principal payments to maturity	Ending Balance
General obligation bonds					
Series of 2014	\$23,350,000	2014/2044	1.75% - 5.00%	\$800,000 to \$980,000	\$ 4,605,000
Series of 2015	14,005,000	2015/2029	2.00% - 4.00%	\$160,000 to \$2,125,000	13,365,000
Series of 2016	23,840,000	2016/2046	2.00% - 5.00%	\$685,000 to \$1,115,000	14,660,000
Series of 2019	52,040,000	2019/2044	3.00% - 4.00%	\$495,000 to \$4,975,000	49,790,000
Series of 2020A	25,970,000	2020/2050	1.00% - 4.00%	\$510,000 to \$1,450,000	24,955,000
Series of 2020B	8,665,000	2020/2027	1.00% - 4.00%	\$785,000 to \$2,390,000	4,530,000
Series of 2020C	34,760,000	2020/2046	0.51% - 2.98%	\$410,000 to \$2,555,000	33,995,000
Series of 2022	\$18,550,000	2022/2047	2.00% - 4.00%	\$370,000 to \$1,055,000	18,180,000
				Total general obligation debt	<u>164,080,000</u>
Loans					
PennVest loan 2019	7,653,472	2020/2032	1.51% - 2.06%	\$493,009 to \$777,665	<u>11,210,486</u>
				Total loan	<u>11,210,486</u>
				Total long-term debt	<u>\$ 175,290,486</u>

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 5: LONG – TERM LIABILITIES (CONTINUED)

An analysis of debt service requirements to maturity on the Governmental Activities obligations follows:

	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2023	\$ 1,845,000	\$ 496,989	\$ 2,341,989
2024	1,905,000	424,820	2,329,820
2025	1,985,000	351,298	2,336,298
2026	1,850,000	282,399	2,132,399
2027	1,920,000	218,047	2,138,047
2028-2032	4,670,000	580,722	5,250,722
2033-2037	2,055,000	120,129	2,175,129
2038-2042	80,000	16,400	96,400
2043-2047	40,000	1,600	41,600
	<u>\$ 16,350,000</u>	<u>\$ 2,492,404</u>	<u>\$ 18,842,404</u>

An analysis of debt service requirements to maturity on the Business-Type Activities obligations follows:

	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2023	\$ 5,559,434	\$ 5,224,704	\$ 10,784,138
2024	5,748,637	5,038,623	10,787,260
2025	5,942,979	4,844,422	10,787,401
2026	6,127,464	4,663,994	10,791,458
2027	6,295,804	4,522,895	10,818,699
2028-2032	34,559,483	19,535,783	54,095,266
2033-2037	41,196,473	13,042,767	54,239,240
2038-2042	31,510,227	6,056,346	37,566,573
2043-2047	17,825,000	2,114,816	19,939,816
2048-2050	4,174,985	255,100	4,430,085
	<u>\$ 158,940,486</u>	<u>\$ 65,299,450</u>	<u>\$ 224,239,936</u>

NOTE 6: 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, 2022, 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 (CONTINUED)  
DECEMBER 31, 2022

## NOTE 7: LEASES

Pertinent governmental activities information regarding leases is presented below:

Governmental Activities					
<u>Date of Issue</u>	<u>Initial Liability</u>	<u>Purpose</u>	<u>Outstanding Liability Balance December 31, 2022</u>	<u>Asset Value December 31, 2022</u>	<u>Accumulated Amortization</u>
Various	\$ 2,601,095	The Township entered into several lease agreements ranging from three to five years for the acquisition and use of vehicles and equipment. The Township is required to make monthly principal and interest payments ranging from \$71 to \$52,877. The lease has interest rates of 2.20% to 7.00%. The vehicles and equipment has an estimated useful life of 8-10 years.	\$ 1,297,469	\$ 2,601,095	\$ 699,964

Business-type Activities					
<u>Date of Issue</u>	<u>Initial Liability</u>	<u>Purpose</u>	<u>Outstanding Liability Balance December 31, 2022</u>	<u>Asset Value December 31, 2022</u>	<u>Accumulated Amortization</u>
2017	\$ 81,617	The Township entered into a five-year lease agreement for the acquisition and use of equipment. The Township is required to make monthly principal and interest payments of \$18,586. The lease has an interest rate of 4.49%. The equipment has an estimated useful life of 8 years.	\$ 17,788	\$ 81,617	\$ 42,509

The future principal and interest lease payments as of December 31, 2022, were as follows:

Governmental Activities			
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 466,779	\$ 57,194	\$ 523,973
2024	419,099	33,037	452,136
2025	259,823	15,404	275,227
2026	150,234	4,256	154,490
2027	1,534	26	1,560
Totals	<u>\$ 1,297,469</u>	<u>\$ 109,917</u>	<u>\$ 1,407,386</u>

Business Type Activities			
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 17,788	\$ 799	\$ 18,587
Totals	<u>\$ 17,788</u>	<u>\$ 799</u>	<u>\$ 18,587</u>

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 7: LEASES (CONTINUED)

The Township, as the lessor, had entered into a lease of building space with the Drayer Physical Therapy. An initial lease receivable was recorded in the amount of \$116,501. There was no additional revenue for variable and other payments not included in the measurement of the lease receivable. As of December 31, 2022, the value of the lease receivable is \$59,559 and the related deferred inflow for future payments expected to be collected on the lease is \$54,755. The lessee is required to make monthly fixed payments of \$5,085 through December 2023. The lease has an interest rate of 4.5%. The Township recognized lease revenue and interest of \$2,186 and \$4,078, respectively for the calendar year.

The Township, as the lessor, had entered into a lease of small cell phone towers with the Cellco Partnership. An initial lease receivable was recorded in the amount of \$324,979. There was no additional revenue for variable and other payments not included in the measurement of the lease receivable. As of December 31, 2022, the value of the lease receivable is \$314,728 and the related deferred inflow for future payments expected to be collected on the lease is \$294,018. The lessee is required to make monthly fixed payments of \$25,200 through May 2041. The lease has an interest rate of 4.6%. The Township recognized lease revenue and interest of \$5,224 and \$14,949, respectively for the calendar year.

NOTE 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, 2022 were \$888,710.

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.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 9: EMPLOYEES RETIREMENT PLANS

A. Plan Description

*Administration.* The Township has two single employer defined benefit pension plans, one covering uniformed police and the other covering non-uniformed employees, including Authority Unit employees. Employees become eligible for participation in a plan upon employment and become fully vested after twelve years of service in the Police Pension Plan and nine years of service in the Non-Uniformed Pension Plan (Township Unit), 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. The Police Pension Plan was established by municipal ordinance with the authority for municipal contributions required by Act 205, of the Pennsylvania legislature. The Non-Uniformed Pension Plan was established and is controlled through Township ordinances. The Board of Supervisors established and may amend benefit terms through labor agreements negotiated by the Township. Both plans are reported as pension trust funds in the statement of fiduciary net position and changes therein. The plans do not issue stand-alone financial reports.

