

LOWER PAXTON TOWNSHIP
DAUPHIN COUNTY, PENNSYLVANIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

LOWER PAXTON TOWNSHIP
YEAR ENDED DECEMBER 31, 2023
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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, 2023, 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, 2023, and the changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 2023, the Township adopted certain requirements of GASB Statement No. 93, "Replacement of Interbank Offered Rates", the provisions of GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" and GASB Statement No. 96, "Subscription-Based IT Arrangements", and certain provisions of GASB Statement No. 99, "Omnibus 2022". Our opinion is not modified with respect to these matters.



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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 and OPEB plans, schedules of changes in net OPEB liability and related ratios, schedule of employer contributions-OPEB on pages 4-13, 69, 70-72, 73-75, 76, 77 and 78 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 opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining schedules 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 schedules 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 12, 2024
Harrisburg, Pennsylvania

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2023

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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, 2023. 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, 2023.

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, 2023:

- 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, 2023 by \$110,668,479 (net position). The net position increased by \$10,539,092 over 2022, primarily related to significant, continued growth in earned income tax and interest income revenues. The majority of the Township's net position (\$75,216,403 or 68%) is invested in capital assets and is not available for future spending.
- Fund balances increased in the General Fund by \$703,685 to \$22,859,359 primarily related to significant, continued growth in earned income tax and interest income revenues.
- The Township's solid waste and recycling contract executed for July 2023 through June 2028 included the Township taking over billing, collection, and customer service activities previously managed by the contractual hauler. While the fund balance generated from the operations were minimal (\$40,954), General Fund revenues and expenditures increased by \$3,594,322 and \$3,553,368, respectively, from those new Township operations.
- The Township established and began funding an other post-employment benefits plan ("OPEB") for police retiree health insurance in 2023, with an initial contribution of \$750,000, to more aggressively invest funds towards managing the long-term liability.

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2023

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- Apart from lease and subscription liability arrangements authorized by the Township (\$1,220,375), neither the Township nor Authority issued additional bond and loan debt in 2023. The Authority continued to draw on available proceeds from the 2019 PennVest loan (\$946,770) and utilize unspent bond proceeds from 2020A series issuances for continued sewer and from 2019 and 2022 series issuances for continued stormwater infrastructure projects. Net decrease in outstanding bond and loan debt for 2023 was \$15,326,851.
- 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 2023, with net additions to capital assets totaling \$13,413,333 for the Township.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2023

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- *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, one OPEB fund for sworn police officer benefits (new in 2023), 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.

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, 2023 and 2022

	2023			2022		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Current and other assets	\$ 27,039,047	\$ 47,913,815	\$ 74,952,862	\$ 25,533,940	\$ 58,591,711	\$ 84,125,651
Capital assets	52,858,965	188,764,045	241,623,010	48,991,923	179,217,754	228,209,677
Total assets	79,898,012	236,677,860	316,575,872	74,525,863	237,809,465	312,335,328
Deferred outflows of resources	11,120,977	2,245,448	13,366,425	14,528,568	2,401,631	16,930,199
Current portion of liabilities	6,098,229	10,997,904	17,096,133	5,298,538	10,413,929	15,712,467
Long-term portion of liabilities	34,048,702	157,703,999	191,752,701	45,534,413	163,039,221	208,573,634
Total liabilities	40,146,931	168,701,903	208,848,834	50,832,951	173,453,150	224,286,101
Deferred inflows of resources	10,424,984	-	10,424,984	4,850,039	-	4,850,039
Net position:						
Net investment in capital assets	35,955,313	39,261,090	75,216,403	30,543,254	33,485,166	64,028,420
Restricted	4,190,692	-	4,190,692	2,974,322	-	2,974,322
Unrestricted	301,069	30,960,315	31,261,384	(146,135)	33,272,780	33,126,645
Total net position	\$ 40,447,074	\$ 70,221,405	\$ 110,668,479	\$ 33,371,441	\$ 66,757,946	\$ 100,129,387

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2023

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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 and deferred inflows by \$110,668,479 as of December 31, 2023. The largest portion of the Township's net position, \$78,216,403 or 68%, is net investment in capital assets which reflects total capital assets offset by debt incurred to acquire the assets. Restricted net position of \$4,190,692 or 4%, primarily represents third-party escrows and unspent restricted grants and contributions for specified purposes. The remaining balance of net position of \$31,261,384 or 28%, 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, 2023

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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, 2023 and 2022