Non-Uniform Pension Plan

*Plan Membership.* At December 31, 2022, participants in the plans consisted of the following:

Participants:	<u>Non-Uniformed</u>
Retirees and beneficiaries currently receiving benefits	43
Terminated employees entitled to benefits but not yet receiving them	13
Active Employees	88

*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:

	<u>Non-uniformed</u>
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 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

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 9: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Non-Uniform Pension Plan (Continued)

A. Plan Description (Continued)

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

B. Contributions

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

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation ("MMO") to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated contributions. The actuarially determined contribution for the MMO to the Pension Trust Fund was \$1,003,335 which was funded by the Township through Township contributions. Employee contributions in 2022 totaled \$185,069.



LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 9: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Non-uniform Pension Plan (Continued)

C. Net Pension Liability

The total pension (asset) liability was based on an actuarial valuation dated January 1, 2022 and update procedures were used to roll-forward the total pension (asset) liability to the December 31, 2022 measurement date. The components of the net pension asset of the Township at December 31, 2022, were as follows:

Total pension liability	\$ 27,306,167
Plan fiduciary net position	<u>(22,789,577)</u>
Net pension liability	<u>\$ 4,516,590</u>

Plan fiduciary net position as a percentage of the total pension liability	83.5%
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The schedule of changes in the net pension (asset) liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about the plan.

The components and changes in the Township's net pension liability for the Non-uniform pension plan for the year ended December 31, 2022 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at December 31, 2021	\$25,987,094	\$26,482,360	\$ (495,266)
Service Cost	645,538	-	645,538
Interest Cost	1,698,340	-	1,698,340
Contributions - Employer	-	1,003,335	(1,003,335)
Contributions - Member	-	185,069	(185,069)
Net Investment Income	-	(3,795,957)	3,795,957
Benefit Payments, including			
Refunds of Member Contributions	(1,024,805)	(1,024,805)	-
Administrative Expense	-	(60,425)	60,425
Net Changes	<u>1,319,073</u>	<u>(3,692,783)</u>	<u>5,011,856</u>
Balances at December 31, 2022	<u>\$27,306,167</u>	<u>\$22,789,577</u>	<u>\$4,516,590</u>

As of December 31, 2022, the plan fiduciary net position as a percentage of the total pension liability was 83.5%.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 9: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Non-uniform Pension Plan (Continued)

C. Net Pension Liability (Continued)

At December 31, 2022, 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	\$ -	\$ 607,073
Change in assumptions	840,111	-
Net difference between projected and actual investment earnings	4,428,899	1,594,480
Total	<u>\$ 5,269,010</u>	<u>\$ 2,201,553</u>

The total pension expense recognized in 2022 for the Non-uniform pension plan was \$1,101,722. The deferred outflows of resources and the deferred inflows of resources will be recognized in pension expense as follows:

Year ended	
2023	\$ 270,703
2024	690,789
2025	925,054
2026	1,138,540
2027	24,927
Thereafter	<u>17,444</u>
Total	<u>\$ 3,067,457</u>

D. Actuarial 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	2.75%
Salary increases, including inflation	4.75% including inflation
Expected long-term rate of return	6.75% net of investment expenses not funded through the MMO

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.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 9: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Non-uniform Pension Plan (Continued)

D. Actuarial Assumptions (Continued)

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, 2022 are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return</u>
Equity	65%	22.50% - 41.80%
Fixed income	33%	3.73% - 6.98%
Cash	2%	0.07% - 0.53%

E. 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.

F. 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>5.50%</u>	<u>6.50%</u>	<u>7.50%</u>
Net pension liability	\$ 7,709,020	\$ 4,516,590	\$ 1,824,002

G. Rate of return

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments was (14.74)%. The money-weighted rate of return expresses investment performance, net of investment expenses, not funded through the MMO.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 9: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Police Pension Plan

As of December 31, 2022, participants in the police plan consisted of the following:

Participants:	<u>Police</u>
Retirees and beneficiaries currently receiving benefits	51
Terminated employees entitled to benefits but not yet receiving them	3
Active Employees	59

A. 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:

	<u>Police Pension</u>
Normal retirement eligibility	Age 50 with 25 years of service.
Average compensation period	36 months
Early retirement eligibility	N/A
Vesting	100% after completion of 12 years of service
Normal forms of benefits	Life
Normal retirement benefits	A monthly benefit equal to 50% of gross pay averaged over the last 36 months of employment, plus a service increment of \$20 for each year of service in excess of 25 years, up to a maximum of \$100.
Early retirement benefits	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</u> - refund of contributions with interest. <u>After vesting, before retirement</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</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.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 9: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Police Pension Plan (Continued)

B. 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.

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 \$1,015,369 and Township contributions of \$680,682. Employee contributions in 2022 totaled \$294,920.

C. Net Pension Liability

The total pension (asset) liability was based on an actuarial valuation dated January 1, 2022 and update procedures were used to roll-forward the total pension (asset) liability to the December 31, 2022 measurement date. The components of the net pension asset of the Township at December 31, 2022, were as follows:

Total pension liability	\$ 41,397,857
Plan fiduciary net position	<u>(30,352,660)</u>
Net pension liability	<u>\$ 11,045,197</u>
Plan fiduciary net position as a percentage of the total pension liability	73.3%

The schedule of changes in the net pension (asset) liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about the plan.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

## NOTE 9: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Police Pension Plan (Continued)C. Net Pension Liability (Continued)

The components and changes in the Township's net pension liability for the Police pension plan for the year ended December 31, 2022 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at December 31, 2021	\$39,666,240	\$35,209,127	\$ 4,457,113
Service Cost	1,042,981	-	1,042,981
Interest Cost	2,585,424	-	2,585,424
Contributions - Employer	-	1,696,051	(1,696,051)
Contributions - Member	-	294,920	(294,920)
Net Investment Income	-	(4,871,155)	4,871,155
Benefit Payments, including Refunds of Member Contributions	(1,896,788)	(1,896,788)	-
Administrative Expense	-	(79,495)	79,495
Net Changes	1,731,617	(4,856,467)	6,588,084
Balances at December 31, 2022	<u>\$41,397,857</u>	<u>\$30,352,660</u>	<u>\$11,045,197</u>

As of December 31, 2022, the plan fiduciary net position as a percentage of the total pension liability was 73.3%.

At December 31, 2022, 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	\$ 540,956	\$ 8,443
Change in assumptions	1,246,959	-
Net difference between projected and actual investment earnings	5,735,226	1,970,835
Total	<u>\$ 7,523,141</u>	<u>\$ 1,979,278</u>

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 9: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Police Pension Plan (continued)

C. Net Pension Liability (Continued)

The total pension expense recognized in 2022 for the Police pension plan was \$2,519,649. The deferred outflows of resources and the deferred inflows of resources will be recognized in pension expense as follows:

Year ended	
2023	\$ 843,345
2024	1,372,067
2025	1,553,826
2026	1,717,824
2027	<u>56,801</u>
Total	<u>\$ 5,543,863</u>

D. 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% including inflation
Expected long-term rate of return	6.50%, applied to all periods

Mortality rates were based on the 2010 Public Plan – Public Safety (PubS-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, 2022 are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return</u>
Equity	65%	22.50% - 41.80%
Fixed income	33%	3.68% - 6.98%
Cash	2%	0.07% - 0.53%

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 9: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Pension Trust Funds (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability for both plans 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.

G. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Township, calculated using the discount rate of 6.50%, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net pension liability	\$ 16,434,108	\$ 11,045,197	\$ 6,561,940

H. Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments was (14.32)%. 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)

A. Plan Description

Plan Administrator

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.

Plan Membership

As of December 31, 2022, participants in the non-uniform plan consisted of the following:

Participants:	LOSAP
Inactive members and beneficiaries currently receiving benefits	18
Inactive entitled to benefits but not yet receiving them	28
Active members	60



LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 10: LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

A. Plan Description (Continued)

Plan Benefits

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

	LOSAP
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

B. Contributions

Contributions to the LOSAP plan from the Township in 2022 totaled \$79,310.

C. Net Pension Liability

The total pension liability was measured as of December 31, 2022 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021. The components of the net pension asset of the Township at December 31, 2022, were as follows:

Total pension liability	\$ 1,386,945
Plan fiduciary net position	(1,089,973)
Net pension liability	<u>\$ 296,972</u>
Plan fiduciary net position as a percentage of the total pension liability	78.6%

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 10: LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

C. Net Pension Liability (Continued)

The schedule of changes in the net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about the plan.

The components and changes in the Township's net pension liability for the LOSAP plan for the year ended December 31, 2022 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at December 31, 2021	\$1,328,509	\$1,269,475	\$ 59,034
Service Cost	16,511	-	16,511
Interest Cost	92,385	-	92,385
Contributions - Employer	-	79,310	(79,310)
Net Investment Income	-	(203,973)	203,973
Benefit Payments, including Refunds of Member Contributions	(50,460)	(50,460)	-
Administrative expense		(4,379)	4,379
Net Changes	58,436	(179,502)	237,938
Balances at December 31, 2022	<u>\$1,386,945</u>	<u>\$1,089,973</u>	<u>\$ 296,972</u>

As of December 31, 2022, the plan fiduciary net position as a percentage of the total liability was 78.6%.

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	\$ -	\$ 38,291
Change in assumptions	64,242	-
Net difference between projected and actual investment earnings	238,579	25,082
Total	<u>\$ 302,821</u>	<u>\$ 63,373</u>

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 10: LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

C. Net Pension Liability (Continued)

The total pension expense recognized in 2022 for the LOSAP plan was \$72,472. The deferred outflows of resources and the deferred inflows of resources will be recognized in pension expense as follows:

Year ended	
2023	\$ 53,448
2024	53,448
2025	53,446
2026	61,807
2027	2,163
Thereafter	<u>15,136</u>
Total	<u>\$ 239,448</u>

D. Actuarial methods and assumptions

The Township's LOSAP net pension liability was measured as of December 31, 2022 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, including inflation	0.00% including inflation
Expected long-term rate of return	7.00%, including inflation
Postretirement cost of living increase	0.00%

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, 2022 are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return</u>
Domestic equity	50%	5.5% - 7.5%
International equity	15%	4.5% - 6.5%
Fixed income	33%	1.0% - 3.0%

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 10: LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

E. 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.

F. 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 Discount Rate 7.00%	1% Increase 8.00%
Net pension liability	\$ 471,933	\$ 296,972	\$ 96,389

G. Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments was (16.38)%.

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consist of the following at December 31, 2022:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 3,263,086	\$ -
General Improvement Fund	4,195	-
Lower Paxton Township Authority	-	3,267,281
Total	<u>\$ 3,267,281</u>	<u>\$ 3,267,281</u>

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 12: INTERFUND TRANSFERS

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

	<u>Transfer In</u>	<u>Transfer out</u>
General Fund	\$ -	\$ 450,986
General Improvement Fund	77,172	-
Nonmajor Funds	19,310	-
Lower Paxton Township Authority	<u>354,504</u>	<u>-</u>
Total	<u>\$ 450,986</u>	<u>\$ 450,986</u>

NOTE 13: MANAGEMENT AGREEMENT

The Authority has entered into an agreement with Lower Paxton Township to procure certain management services with regard to its operations, activities and functions. The Authority and the Township have certain common management. The total management services for 2022 amounted to \$457,629. 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 \$3,084,795 for the year ended December 31, 2022. As of December 31, 2022, the Authority owed the Township \$3,290,108 primarily for the fourth quarter of calendar year 2022.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 14: FUND BALANCES / NET POSITION CLASSIFICATIONS AND RESTRICTIONS

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	
<u>General Fund:</u>					
Other assets	\$ 134,920	\$ -		\$ -	\$ 134,920
Use of budgetary reserves/earmarked funds	-	-	3,540,777	-	3,540,777
Police	-	28,386		-	28,386
Parks and recreation	-	42,119		-	42,119
Available for any purpose	-	-		13,609,292	13,609,292
<u>General Improvement Fund:</u>					
Other assets	999	-		-	999
Township Improvements		280,291	1,895,364	-	2,175,655
<u>Non-Major Funds:</u>					
State highway aid	-	603,441		-	603,441
Fire Protection Services	-	2,020,085		-	2,020,085
	<u>\$ 135,919</u>	<u>\$ 2,974,322</u>	<u>\$ 5,436,141</u>	<u>\$ 13,609,292</u>	<u>\$ 22,155,674</u>

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	\$ 1,089,973
Non-uniform trust fund, amounts restricted for payment of Non-uniform pension benefits	22,789,577
Uniform trust fund, amounts restricted for payment of Uniform pension benefits	<u>30,352,660</u>
Total fiduciary funds, net position	<u>\$ 54,232,210</u>

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 15: 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 Township and Authority has entered into agreements for various construction projects. There were ten total construction contracts open as of December 31, 2022 which totaled \$38,942,404. Work totaling \$22,453,040 had been completed on these contracts as of year end.

NOTE 16: 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 \$1,636,655 for the year ended December 31, 2022.

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 \$3,691,412.

The Authority is currently disputing the method of calculating certain 2021 charges related to the services provided above. The total amount owed is \$1,250,503 and \$318,092 is currently disputed. The total amount 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, 2022.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 17: LEGAL AGREEMENTS AND RESTRICTIONS REGARDING SANITARY SEWER 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, 2022, 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, 2022, the estimated additional MS4 capital costs relative to the plan total \$11,280,556.

NOTE 18: POST-EMPLOYMENT 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, 2022, the Plan's membership consisted of the following:

Active Participants	57
Retired Participants	15
Total	<u>72</u>

*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.

Plan Description (Continued)

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%.



LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 18: POST-EMPLOYMENT BENEFIT PLAN (CONITNUED)

*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 \$10,871,623 was measured as of December 31, 2022, and was determined by an actuarial valuation as of January 1, 2021. The actuary utilized update procedures to roll forward the total OPEB liability in the January 1, 2021 actuarial valuation to the December 31, 2022 measurement date.