	2023			2022		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Revenues:						
Program revenues:						
Charges for service	\$ 5,859,289	\$ 21,353,622	\$ 27,212,911	\$ 1,603,297	\$ 20,281,874	\$ 21,885,171
Grants and contributions	8,993,178	-	8,993,178	14,537,692	-	14,537,692
General revenues:						
Taxes	20,228,544	-	20,228,544	21,107,903	-	21,107,903
Interest revenue	1,383,355	1,904,302	3,287,657	6,875,482	852,755	7,728,237
Gain on sale of capital assets	-	550,076	550,076	1,030,250	(11,230)	1,019,020
License and permits	1,015,186	-	1,015,186	1,074,772	-	1,074,772
Fines and forfeitures	251,955	-	251,955	228,793	-	228,793
Contributions	56,257	-	56,257	80,518	79,907	160,425
Developer contributions	1,128,045	813,618	1,941,663	5,419,069	391,058	5,810,127
Miscellaneous	2,340	-	2,340	29,881	-	29,881
Transfers	-	-	-	(354,504)	354,504	-
Total revenues	<u>38,918,149</u>	<u>24,621,618</u>	<u>63,539,767</u>	<u>51,633,153</u>	<u>21,948,868</u>	<u>73,582,021</u>
Expenses:						
General government	1,669,839	-	1,669,839	2,360,826	-	2,360,826
Police department	12,201,805	-	12,201,805	13,365,851	-	13,365,851
Fire and ambulance	1,993,039	-	1,993,039	1,846,953	-	1,846,953
Community development	1,319,295	-	1,319,295	1,257,303	-	1,257,303
Health and Sanitation	3,786,856	-	3,786,856	-	-	-
Public works	7,773,636	-	7,773,636	8,354,829	-	8,354,829
Parks and recreation	2,701,952	-	2,701,952	2,987,812	-	2,987,812
Interest	396,094	-	396,094	446,582	-	446,582
Lower Paxton Township Authority	-	21,158,159	21,158,159	-	19,713,571	19,713,571
Total expenses	<u>31,842,516</u>	<u>21,158,159</u>	<u>53,000,675</u>	<u>30,620,156</u>	<u>19,713,571</u>	<u>50,333,727</u>
Increase in net position	7,075,633	3,463,459	10,539,092	21,012,997	2,235,297	23,248,294
Net position at beginning of year	<u>33,371,441</u>	<u>66,757,946</u>	<u>100,129,387</u>	<u>12,358,444</u>	<u>64,522,649</u>	<u>76,881,093</u>
Net position at end of year	<u>\$ 40,447,074</u>	<u>\$ 70,221,405</u>	<u>\$ 110,668,479</u>	<u>\$ 33,371,441</u>	<u>\$ 66,757,946</u>	<u>\$ 100,129,387</u>

During the current fiscal year, net position for governmental activities increased \$7,075,633, primarily the result of continued, significant increases in earned income tax and interest income revenues. The net position of the business-type activities increased \$3,463,459, with sewer and stormwater user fees outpacing operating costs and significant depreciation on infrastructure investments in the respective systems.

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2023

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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 \$22,859,359, of which \$522,890 was in nonspendable form (e.g., deposits and prepaid expenses), \$4,190,692 was externally restricted, such as by legal restrictions or intention of grantors, donors, or trustees, and \$4,693,741 was assigned, primarily for earmarked capital projects and 2024 budgetary reserve needs. The remaining \$13,452,036 (59%) is unassigned and can be used for any lawful purpose, the majority 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:

	2023	2022
Revenues	\$ 32,774,720	\$ 33,738,034
Expenditures	32,579,344	25,916,935
Net other financing sources (uses)	549,068	(443,397)
Net changes in fund balances	\$ 744,444	\$ 7,377,702

Overall revenues decreased by \$963,314 from 2022 to 2023, primarily related to significant American Rescue Plan Act ("ARPA") funds recognized in 2022 partially offset with the addition of solid waste and recycling collection revenues mid-2023. Overall expenditures increased by \$6,662,409, primarily related to the addition of solid waste and recycling collection expenditures mid-2023. Finally, other financing sources (uses), typically insignificant, were larger in 2022 relative to several property sales (2023 mostly limited to subscription and lease liability issuance proceeds).

Enterprise Funds

The Township's enterprise funds, limited to the Authority, provide the same type of information found in the government-wide financial statements summarized earlier. As of December 31, 2023, the net position of the Authority totaled \$70,221,405, an increase of \$3,463,459 from 2022. Total operating revenues increase in 2023 by \$1,180,693 with improvement in interest income revenues and continued growth of sewer and stormwater customer charges. Operating expenses increased in 2023 by \$955,706, primarily relative to growing management agreement charges and infrastructure depreciation. Finally, net nonoperating expenses decreased in 2023 by \$1,357,679, primarily due to growth in interest income revenues related to capital projects.

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MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2023

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GENERAL FUND BUDGETARY ANALYSIS

The original budget for the General Fund was not amended by the Township's Board of Supervisors during 2023. Overall, actual operating revenues during the current fiscal period exceeded budget by \$5,516,114, a result of significant, continued growth of earned income tax and interest income revenues as well as the addition of solid waste and recycling collection revenues mid-2023 (unbudgeted absorption of activities).

Overall, actual expenditures were \$4,699,293 more than planned, primarily due to the following:

- Police department expenditures were more than budget by \$686,054, primarily due to an increase in capital outlays from lease obligation proceeds.
- Health and Sanitation department expenditures exceeded budget by \$3,884,603 primarily due to the addition of solid waste and recycling collection expenditures mid-2023 (unbudgeted absorption of activities).
- Debt Service expenditures exceeded budget by \$452,610, primarily due to payoff of lease liability debt in advance of due date based on receipt of County grant received to satisfy relating obligation.

CAPITAL ASSETS

The Township's capital assets as of December 31, 2023, net of accumulated depreciation, were \$241,623,010. 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, 2023 and is detailed in Note 4 to the financial statements:

	2023		2022	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Land	\$ 2,312,716	\$ 864,508	\$ 2,342,639	\$ 1,540,192
Intangibles (non depreciable)	421,850	2,740,869	421,850	2,740,869
Construction in progress	2,512,744	17,500,465	233,792	4,911,374
Buildings	23,577,908	1,517,541	23,093,232	1,517,541
Land improvements	8,987,683	-	8,557,029	-
Machinery and equipment	7,287,118	2,534,693	5,579,190	2,358,550
Vehicles	9,842,862	-	11,058,047	-
Infrastructure	60,242,873	216,418,524	59,173,988	215,057,817
Right-to-use assets	3,655,644	81,617	1,079,998	81,617
Furniture	-	40,973	-	40,973
Sewer capacity costs	-	21,144,628	-	21,144,628
Accumulated depreciation / amortization	<u>(65,982,433)</u>	<u>(74,079,773)</u>	<u>(62,547,842)</u>	<u>(70,175,807)</u>
	<u>\$ 52,858,965</u>	<u>\$ 188,764,045</u>	<u>\$ 48,991,923</u>	<u>\$ 179,217,754</u>

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2023

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DEBT ADMINISTRATION

The Township's long-term debt activity for 2023 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	\$ 16,350,000	\$ -	\$ (1,845,000)	\$ 14,505,000
Lease Obligation	1,297,469	1,001,627	(674,487)	1,624,609
Subscription Liability	-	218,748	(72,474)	146,274
Compensated Absences	2,582,103	-	(14,637)	2,567,466
Net Pension Liability	15,561,787	-	(7,080,477)	8,481,310
Net Pension Asset	(296,972)	-	(534,499)	(237,527)
Net OPEB Liability	10,871,623	-	(2,229,698)	8,641,925
Total Governmental Activities Long-Term Debt	<u>\$ 46,366,010</u>	<u>\$ 1,220,375</u>	<u>\$ (12,451,272)</u>	<u>\$ 35,729,057</u>
Business-Type Activities:				
General Obligation Debt	\$ 158,940,486	\$ 946,770	\$ (5,559,435)	\$ 154,327,821
Lease Obligation	17,788	-	(17,788)	-
Total Business-Type Activities Long-Term Debt	<u>\$ 158,958,274</u>	<u>\$ 946,770</u>	<u>\$ (5,577,223)</u>	<u>\$ 154,327,821</u>

At the end of 2023, the Township had total long-term debt, net of current maturities, in the amount of \$190,294,405, \$154,327,821 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, 2023, \$12,614,285 had been drawn on the 2019 PennVest loan, leaving \$663,910 (including unreleased retainage) available for 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.

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2023

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Township

The Township's 2024 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 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 2024 budget for the General Fund was adopted utilizing \$965,937 in reserves (\$1,551,021 of which pertains to use of budgetary reserves generated from the ARPA funds), which would reduce carryover reserves to just over \$16,380,000 million to enter into 2025, \$2,568,000 of which relates to unspent budgetary reserves generated from the ARPA funds.

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 completed the initial Phase I evaluation in Pennsylvania's Strategic Management Planning Program ("STMP") began, 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 Township entered into Phase II of the STMP program in 2023, coordinating 50% grant support towards implementation and three-year licensing of new Community Development software, and continues to identify additional Phase submission opportunities for strategic planning and operational improvements.

In addition, the Township invested in a volunteer firefighter stipend program with its three volunteer fire companies to maintain and improve on existing level of response and volunteer coverage for fire and related emergencies in the Township, utilizing revenues from the dedicated fire protection and equipment real estate tax levies (increased in 2022) to continue affordable fire and emergency protection services across the Township's jurisdiction.

Finally, the Township continues to finance significant capital improvements, much deferred, for investment relative to the ARPA funds received, which will ensure significant capital rehabilitation and revitalization improvements are made to the Township's parks and playgrounds, transportation, public safety, and administrative assets and infrastructure.

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,

LOWER PAXTON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2023

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revised long-term corrective action plans are provided to PADEP and have been approved as submitted. As of December 31, 2023, the Authority estimates that additional investments for compliance with the agreements are \$40,360,000 for Beaver Creek and \$16,194,000 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, 2023, the estimated additional MS4 capital costs relative to the plan total \$6,491,342.

To fund the capital projects noted above, the Authority anticipates further subsidy agreements with the Township for issuance of debt financing as follows: \$15,700,000 in 2024, \$40,800,000 during the period of 2027 through 2036 for sewer projects, and for stormwater \$12,000,000 in 2026 and \$12,000,000 in 2029 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 2024 budget reflects no change in sewer or stormwater charges from 2023 rates. The budgets continue to reflect significant capital investments into the respective infrastructure systems relating to the consent order and MS4 management plans in effect, totaling \$12,982,900 for sewer and \$6,491,342 for stormwater.