*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	4.00% for 2021, increasing to 5.00% by 2028

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

Mortality rates were assumed based on the 2010 Public Retirement Plan – Safety mortality tables (PubS-2010). Mortality improvement rates were derived from the Long-Range Demographic Assumptions for the 2020 Social Security Administration's Trustee Report.

The actuarial assumptions used in the January 1, 2021 valuation were based on past experience under the plan and reasonable future expectations which represents the best estimate of anticipated experience under the plan. A recent actuarial experience study was not performed.

Changes in the Township's total OPEB liability for the plan as of December 31, 2022 was as follows:

	Total OPEB Liability
Balance at December 31, 2021	\$ 10,457,203
Changes for the Year:	
Service Cost	590,039
Interest	270,637
Benefit Payments	(446,256)
Net Changes	414,420
Balance at December 31, 2022	\$ 10,871,623

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 18: POST-EMPLOYMENT BENEFIT PLAN (CONITNUED)

As of December 31, 2022, the Township reported deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 307,491	\$ 141,617
Changes of assumptions	<u>838,950</u>	<u>115,445</u>
Total	<u>\$ 1,146,441</u>	<u>\$ 257,062</u>

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

Year ended December 31,	
2023	\$ 141,117
2024	141,117
2025	141,117
2026	141,117
2027	141,117
Thereafter	<u>183,794</u>
Total	<u>\$ 889,379</u>

*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-percentage point lower (3.00% increasing to 4.00%) or 1-percentage higher (4.00% increasing to 5.00%) than the current discount rate:

	<u>1% Decrease 3.00%</u>	<u>Current Rate 4.00%</u>	<u>1% Increase 5.00%</u>
Township total OPEB liability	\$ 9,842,295	\$ 10,871,623	\$ 12,105,214

*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-percentage point lower (1.50%) or 1-percentage higher (3.50%) than the current discount rate:

	<u>1% Decrease 1.50%</u>	<u>Current Rate 2.50%</u>	<u>1% Increase 3.50%</u>
Township total OPEB liability	\$ 11,954,710	\$ 10,871,623	\$ 9,889,925

OPEB Expense

For the year ended December 31, 2022, the Township recognized OPEB expense of \$1,001,793.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 19: 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 2022 contribution for this coverage was \$269,358, net of \$106,859 dividend received.

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, 2022, 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 2022, the Township paid premiums of \$3,120,305. For the year ended December 31, 2022, the Township was limited in liability for claims to \$70,000 per enrollee. Actual claims paid for the year ended December 31, 2022 were \$2,725,738.

NOTE 20: DERIVATIVE INSTRUMENTS

The Township was a party to a contract for a cash-settling swap instrument. The swap was considered an investment derivative. On June 14, 2022, the Township decided to terminate the swap. A termination payment of \$333,680, was received and is recorded in the General Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

LOWER PAXTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022

NOTE 21:      RESTATEMENT OF NET POSITION/FUND BALANCE

The following restatement was necessary to reflect the adoption of the provisions of GASB Statement No. 87, "Leases" in which the Township changed its manner of accounting for leases.

	Governmental Activities
Net Position, beginning of year as previously stated	\$ 12,359,980
Net increase in lease assets and lease liabilities	<u>(1,536)</u>
Net Position, beginning of year as restated	<u>\$ 12,358,444</u>

	Fund Balance
Fund Balance, beginning of year as previously stated	\$ 9,955,316
Net increase in lease assets and lease liabilities	<u>22,476</u>
Fund Balance, beginning of year as restated	<u>\$ 9,977,792</u>

NOTE 22:      SUBSEQUENT EVENTS

In March 2023, the Township approved a bid of \$1,069,651 with New Enterprise Stone & Line for the 2023 Highway Liquid Fuel Paving Projects.

In 2023, the Township entered into a joint agreement with Susquehanna Township for a grant of \$1,206,406 for the Route 39 Adaptive Signal Improvements Project.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

LOWER PAXTON TOWNSHIP  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues				
Taxes	\$ 16,413,000	\$ 16,413,000	\$ 18,968,100	\$ 2,555,100
Licenses and Permits	1,076,000	1,076,000	1,021,618	(54,382)
Fines and Forfeitures	245,000	245,000	228,793	(16,207)
Interest and Rents	336,665	336,665	911,674	575,009
Intergovernmental	5,764,538	5,764,538	10,948,550	5,184,012
Charges for Services	1,352,800	1,352,800	1,548,900	196,100
Contributions and Donations	17,000	17,000	80,518	63,518
Miscellaneous Income	2,500	2,500	29,881	27,381
Total Revenues	25,207,503	25,207,503	33,738,034	8,530,531
Expenditures				
General Government	2,233,381	2,233,381	1,850,956	382,425
Police	12,029,665	12,029,665	11,625,664	404,001
Fire and Ambulance	380,500	380,500	455,103	(74,603)
Community Development	1,213,818	1,213,818	1,231,035	(17,217)
Public Works	7,575,516	7,575,516	7,179,199	396,317
Parks and Recreation	1,249,807	1,249,807	1,256,794	(6,987)
Debt Service				
Principal	1,549,161	1,549,161	1,841,627	(292,466)
Interest	463,751	463,751	476,557	(12,806)
Total Expenditures	26,695,599	26,695,599	25,916,935	778,664
Excess of Revenues Over Expenditures	(1,488,096)	(1,488,096)	7,821,099	9,309,195
Other Financing Sources (Uses)				
Operating Transfers Out	-	-	(450,986)	(450,986)
Lease Proceeds	-	-	7,589	7,589
Sale of Capital Assets	10,000	10,000	-	(10,000)
Total Other Financing Sources (Uses)	10,000	10,000	(443,397)	(453,397)
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	\$ (1,478,096)	\$ (1,478,096)	\$ 7,377,702	\$ 8,855,798