CONTACTING THE TOWNSHIP

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

LOWER PAXTON TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current			
Cash and Cash Equivalents	\$ 13,695,434	\$ 2,674,855	\$ 16,370,289
Investments	-	25,125,604	25,125,604
Receivables			
Accounts	3,254,114	-	3,254,114
Interest	87,946	117,079	205,025
Taxes	2,637,136	-	2,637,136
Lease	433,086	-	433,086
Rental and Fees	-	6,927,466	6,927,466
Other	-	8,735	8,735
Internal Balances	2,001,622	(2,001,622)	-
Prepaid Items	522,890	77,641	600,531
Non-Current			
Restricted Assets			
Cash and Cash Equivalents	4,169,292	24,963	4,194,255
Investments	-	14,959,094	14,959,094
Net Pension Asset	237,527	-	237,527
Capital Assets, Not Being Depreciated	5,247,310	21,105,842	26,353,152
Capital Assets, Being Depreciated, net	47,611,655	167,658,203	215,269,858
Total Assets	79,898,012	236,677,860	316,575,872
Deferred Outflows of Resources			
OPEB	1,231,965	2,245,448	3,477,413
Refundings	274,804	-	274,804
Pensions	9,614,208	-	9,614,208
Total Deferred Outflows of Resources	11,120,977	2,245,448	13,366,425
Liabilities			
Accounts Payable	1,525,094	2,551,232	4,076,326
Accrued Expenses and Withholdings	538,273	-	538,273
Accrued Interest	131,471	1,254,548	1,386,019
Developers Escrow	1,165,156	24,963	1,190,119
Due to Other Governments	-	1,432,657	1,432,657
Unearned Revenue	49,251	-	49,251
Current Portions of Long Term Liabilities			
Lease Payable	511,218	-	511,218
Debt Payable, Subject to Subsidy Agreements	-	5,734,504	5,734,504
Bonds Payable	1,905,000	-	1,905,000
Compensated Absences	88,959	-	88,959
Subscription Liability	58,996	-	58,996
Net OPEB Liability	124,811	-	124,811
Non-Current Portions of Long Term Liabilities			
Lease Payable	1,113,391	-	1,113,391
Debt Payable, Subject to Subsidy Agreements	-	148,593,317	148,593,317
Bonds Payable	12,600,000	-	12,600,000
Bond Premium	771,102	9,110,682	9,881,784
Compensated Absences	2,478,507	-	2,478,507
Subscription Liability	87,278	-	87,278
Net OPEB Liability	8,517,114	-	8,517,114
Net Pension Liability	8,481,310	-	8,481,310
Total Liabilities	40,146,931	168,701,903	208,848,834
Deferred Inflows of Resources			
OPEB	2,422,378	-	2,422,378
Pensions	7,594,982	-	7,594,982
Leases	407,624	-	407,624
Total Deferred Inflows of Resources	10,424,984	-	10,424,984
Net Position			
Net Investment In Capital Assets	35,955,313	39,261,090	75,216,403
Restricted for:			
Program Purposes	4,190,692	-	4,190,692
Unrestricted	301,069	30,960,315	31,261,384
Total Net Position	\$ 40,447,074	\$ 70,221,405	\$ 110,668,479

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

LOWER PAXTON TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

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	\$ 1,669,839	\$ 417,532	\$ 1,284,896	\$ -	\$ 32,589	\$ -	\$ 32,589
Police	12,201,805	46,627	396,624	206,875	(11,551,679)	-	(11,551,679)
Fire and Ambulances	1,993,039	-	352,468	-	(1,640,571)	-	(1,640,571)
Community Development	1,319,295	949,798	65,917	-	(303,580)	-	(303,580)
Health and Sanitation	3,786,856	3,663,965	-	-	(122,891)	-	(122,891)
Public Works	7,773,636	382,052	4,332,305	1,760,072	(1,299,207)	-	(1,299,207)
Parks and Recreation	2,701,952	399,315	-	594,021	(1,708,616)	-	(1,708,616)
Interest on Long-Term Debt	396,094	-	-	-	(396,094)	-	(396,094)
Total Governmental Activities	31,842,516	5,859,289	6,432,210	2,560,968	(16,990,049)	-	(16,990,049)
Business-type Activities							
Lower Paxton Township Authority	21,158,159	21,353,622	-	-	-	195,463	195,463
	21,158,159	21,353,622	-	-	-	195,463	195,463
Total Primary Government	\$ 53,000,675	\$ 27,212,911	\$ 6,432,210	\$ 2,560,968	\$ (16,990,049)	\$ 195,463	\$ (16,794,586)
General Revenues							
Taxes					20,228,544	-	20,228,544
Interest Revenue					1,383,355	1,904,302	3,287,657
Gain on Disposal of Assets					-	550,076	550,076
Contributions					56,257	-	56,257
Developer Contributions					1,128,045	813,618	1,941,663
License and Permits					1,015,186	-	1,015,186
Fines and Forfeitures					251,955	-	251,955
Miscellaneous					2,340	-	2,340
Total General Revenues					24,065,682	3,267,996	27,333,678
Change in Net Position					7,075,633	3,463,459	10,539,092
Net Position - Beginning					33,371,441	66,757,946	100,129,387
Net Position - Ending					\$ 40,447,074	\$ 70,221,405	\$ 110,668,479

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

LOWER PAXTON TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General Fund	General Improvement	Non-Major Funds	TOTAL
<u>Assets</u>				
Unrestricted Cash and Cash Equivalents	\$ 12,121,946	\$ 934,674	\$ 638,814	\$ 13,695,434
Restricted Cash and Cash Equivalents	1,165,157	-	3,004,135	4,169,292
Receivables				
Accounts	2,707,137	546,970	7	3,254,114
Interest	52,822	17,562	17,562	87,946
Lease	433,086	-	-	433,086
Taxes	2,537,444	-	99,692	2,637,136
Due From Other Funds	1,993,679	7,943	-	2,001,622
Prepaid Items	502,814	10,458	9,618	522,890
Total Assets	<u>\$ 21,514,085</u>	<u>\$ 1,517,607</u>	<u>\$ 3,769,828</u>	<u>\$ 26,801,520</u>
<u>Liabilities</u>				
Accounts Payable	\$ 1,078,470	\$ 217,452	\$ 229,172	\$ 1,525,094
Accrued Expenses and Withholdings	536,203	-	2,070	538,273
Unearned Revenue	41,453	7,798	-	49,251
Developers Escrows	1,165,156	-	-	1,165,156
Total Liabilities	<u>2,821,282</u>	<u>225,250</u>	<u>231,242</u>	<u>3,277,774</u>
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue - Property Taxes	185,241	-	71,522	256,763
Leases	407,624	-	-	407,624
Total Deferred Inflows of Resources	<u>592,865</u>	<u>-</u>	<u>71,522</u>	<u>664,387</u>
<u>Fund Balances</u>				
Nonspendable	502,814	10,458	9,618	522,890
Restricted	20,926	712,320	3,457,446	4,190,692
Assigned	4,124,162	569,579	-	4,693,741
Unassigned	13,452,036	-	-	13,452,036
Total Fund Balances	<u>18,099,938</u>	<u>1,292,357</u>	<u>3,467,064</u>	<u>22,859,359</u>
Total Liabilities and Fund Balances	<u>\$ 21,514,085</u>	<u>\$ 1,517,607</u>	<u>\$ 3,769,828</u>	<u>\$ 26,801,520</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, 2023

Total Fund Balances for Governmental Funds \$ 22,859,359

Total net assets reported for governmental activities in the statement of net position is different because:

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

Non-depreciable assets	5,247,310	
Depreciable assets, net of accumulated depreciation of \$65,982,433	47,611,655	

Total Capital Assets		52,858,965
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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.		256,763
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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 as of December 31, 2023 are:

Compensated Absences	(2,567,466)	
Accrued Interest on Bonds and Loan	(131,471)	
Deferred Charges on Refundings	274,804	
Bond (Premium)/Discount, Net	(771,102)	
Bonds Payable	(14,505,000)	
Lease Payable	(1,624,609)	
Subscription Liability	(146,274)	
Deferred Outflows of Resources - Pensions	9,614,208	
Deferred Inflows of Resources - Pensions	(7,594,982)	
Deferred Outflows of Resources - OPEB	1,231,965	
Deferred Inflows of Resources - OPEB	(2,422,378)	
Net Pension Liability	(8,481,310)	
Net Pension Asset	237,527	
Total OPEB Liability	(8,641,925)	
		(35,528,013)

Total Net Position of Governmental Activities		\$ 40,447,074
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LOWER PAXTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General</u>	<u>General Improvement</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 18,080,713	\$ -	\$ 2,135,919	\$ 20,216,632
Licenses and Permits	1,015,186	-	-	1,015,186
Fines and Forfeitures	251,955	-	-	251,955
Interest and Rents	1,056,617	121,289	205,449	1,383,355
Intergovernmental	6,597,093	738,963	1,657,122	8,993,178
Charges for Services	5,737,559	121,730	-	5,859,289
Contributions and Donations	33,257	23,000	-	56,257
Miscellaneous Income	2,340	-	-	2,340
Total Revenues	<u>32,774,720</u>	<u>1,004,982</u>	<u>3,998,490</u>	<u>37,778,192</u>
Expenditures				
General Government	1,880,425	628,559	-	2,508,984
Police	13,103,067	-	-	13,103,067
Fire and Ambulance	453,883	15,393	1,147,923	1,617,199
Community Development	1,262,560	50,794	-	1,313,354
Health and Sanitation	5,338,024	150,912	-	5,488,936
Public Works	5,854,403	30,112	1,462,402	7,346,917
Parks and Recreation	2,070,123	1,687,208	-	3,757,331
Debt Service				
Principal	2,152,455	-	439,506	2,591,961
Interest	464,404	-	105,121	569,525
Total Expenditures	<u>32,579,344</u>	<u>2,562,978</u>	<u>3,154,952</u>	<u>38,297,274</u>
Excess of Revenues Over (Under) Expenditures	<u>195,376</u>	<u>(1,557,996)</u>	<u>843,538</u>	<u>(519,082)</u>
Other Financing Sources (Uses)				
Transfers Out	(673,699)	-	-	(673,699)
Transfers In	-	673,699	-	673,699
Lease Proceeds	1,220,375	-	-	1,220,375
Sale of Capital Assets	2,392	-	-	2,392
Total Other Financing Sources	<u>549,068</u>	<u>673,699</u>	<u>-</u>	<u>1,222,767</u>
Net Changes in Fund Balances	744,444	(884,297)	843,538	703,685
Fund Balances - Beginning of year	<u>17,355,494</u>	<u>2,176,654</u>	<u>2,623,526</u>	<u>22,155,674</u>
Fund Balances - End of year	<u>\$ 18,099,938</u>	<u>\$ 1,292,357</u>	<u>\$ 3,467,064</u>	<u>\$ 22,859,359</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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 703,685

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 \$7,972,453 exceeded depreciation (\$3,930,346) and net deletions (\$175,065) in the current period. 3,867,042

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:		
Leases		(1,001,627)
Subscription		(218,748)
Repayments:		
Bonds		1,845,000
Leases		674,487
Subscription		<u>72,474</u>
Net Adjustment		1,371,586

Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unavailable real estate tax revenue from December 31, 2022 to December 31, 2023. 11,912

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 charges, bond (premium)/discount, pension expense, and OPEB expense.

Compensated Absences		14,637
Accrued Interest on Bonds		18,197
Deferred Charges on Refunding		(12,351)
Bond (Premium)/Discount		167,585
Pension Expense		783,434
OPEB Expense		<u>149,906</u>
		<u>1,121,408</u>
		<u><u>\$ 7,075,633</u></u>