## LOWER PAXTON TOWNSHIP (NON-UNIFORM)

## SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (NON-UNIFORM) - LAST 10 YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service Cost	\$ 645,538	\$ 633,242	\$ 545,189	\$ 535,173	\$ 451,165	\$ 455,943	\$ 431,365	\$ 459,270	\$ 468,852
Interest	1,698,340	1,612,963	1,570,740	1,489,190	1,456,600	1,378,467	1,291,194	1,210,063	1,161,316
Changes of benefit terms	-	-	-	-	-	500,267	-	-	-
Differences between expected and actual experience	-	(164,906)	-	(541,352)	-	(885,043)	-	(524,611)	-
Changes of assumptions	-	356,839	-	603,643	-	1,127,497	-	-	-
Benefit payments, including refunds of employee contributions	(1,024,805)	(873,417)	(829,434)	(823,121)	(778,275)	(650,761)	(564,472)	(481,740)	(375,414)
Net change in total pension liability	1,319,073	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	25,987,094	24,419,482	23,132,987	21,869,454	20,739,964	18,813,594	17,655,507	16,992,525	15,737,771
Total pension liability - ending (a)	<u>\$ 27,306,167</u>	<u>\$ 25,984,203</u>	<u>\$ 24,419,482</u>	<u>\$ 23,132,987</u>	<u>\$ 21,869,454</u>	<u>\$ 20,739,964</u>	<u>\$ 18,813,594</u>	<u>\$ 17,655,507</u>	<u>\$ 16,992,525</u>
Plan fiduciary net position									
Contributions - employer	\$ 1,003,335	\$ 1,003,335	\$ 797,538	\$ 757,954	\$ 683,408	\$ 696,477	\$ 674,462	\$ 789,950	\$ 728,949
Contributions - employee	185,069	172,808	172,276	156,778	148,881	139,772	138,797	130,169	130,676
Net investment income	(3,795,957)	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	(1,024,805)	(873,417)	(829,434)	(823,121)	(778,275)	(650,761)	(564,472)	(481,740)	(375,414)
Administrative expense	(60,425)	(4,254)	(4,325)	(7,944)	(11,556)	(3,800)	(5,555)	(8,162)	(4,925)
Net change in plan fiduciary position	(3,692,783)	2,899,930	2,851,526	3,349,512	(698,572)	2,428,493	1,089,784	456,050	1,310,206
Plan fiduciary net position - beginning	26,482,360	23,579,539	20,728,013	17,378,501	18,077,073	15,648,580	14,558,796	14,102,746	12,792,540
Plan fiduciary net position - ending (b)	<u>\$ 22,789,577</u>	<u>\$ 26,479,469</u>	<u>\$ 23,579,539</u>	<u>\$ 20,728,013</u>	<u>\$ 17,378,501</u>	<u>\$ 18,077,073</u>	<u>\$ 15,648,580</u>	<u>\$ 14,558,796</u>	<u>\$ 14,102,746</u>
Township's net pension liability - ending (a) - (b)	<u>\$ 4,516,590</u>	<u>\$ (495,266)</u>	<u>\$ 839,943</u>	<u>\$ 2,404,974</u>	<u>\$ 4,490,953</u>	<u>\$ 2,662,891</u>	<u>\$ 3,165,014</u>	<u>\$ 3,096,711</u>	<u>\$ 2,889,779</u>
Plan fiduciary net position as a percentage of the total pension liability	83.46%	101.91%	96.56%	89.60%	79.46%	87.16%	83.18%	82.46%	82.99%
Covered payroll	\$ 5,801,081	\$ 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 liability as a percentage of covered payroll	77.86%	-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 nine years of information are available.

## LOWER PAXTON TOWNSHIP

## SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (POLICE) - LAST 10 YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service Cost	\$ 1,042,981	\$ 993,643	\$ 892,583	\$ 846,050	\$ 760,444	\$ 720,800	\$ 583,904	\$ 579,640	\$ 589,923
Interest	2,585,424	2,475,674	2,343,945	2,246,098	2,136,850	2,042,291	1,985,406	1,892,821	1,821,744
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	(1,896,788)	(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	1,731,617	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	39,666,240	36,206,809	34,667,070	31,878,307	30,524,838	28,719,452	27,429,500	26,393,835	25,078,112
Total pension liability - ending (a)	<u>\$ 41,397,857</u>	<u>\$ 39,660,927</u>	<u>\$ 36,206,809</u>	<u>\$ 34,667,070</u>	<u>\$ 31,878,307</u>	<u>\$ 30,524,838</u>	<u>\$ 28,719,452</u>	<u>\$ 27,429,500</u>	<u>\$ 26,393,835</u>
Plan fiduciary net position									
Contributions - employer	\$ 1,696,051	\$ 1,696,051	\$ 1,306,621	\$ 1,353,346	\$ 1,181,408	\$ 1,163,830	\$ 1,165,107	\$ 1,063,399	\$ 868,304
Contributions - employee	294,920	284,525	287,739	265,560	254,312	241,314	230,727	228,477	225,150
Net investment income	(4,871,155)	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	(1,896,788)	(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	(79,495)	(3,350)	(3,350)	(8,349)	(8,936)	(2,900)	(3,397)	(6,965)	(6,519)
Net change in plan fiduciary position	(4,856,467)	3,763,777	3,008,405	4,333,417	(1,032,546)	3,116,660	1,249,420	327,654	1,285,716
Plan fiduciary net position - beginning	35,209,127	31,440,037	28,431,632	24,098,215	25,130,761	22,014,101	20,764,681	20,437,027	19,151,311
Plan fiduciary net position - ending (b)	<u>\$ 30,352,660</u>	<u>\$ 35,203,814</u>	<u>\$ 31,440,037</u>	<u>\$ 28,431,632</u>	<u>\$ 24,098,215</u>	<u>\$ 25,130,761</u>	<u>\$ 22,014,101</u>	<u>\$ 20,764,681</u>	<u>\$ 20,437,027</u>
Township's net pension liability - ending (a) - (b)	<u>\$ 11,045,197</u>	<u>\$ 4,457,113</u>	<u>\$ 4,766,772</u>	<u>\$ 6,235,438</u>	<u>\$ 7,780,092</u>	<u>\$ 5,394,077</u>	<u>\$ 6,705,351</u>	<u>\$ 6,664,819</u>	<u>\$ 5,956,808</u>
Plan fiduciary net position as a percentage of the total pension liability	73.3%	88.8%	86.8%	82.0%	75.6%	82.3%	76.7%	75.7%	77.4%
Covered payroll	\$ 5,849,337	\$ 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 liability as a percentage of covered payroll	188.8%	78.5%	82.8%	119.5%	153.2%	109.6%	143.1%	147.5%	134.3%

The Township adopted GASB 67 on a prospective basis in 2014, therefore only nine years of information are available.



## LOWER PAXTON TOWNSHIP

## SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (LOSAP) - LAST 10 YEARS

	2022	2021
Total pension liability		
Service Cost	\$ 16,511	\$ 16,513
Interest	92,385	88,345
Differences between expected and actual experience	-	(44,673)
Changes of assumptions	-	74,950
Benefit payments, including refunds of employee contributions	(50,460)	(43,810)
Net change in total pension liability	58,436	91,325
Total pension liability - beginning	1,328,509	1,237,184
Total pension liability - ending (a)	<u>\$ 1,386,945</u>	<u>\$ 1,328,509</u>
Plan fiduciary net position		
Contributions - employer	\$ 79,310	\$ 94,805
Net investment income	(203,973)	120,602
Benefit payments, including refunds of employee contributions	(50,460)	(43,810)
Administrative expense	(4,379)	(4,675)
Net change in plan fiduciary position	(179,502)	166,922
Plan fiduciary net position - beginning	1,269,475	1,102,553
Plan fiduciary net position - ending (b)	<u>\$ 1,089,973</u>	<u>\$ 1,269,475</u>
Township's net pension liability - ending (a) - (b)	<u>\$ 296,972</u>	<u>\$ 59,034</u>
Plan fiduciary net position as a percentage of the total pension liability	78.6%	95.6%
Covered payroll	N/A	N/A
Township net pension liability as a percentage of covered payroll	N/A	N/A

The Township adopted GASB 67 on a prospective basis in 2021, therefore only two years of information are available.

## LOWER PAXTON TOWNSHIP

## SCHEDULE OF EMPLOYER CONTRIBUTIONS (NON UNIFORM) - LAST 10 YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,003,335	\$ 961,941	\$ 797,538	\$ 757,954	\$ 683,408	\$ 696,477	\$ 674,462	\$ 789,950	\$ 728,949
Contributions in relation to the actuarially determined contribution	1,003,335	1,003,335	797,538	757,954	683,408	696,477	674,462	789,950	728,949
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (41,394)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,801,081	\$ 5,659,105	\$ 5,523,146	\$ 5,214,405	\$ 4,916,287	\$ 4,895,449	\$ 4,753,121	\$ 4,476,046	\$ 4,636,453
Contributions as a percentage of covered payroll	17.3%	17.7%	14.4%	14.5%	13.9%	14.2%	14.2%	17.6%	15.7%

## Notes to Schedule

Valuation date: January 1, 2019

## Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	9 years (aggregate)
Asset valuation method	4-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
Mortality	RP-2014 Mortality Table with 50% of the Blue Collar Adjustment, with rates set forward 5 years for disabled lives. Mortality improvement rates derived from the Long-Range Demographic Assumptions for the 2015 Social Security.
Retirement age	Normal retirement age, or attained age, if currently eligible to retire.

Benefit changes

Effective 10/6/09: A retirement window with an increased benefit was provided to participants who were age 55 and had at least 10 years of service in 2009 or 2010.

Effective 1/1/13: Normal retirement age was changed to age 65 with 10 years of service for public works participants hired on or after 1/1/12 and all others hired on or after 1/1/13. Employee contributions increased by 1% for public works effective 1/1/13 and for all others 1/1/14.

Effective 1/1/17: Compensation averaging period was reduced from final 60 months (or five years for authority employees) to 36 months.

Changes to assumptions

Effective 1/1/11: 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 Healthy Mortality Table with Blue Collar Adjustment and rates projected to improve with 75% of scale AA.

Effective 1/1/17: Interest rate was lowered from 7.25% to 7.0%, salary increased reduced from 5.25% to 4.75%, mortality updated to RP-2014 mortality table with 50% of Blue Collar Adjustment with projected mortality improvement based on the Long-Range Demographic

Effective 1/1/19: Interest rate was lowered from 7.0% to 6.75%.

LOWER PAXTON TOWNSHIP  
SCHEDULE OF EMPLOYER CONTRIBUTIONS (POLICE) - LAST 10 YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 1,696,051	\$ 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
Contributions in relation to the actuarially determined contribution	1,696,051	1,696,051	1,306,621	1,353,346	1,181,408	1,163,830	1,165,107	1,063,399	868,304	856,605
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (5,694)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,849,337	\$ 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
Contributions as a percentage of covered payroll	29.00%	29.86%	22.71%	25.94%	23.27%	23.66%	24.87%	23.53%	19.57%	20.01%

Notes to Schedule

Valuation date: January 1, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	10 years (aggregate)
Asset valuation method	4-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
Mortality	RP-2014 Combined Healthy Mortality Table with 50% of the Blue Collar Adjustment, with rates set forward 5 years for disabled members. Mortality improvement rates derived from the Long-Range Demographic Assumptions for the 2015 Social Security.
Retirement age	Rates of retirement based on age and service according to the following schedule:

Age	Years of Service	
	25	26+
50	35%	35%
51-54	35%	20%
55	35%	35%
56-59	35%	25%
60+	100%	100%

*Benefit changes.*

Effective 1/1/13: The Killed-in-Service benefit was eliminated.

*Changes to assumptions.*

Effective 1/1/11: Interest rate was lowered from 7.5% to 7.25%, the mortality table was updated to RP-2000 Combined Healthy 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 1-1-17: Interest rate reduced from 7.25% to 7.0%, consumer price index decreased from 3.0% to 2.75%, mortality updated to RP-2014 mortality table with 50% of Blue Collar adjustment and projected mortality improvement based on the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report, disability updated to rates based on the Social Security Administration's 2010 projection of disability incidence, retirement assumption changed to rates of retirement.

Effective 1-1-19: Interest rate lowered from 7.0% to 6.75%.

## LOWER PAXTON TOWNSHIP

## SCHEDULE OF EMPLOYER CONTRIBUTIONS (LOSAP) - LAST 10 YEARS

	2022	2021
Actuarially determined contribution	\$ 79,310	\$ 79,310
Contributions in relation to the actuarially determined contribution	79,310	94,805
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (15,495)</u>
Covered - employee payroll	N/A	N/A
Contributions as a percentage of covered - employee payroll	N/A	N/A

## Notes to Schedule

Valuation date: January 1, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	4 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	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.

Benefit changes.

None since 1/1/2021

LOWER PAXTON TOWNSHIP  
SCHEDULE OF INVESTMENT RETURNS  
LAST 10 FISCAL YEARS

Annual money-weighted rate of return	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Non-uniform Pension Plan	-14.74%	11.10%	13.14%	18.95%	-4.13%	14.47%	5.83%	0.18%	6.49%
Police Pension Plan	-14.32%	11.47%	11.06%	18.54%	-3.70%	14.17%	5.53%	0.82%	6.85%
Fireman's LOSAP	-16.38%	10.68%							

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

## LOWER PAXTON TOWNSHIP

## SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS - LAST 10 YEARS

	2022	2021	2020	2019	2018
Total OPEB liability					
Service Cost	\$ 590,039	\$ 575,648	\$ 476,962	\$ 298,604	\$ 247,550
Interest	270,637	257,488	330,162	228,507	209,188
Changes of benefit terms	-	-	2,356,591	-	-
Changes of assumptions	-	1,087,896	-	(205,989)	-
Differences between expected and actual experience	-	(183,641)	-	548,659	-
Benefit payments, including refunds of employee contributions	(446,256)	(198,381)	(428,589)	(275,372)	(394,123)
Net change in total OPEB liability	414,420	1,539,010	2,735,126	594,409	62,615
Total OPEB liability - beginning	10,457,203	8,918,193	6,183,067	5,588,658	5,526,043
Total OPEB liability - ending (a)	<u>\$ 10,871,623</u>	<u>\$ 10,457,203</u>	<u>\$ 8,918,193</u>	<u>\$ 6,183,067</u>	<u>\$ 5,588,658</u>
Covered employee payroll	\$ 5,849,337	\$ 5,680,580	\$ 5,754,758	\$ 5,076,864	\$ 4,685,623
Township total OPEB liability as a percentage of covered payroll	185.86%	184.09%	154.97%	121.79%	119.27%