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

LOWER PAXTON TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

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	Business Type Activities Enterprise Funds
	Lower Paxton Township Authority
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 2,674,855
Investments	25,125,604
Receivables	
Interest	117,079
Rentals and Fees - Unbilled	5,634,230
Rentals and Fees - Billed	1,293,236
Other	8,735
Prepaid	77,641
Total Current Assets	34,931,380
Noncurrent Assets	
Restricted Cash and Cash Equivalents	24,963
Restricted Investments	14,959,094
Capital Assets, Not Being Depreciated	21,105,842
Capital Assets, Being Depreciated, net	167,658,203
Total Noncurrent Assets	203,748,102
Total Assets	238,679,482
Deferred Outflows of Resources	
Deferred Charges on Refundings	2,245,448
Total Deferred Outflows of Resources	2,245,448
LIABILITIES	
Current Liabilities	
Accounts Payable	2,551,232
Current Portion of Long-Term Debt, Subsidy	
Agreements with the Township	5,734,504
Accrued Interest	1,254,548
Developers Escrows	24,963
Due to Other Funds	2,001,622
Due to Other Governments	1,432,657
Total Current Liabilities	12,999,526
Noncurrent Liabilities	
Long-Term Debt, Subsidy Agreements	
with the Township, Net of Current Portion	148,593,317
Bond Premium	9,110,682
Total Noncurrent Liabilities	157,703,999
Total Liabilities	170,703,525
NET POSITION	
Net Investment in Capital Assets	39,261,090
Unrestricted	30,960,315
Total Net Position	\$ 70,221,405

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, 2023

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	Business Type Activities - Enterprise Funds
	Lower Paxton Township Authority
Operating Revenues	
Rentals and Fees	\$ 20,885,845
Miscellaneous	171,888
	<hr/>
Total Operating Revenues	21,057,733
	<hr/>
Operating Expenses	
Cost of Sales and Service	11,753,183
Administration	709,043
Depreciation Expense	3,903,966
	<hr/>
Total Operating Expenses	16,366,192
	<hr/>
Operating Income	4,691,541
	<hr/>
Nonoperating Revenues (Expenses)	
Interest Income	1,904,302
Tapping Fees	295,889
Gain on Disposal of Capital Assets	550,076
Interest and Amortization, net	(4,791,967)
Developer Contributions	813,618
	<hr/>
Total Nonoperating Expenses, net	(1,228,082)
	<hr/>
Changes In Net Position	3,463,459
	<hr/>
Total Net Position - Beginning of Year	66,757,946
	<hr/>
Total Net Position - End of Year	\$ 70,221,405
	<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, 2023

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Business Type Activities -
Enterprise Funds

Lower Paxton
Township Authority

Cash Flows From Operating Activities	
Receipts from Customers and Users	\$ 20,854,906
Receipts from Miscellaneous	171,888
Payments to	
Suppliers	(11,276,017)
Lower Paxton Township	(1,974,702)
	<u>7,776,075</u>
Net Cash Provided by Operating Activities	
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(13,460,388)
Disposal of Capital Assets	560,207
Tapping Fees	295,889
Contributions	813,618
Bond Proceeds	946,770
Principal Payments on Long-term Debt	(5,559,435)
Principal Payments on Capital Lease	(17,788)
Interest Payments	(5,225,502)
	<u>(21,646,629)</u>
Net Cash Used in Capital and Related Financing Activities	
Cash Flows from Investing Activities	
Purchase of Investments, net	4,188,984
Interest Income	1,904,302
	<u>6,093,286</u>
Net Cash Provided by Investing Activities	
Net Decrease in Cash and Cash Equivalents	(7,777,268)
Cash and Cash Equivalents, Beginning of Year	<u>10,477,086</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,699,818</u></u>
<u>Presented in Financial Statements as</u>	
Cash and Cash Equivalents	\$ 2,674,855
Restricted Cash and Cash Equivalents	24,963
	<u><u>\$ 2,699,818</u></u>

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, 2023

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	Business Type Activities - Enterprise Funds
	Lower Paxton Township Authority
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 4,691,541
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	3,903,966
Change in Assets and Liabilities	
Receivables	(32,303)
Accounts Payable	285,406
Due to Other Governments	182,154
Developers Escrows	1,364
Prepaid Items	9,606
Due to Other Funds	(1,265,659)
Net Cash Provided by Operating Activities	<u>\$ 7,776,075</u>

**Supplemental Disclosure of Noncash Transactions
(Capital Related and Investing Activities):**

Deferred Loss on Refunding	\$ 156,183
Bond Premium	547,487

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

LOWER PAXTON TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2023

	<u>Component Unit</u> <u>Pension Trust</u> <u>Funds</u>	<u>Component Unit</u> <u>OPEB Trust</u> <u>Fund</u>	<u>Custodial</u> <u>Fund -</u> <u>Tax Collector</u> <u>Fund</u>
Assets			
Cash	\$ 1,353,467	\$ 750,000	\$ 38,036
Receivables			
Interest	4,375	2,689	-
County	-	-	770,607
Miscellaneous	175	-	-
Investments, at fair value	<u>60,781,480</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 62,139,497</u>	<u>\$ 752,689</u>	<u>\$ 808,643</u>
Liabilities			
Accounts Payable	\$ 688	\$ -	\$ -
Due to Other Governments	-	-	808,638
Due to Individuals	<u>-</u>	<u>-</u>	<u>5</u>
Total Liabilities	<u>688</u>	<u>-</u>	<u>808,643</u>
Net Position Restricted for Pensions and OPEB	<u>\$ 62,138,809</u>	<u>\$ 752,689</u>	<u>\$ -</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, 2023