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

OTHER  
SUPPLEMENTARY  
INFORMATION

LOWER PAXTON TOWNSHIP  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2022

	State Highway Aid Fund	Fire Equipment Fund	TOTAL
Assets			
Cash and Cash Equivalents	\$ 471,328	\$ -	471,328
Restricted Cash and Cash Equivalents	167,677	2,111,145	2,278,822
Receivables			
Interest	-	18,231	18,231
Taxes	-	99,177	99,177
Total Assets	<u>\$ 639,005</u>	<u>\$ 2,228,553</u>	<u>\$ 2,867,558</u>
Liabilities			
Accounts Payable	\$ 35,564	\$ 142,167	\$ 177,731
Total Liabilities	<u>35,564</u>	<u>142,167</u>	<u>177,731</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	66,301	66,301
Total Deferred Inflows of Resources	<u>-</u>	<u>66,301</u>	<u>66,301</u>
Fund Balance			
Restricted	603,441	2,020,085	2,623,526
Total Fund Balance	<u>\$ 603,441</u>	<u>\$ 2,020,085</u>	<u>\$ 2,623,526</u>



LOWER PAXTON TOWNSHIP  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

	State Highway Aid Fund	Fire Equipment Fund	TOTAL
Revenues			
Taxes	\$ -	\$ 2,111,122	\$ 2,111,122
Interest and Rents	6,367	20,573	26,940
Intergovernmental	1,594,632	-	1,594,632
Total Revenues	1,600,999	2,131,695	3,732,694
Expenditures			
Fire and Ambulance	-	926,870	926,870
Public Works	1,306,699	-	1,306,699
Debt Service			
Principal	221,872	226,000	447,872
Interest	28,099	88,010	116,109
Total Expenditures	1,556,670	1,240,880	2,797,550
Excess of Revenues Over (Under) Expenditures	44,329	890,815	935,144
Other Financing Sources (Uses)			
Transfers In	-	19,310	19,310
Bond Proceeds	171,015	-	171,015
Lease Proceeds	175,933	-	175,933
Sale of Capital Assets	-	22,000	22,000
Total Other Financing Sources	346,948	41,310	388,258
Net Change in Fund Balance	391,277	932,125	1,323,402
Fund Balances - Beginning of Year	212,164	1,087,960	1,300,124
Fund Balances - End of Year	\$ 603,441	\$ 2,020,085	\$ 2,623,526

LOWER PAXTON TOWNSHIP  
COMBINING BALANCE SHEET -  
PROPRIETARY FUNDS  
DECEMBER 31, 2022

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	Sewer Fund	Stormwater Fund	Eliminations	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 8,452,081	\$ 2,001,406	\$ -	\$ 10,453,487
Investments	15,710,031	3,440,470	-	19,150,501
Receivables				
Accounts - Unbilled	4,294,362	829,427	-	5,123,789
Accounts - Billed	1,100,151	355,353	-	1,455,504
Interest	220,390	200,755	-	421,145
Other	6,010	14,529	-	20,539
Due From				
Sewer Fund	-	1,644,583	(1,644,583)	-
Township	-	22,827	-	22,827
Prepaid Items	70,644	16,603	-	87,247
<b>Total Current Assets</b>	<b>29,853,669</b>	<b>8,525,953</b>	<b>(1,644,583)</b>	<b>36,735,039</b>
<b>Noncurrent Assets</b>				
Restricted Cash and Cash Equivalents	23,599	-	-	23,599
Restricted Investments	13,522,356	11,600,825	-	25,123,181
Capital Assets, Not Being Depreciated	7,941,729	1,250,706	-	9,192,435
Capital Assets, Being Depreciated, net	146,220,275	23,805,044	-	170,025,319
<b>Total Noncurrent Assets</b>	<b>167,707,959</b>	<b>36,656,575</b>	<b>-</b>	<b>204,364,534</b>
<b>Total Assets</b>	<b>197,561,628</b>	<b>45,182,528</b>	<b>(1,644,583)</b>	<b>241,099,573</b>
<b>Deferred Outflows of Resources</b>				
Deferred Charges on Refundings	2,401,631	-	-	2,401,631
<b>Total Deferred Outflows of Resources</b>	<b>2,401,631</b>	<b>-</b>	<b>-</b>	<b>2,401,631</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	2,099,641	166,185	-	2,265,826
Current Portion of Long-Term Debt, Subsidy				
Agreements with the Township	4,999,434	560,000	-	5,559,434
Accrued Interest	1,104,383	192,396	-	1,296,779
Developers Escrows	23,599	-	-	23,599
Due to				
Stormwater	1,644,583	-	(1,644,583)	-
Township	1,925,236	1,364,872	-	3,290,108
Lease Payable	17,788	-	-	17,788
Due to Other Governments	1,250,503	-	-	1,250,503
<b>Total Current Liabilities</b>	<b>13,065,167</b>	<b>2,283,453</b>	<b>(1,644,583)</b>	<b>13,704,037</b>
<b>Noncurrent Liabilities</b>				
Long-Term Debt, Subsidy Agreements				
with the Township, Net of Current Portion	132,751,052	20,630,000	-	153,381,052
Bond Premium	8,171,621	1,486,548	-	9,658,169
<b>Total Noncurrent Liabilities</b>	<b>140,922,673</b>	<b>22,116,548</b>	<b>-</b>	<b>163,039,221</b>
<b>Total Liabilities</b>	<b>153,987,840</b>	<b>24,400,001</b>	<b>(1,644,583)</b>	<b>176,743,258</b>
<b>Net Position</b>				
Net Investment in Capital Assets	20,104,771	13,380,395	-	33,485,166
Unrestricted	25,870,648	7,402,132	-	33,272,780
<b>Total Net Position</b>	<b>\$ 45,975,419</b>	<b>\$ 20,782,527</b>	<b>\$ -</b>	<b>\$ 66,757,946</b>

LOWER PAXTON TOWNSHIP  
COMBINING SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022

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	Sewer Fund	Stormwater Fund	Total
Operating Revenues			
Rentals and Fees	\$ 16,661,516	\$ 3,176,064	\$ 19,837,580
Miscellaneous	16,177	23,283	39,460
Total Operating Revenues	<u>16,677,693</u>	<u>3,199,347</u>	<u>19,877,040</u>
Operating Expenses			
Cost of Sales and Service	5,306,036	1,443,029	6,749,065
Administration	2,931,961	1,219,546	4,151,507
Depreciation	3,062,238	634,972	3,697,210
Total Operating Expenses	<u>11,300,235</u>	<u>3,297,547</u>	<u>14,597,782</u>
Operating Income (Loss)	<u>5,377,458</u>	<u>(98,200)</u>	<u>5,279,258</u>
Nonoperating Revenues (Expenses)			
Interest Income	547,349	305,406	852,755
Tapping Fees	404,834	-	404,834
Interest and Amortization, net	(4,337,521)	(778,268)	(5,115,789)
Developer Contributions	-	391,058	391,058
Capital Contribution	79,907	-	79,907
Loss on Disposal of Capital Assets	(11,230)	-	(11,230)
Total Nonoperating Expenses, net	<u>(3,316,661)</u>	<u>(81,804)</u>	<u>(3,398,465)</u>
Change Before Operating Transfers	<u>2,060,797</u>	<u>(180,004)</u>	<u>1,880,793</u>
Transfers In	79,702	274,802	354,504
Total Transfers	<u>79,702</u>	<u>274,802</u>	<u>354,504</u>
Changes in Net Position	2,140,499	94,798	2,235,297
Total Net Position - Beginning of Year	<u>43,834,920</u>	<u>20,687,729</u>	<u>64,522,649</u>
Total Net Position - End of Year	<u><u>\$ 45,975,419</u></u>	<u><u>\$ 20,782,527</u></u>	<u><u>\$ 66,757,946</u></u>