	<u>Component Unit</u> <u>Pension Trust</u> <u>Fund</u>	<u>Component Unit</u> <u>OPEB Trust</u> <u>Fund</u>	<u>Custodial</u> <u>Fund -</u> <u>Tax Collector</u> <u>Fund</u>
Additions			
Contributions			
Employee	\$ 515,298	\$ -	\$ -
Employer	1,674,674	750,000	-
Employer - Commonwealth Funding	1,213,705	-	-
Total Contributions	<u>3,403,677</u>	<u>750,000</u>	<u>-</u>
Investment Income			
Interest and Dividends	1,541,663	-	-
Net Appreciation in Fair Value of Investments	6,283,581	2,689	-
Net Investment Gain	<u>7,825,244</u>	<u>2,689</u>	<u>-</u>
Collections			
Real Estate Taxes	-	-	24,601,163
Total Collections	<u>-</u>	<u>-</u>	<u>24,601,163</u>
Total Additions	11,228,921	752,689	24,601,163
Deductions			
Retirement Benefits	3,131,603	-	-
Refunds to Employees	27,434	-	-
Payments of Real Estate Tax	-	-	24,601,163
Administrative	163,285	-	-
Total Deductions	<u>3,322,322</u>	<u>-</u>	<u>24,601,163</u>
Changes In Net Position	7,906,599	752,689	-
Total Net Position - Beginning of Year	<u>54,232,210</u>	<u>-</u>	<u>-</u>
Total Net Position - End of Year	<u>\$ 62,138,809</u>	<u>\$ 752,689</u>	<u>\$ -</u>

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

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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. The Township's Other Post Employment Benefit ("OPEB") Plan ("Plan") was established to provide retirees with medical and prescription benefits. The Plan is included in the financial reporting entity as a fiduciary fund because the Plan is (1) considered to be a separate legal entity, (2) the Township appoints a voting majority of the governing board, and (3) the Plan imposes a financial burden on the Township as it is legally obligated or has assumed an obligation to make contributions to the Plan.

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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

A) Reporting Entity (Continued)

Blended Component Unit:

The Lower Paxton Township Authority ("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, 2023

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 60 days of the end of the current fiscal period. Revenues from federal, state, and other grants designated for payment of specific Township expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. If time requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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, 2023

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 and OPEB Trust funds and Agency funds. The Pension and OPEB Trust funds are accounted for in essentially the same manner as the proprietary funds since capital maintenance is critical. The Pension and OPEB Trust funds' financial statements are prepared using the accrual basis of accounting.

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

Additionally, the Township reports the following fiduciary fund types:

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

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, 2023

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

3. Investments and External Investment Pools

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 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. As of December 31, 2023, the restricted cash balance was \$4,169,292.

Restricted assets for the Authority represent cash and investment balances from developers' escrow and unspent bond proceeds. As of December 31, 2023, the restricted cash balance was \$24,963 and the restricted investment balance was \$14,959,094.

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, 2023

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 (Continued)

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 compensatory time, but employees are not paid out for accumulated compensatory 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, 2023

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 Board of 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, 2023

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, 2023

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, OPEB, refunding bonds and leases. Deferred outflows related to pensions are described further in Notes 9 and 10. Deferred outflows related to OPEB are described further in Note 17. 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 shorter 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 17. 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, 2023

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. Prepaid Items

Prepaid items in the governmental funds are accounted for under the consumption method.

17. Adoption of Governmental Accounting Standards

The Township adopted the provisions of GASB Statement No. 93, "*Replacement of Interbank Offered Rates*", the provisions of GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" and GASB Statement No. 96, "*Subscription-Based IT Arrangements*", and certain provisions of GASB Statement No. 99, "*Omnibus 2022*". The adoption of GASB No. 96 resulted in the recording of additional capital assets, subscription liabilities and a modification of the footnotes. The remaining GASB's adopted had no effect on previously reported amounts.

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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

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

18. Pending Changes in Accounting Principles

In April 2022, the GASB issued Statement No. 99, "Omnibus 2022". The Township is required to adopt the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 for its fiscal year 2024 financial statements.

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.

In December 2023, the GASB issued Statement No. 102, "Certain Risk Disclosures." The Township is required to adopt this statement for its calendar year 2025 financial statements.

In April 2024, the GASB issued Statement No. 103, "*Financial Reporting Model Improvements*." The Township is required to adopt this statement for its calendar year 2026 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 major and non-major funds and is based on estimates of revenues and expenditures approved by the Township Board of Supervisors. The Township adopted the 2023 budget on a modified accrual basis of accounting. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

Township Budget Process

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

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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

E) Budgets and Budgetary Accounting (continued)

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, 2023, the Township's cash balance was \$22,706,047 and its bank balance was \$22,833,879. Of the bank balance, \$1,000,000 was covered by the Federal Deposit Insurance Corporation, and \$21,833,879 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, 2023, the Township had funds totaling \$54,819,249 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. As of December 31, 2023, PLGIT carry AAAM ratings, respectively, and have an average maturity of less than one year.

Concentration of Credit Risk – The Township limits the ownership of common equity of any one corporation to no greater than 5% or weighting in the Russell 3000 Index of the total equity portfolio and not more than 40% of the equity value at market may be held in any one sector, as defined by the Global Industry Classification Standard "(GICS)". As of December 31, 2023, the Township did not have any investments subject to concentration of credit risk.

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 limits fixed income securities of any one issuer not to exceed 5% of the total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets shall be investment grade, based on one Nationally Recognized Statistical Rating Organization "(NRSRO)". As of December 31, 2023, the Township did not have any investments subject to credit risk.

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2023:

	Total	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	\$ 39,753,581	\$ 39,753,581	\$ -	\$ -
Mutual Funds - Fixed Income	19,325,943	19,325,943	-	-
Total investments by fair value level	<u>59,079,524</u>	<u>\$ 59,079,524</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Pooled Separate Accounts (1)	<u>1,701,956</u>			
Total investments measured at NAV	<u>1,701,956</u>			
Total investments measured at fair value	<u>\$ 60,781,480</u>			

⁽¹⁾ *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 2023 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2023 and expected to be collected within the first 60 days of 2024 are recognized as revenue in 2023. Net receivables estimated to be collectible subsequent to March 1, are reflected in deferred revenue. Prior years levies are recorded using these same principles and remaining receivables are annually reevaluated as to collectability.