LOWER PAXTON TOWNSHIP  
COMBINING SCHEDULE OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022

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	Sewer Fund	Stormwater Fund	Total
Cash Flows From Operating Activities			
Receipts from Customers and Users	\$ 16,526,147	\$ 3,302,035	\$ 19,828,182
Receipts from Miscellaneous	16,177	23,283	39,460
Payments to			-
Suppliers	(5,590,823)	(2,112,371)	(7,703,194)
Lower Paxton Township	(1,971,879)	(290,660)	(2,262,539)
Net Cash Provided by Operating Activities	8,979,622	922,287	9,901,909
Cash Flows from Noncapital and Related Financing Activities	79,702	274,802	354,504
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(10,628,658)	(5,976,334)	(16,604,992)
Tapping Fees	404,834	-	404,834
Contributions	391,058	-	391,058
Bond Proceeds	9,504,027	12,740,000	22,244,027
Principal Payments on Long-term Debt	(10,710,250)	(235,000)	(10,945,250)
Principal Payments on Leases	(50,281)	-	(50,281)
Interest Payments	(4,324,516)	(738,261)	(5,062,777)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(15,413,786)	5,790,405	(9,623,381)
Cash Flows from Investing Activities			
Purchase of Investments, net	(27,720,388)	(15,041,295)	(42,761,683)
Interest Income	547,349	305,406	852,755
Net Cash Provided by (Used in) Investing Activities	(27,173,039)	(14,735,889)	(41,908,928)
Net Increase (Decrease) in Cash and Cash Equivalents	(33,527,501)	(7,748,395)	(41,275,896)
Cash and Cash Equivalents, Beginning of Year	42,003,181	9,749,801	51,752,982
Cash and Cash Equivalents, End of Year	\$ 8,475,680	\$ 2,001,406	\$ 10,477,086
<u>Presented in Financial Statements as</u>			
Cash and Cash Equivalents	\$ 8,452,081	\$ 2,001,406	\$ 10,453,487
Restricted Cash and Cash Equivalents	23,599	-	23,599
	\$ 8,475,680	\$ 2,001,406	\$ 10,477,086

LOWER PAXTON TOWNSHIP  
COMBINING SCHEDULE OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

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	Sewer Fund	Stormwater Fund	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 5,377,458	\$ (98,200)	\$ 5,279,258
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	3,062,238	634,972	3,697,210
Change in Assets and Liabilities			
Receivables	44,306	(4,115)	40,191
Accounts Payable	(261,675)	(714,425)	(976,100)
Interest Receivable	(220,390)	(200,755)	(421,145)
Due to Other Governments	66,355	-	66,355
Developers Escrows	40,715	354,124	394,839
Prepaid Expense	(23,112)	3,067	(20,045)
Due to Other Funds	893,727	947,619	1,841,346
Net Cash Provided by Operating Activities	<u>\$ 8,979,622</u>	<u>\$ 922,287</u>	<u>\$ 9,901,909</u>
Supplemental Disclosure of Noncash Transactions (Capital Related and Investing Activities)			
Deferred Loss on Refunding			\$ 166,063
Bond Premium			528,583

LOWER PAXTON TOWNSHIP  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION - PENSION TRUST FUNDS  
 DECEMBER 31, 2022

	Non-Uniformed Pension	Police Pension	Fireman's LOSAP	Total
Assets				
Cash	\$ 2,646,717	\$ 3,751,833	\$ 84,988	\$ 6,483,538
Receivables				
Employee	7,086	10,911	-	17,997
Interest	5,357	6,769	268	12,394
County	-	-	-	-
Miscellaneous	2,569	175	-	2,744
Investments, at fair value	20,131,651	26,590,057	1,004,717	47,726,425
<b>Total Assets</b>	<b>\$ 22,793,380</b>	<b>\$ 30,359,745</b>	<b>\$ 1,089,973</b>	<b>\$ 54,243,098</b>
Liabilities				
Accounts Payable	\$ 3,803	\$ 7,085	\$ -	\$ 10,888
Due to Other Governments	-	-	-	-
Due to Individuals	-	-	-	-
<b>Total Liabilities</b>	<b>3,803</b>	<b>7,085</b>	<b>-</b>	<b>10,888</b>
<b>Net Position Restricted for Pensions</b>	<b>\$ 22,789,577</b>	<b>\$ 30,352,660</b>	<b>\$ 1,089,973</b>	<b>\$ 54,232,210</b>

LOWER PAXTON TOWNSHIP  
 COMBINING SCHEDULE OF CHANGES IN PLAN NET POSITION - PENSION TRUST FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

	Non-Uniformed Pension	Police Pension	Fireman's LOSAP	Total
Additions				
Contributions				
Employee	\$ 185,069	\$ 294,920	\$ -	\$ 479,989
Employer	1,003,335	680,682	79,310	1,763,327
Employer - Commonwealth Funding	-	1,015,369	-	1,015,369
Total Contributions	<u>1,188,404</u>	<u>1,990,971</u>	<u>79,310</u>	<u>3,258,685</u>
Investment Income				
Interest and Dividends	405,850	548,054	23,849	977,753
Net Depreciation in Fair Value of Investments	<u>(4,201,807)</u>	<u>(5,419,209)</u>	<u>(227,822)</u>	<u>(9,848,838)</u>
Net Investment Loss	<u>(3,795,957)</u>	<u>(4,871,155)</u>	<u>(203,973)</u>	<u>(8,871,085)</u>
Collections				
Real Estate Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Collections	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Additions	<u>(2,607,553)</u>	<u>(2,880,184)</u>	<u>(124,663)</u>	<u>(5,612,400)</u>
Deductions				
Retirement Benefits	993,846	1,874,158	50,460	2,918,464
Refunds to Terminated Employees	30,959	22,630	-	53,589
Payments of Real Estate Tax	-	-	-	-
Administrative	<u>60,425</u>	<u>79,495</u>	<u>4,379</u>	<u>144,299</u>
Total Deductions	<u>1,085,230</u>	<u>1,976,283</u>	<u>54,839</u>	<u>3,116,352</u>
Net Decrease	(3,692,783)	(4,856,467)	(179,502)	(8,728,752)
Beginning of Year	<u>26,482,360</u>	<u>35,209,127</u>	<u>1,269,475</u>	<u>62,960,962</u>
End of Year	<u>\$ 22,789,577</u>	<u>\$ 30,352,660</u>	<u>\$ 1,089,973</u>	<u>\$ 54,232,210</u>