The rate of real estate taxation in 2023 was 1.554 mills for general purposes, 0.6365 mills for fire protection and equipment, and 0.041 mills for library funding purposes on a total Township assessed valuation of \$3,434,964,892.

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 4: CAPITAL ASSETS

A summary of changes in the capital assets for the year ended December 31, 2023 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Capital assets not being depreciated (cost):				
Land	\$ 2,342,639	\$ -	\$ (29,923)	\$ 2,312,716
Intangibles	421,850	-	-	421,850
Construction in progress	233,792	3,088,038	(809,086)	2,512,744
Total capital assets not being depreciated	2,998,281	3,088,038	(839,009)	5,247,310
Capital assets being depreciated (cost):				
Buildings	23,093,232	484,676	-	23,577,908
Land improvements	8,557,029	503,854	(73,200)	8,987,683
Machinery and equipment	5,317,857	2,198,297	(229,036)	7,287,118
Vehicles	9,614,762	516,275	(288,175)	9,842,862
Infrastructure	59,173,988	1,119,371	(50,486)	60,242,873
Right-to-use assets	2,784,616	871,028	-	3,655,644
Total capital assets being depreciated	108,541,484	5,693,501	(640,897)	113,594,088
Less accumulated depreciation for:				
Buildings	(9,901,030)	(616,078)	-	(10,517,108)
Land improvements	(5,354,137)	(344,957)	73,200	(5,625,894)
Machinery and equipment	(2,870,659)	(541,501)	196,045	(3,216,115)
Vehicles	(4,578,468)	(611,817)	226,510	(4,963,775)
Infrastructure	(38,732,795)	(1,215,103)	-	(39,947,898)
Right-to-use assets	(1,110,753)	(600,890)	-	(1,711,643)
Total accumulated depreciation	(62,547,842)	(3,930,346)	495,755	(65,982,433)
Total capital assets being depreciated, net	45,993,642	1,763,155	(145,142)	47,611,655
Total capital assets, governmental activities	\$ 48,991,923	\$ 4,851,193	\$ (984,151)	\$ 52,858,965

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

Governmental Activities	
General Government	\$ 580,174
Police	304,495
Fire and Ambulance	430,658
Community Development	5,941
Health and Sanitation	189,120
Public Works	1,740,705
Parks and Recreation	679,253
Total depreciation	<u>\$ 3,930,346</u>

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 4: CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type activities				
Capital assets not being depreciated (cost):				
Land	\$ 1,540,192	\$ 7,270	\$ (682,954)	\$ 864,508
Intangibles	2,740,869	-	-	2,740,869
Construction in progress	4,911,374	12,589,091	-	17,500,465
Total capital assets not being depreciated	9,192,435	12,596,361	(682,954)	21,105,842
Capital assets being depreciated (cost):				
Buildings	1,517,541	-	-	1,517,541
Machinery and equipment	2,358,550	186,274	(10,131)	2,534,693
Furniture	40,973	-	-	40,973
Sewer system	189,931,884	901,403	-	190,833,287
Stormwater system	25,125,933	459,304	-	25,585,237
Sewer capacity	21,144,628	-	-	21,144,628
Right-to-use	81,617	-	-	81,617
Total capital assets being depreciated	240,201,126	1,546,981	(10,131)	241,737,976
Less accumulated depreciation for:				
Buildings	(585,223)	(37,938)	-	(623,161)
Machinery and equipment	(821,983)	(229,430)	-	(1,051,413)
Furniture	(21,647)	(1,084)	-	(22,731)
Sewer system	(58,209,278)	(2,687,477)	-	(60,896,755)
Stormwater system	(2,204,881)	(572,155)	-	(2,777,036)
Sewer capacity	(8,290,556)	(365,680)	-	(8,656,236)
Right-to-use	(42,239)	(10,202)	-	(52,441)
Total accumulated depreciation	(70,175,807)	(3,903,966)	-	(74,079,773)
Total capital assets being depreciated, net	170,025,319	(2,356,985)	(10,131)	167,658,203
Total capital assets, business-type activities	\$ 179,217,754	\$ 10,239,376	\$ (693,085)	\$ 188,764,045

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

Business-type activities	
Lower Paxton Authority	\$ 3,906,499

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 5: LONG – TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended December 31, 2023:

	Balance at January 1, 2023	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Governmental activities					
General obligation debt	\$ 16,350,000	\$ -	\$ (1,845,000)	\$ 14,505,000	\$ 1,905,000
Lease obligation	1,297,469	1,001,627	(674,487)	1,624,609	511,218
Subscription liability	-	218,748	(72,474)	146,274	58,996
Compensated absences	2,582,103	-	(14,637)	2,567,466	88,959
Net pension liability	15,561,787	-	(7,080,477)	8,481,310	-
Net pension asset	296,972	-	(534,499)	(237,527)	-
Net OPEB liability	10,871,623	-	(2,229,698)	8,641,925	124,811
Governmental activities long-term liabilities	<u>\$ 46,959,954</u>	<u>\$ 1,220,375</u>	<u>\$ (12,451,272)</u>	<u>\$ 35,729,057</u>	<u>\$ 2,688,984</u>
Business-type activities					
Lower Paxton Township Authority					
Long-term debt, subsidy agreements	\$ 158,940,486	\$ 946,770	\$ (5,559,435)	\$ 154,327,821	\$ 5,734,504
Lease obligation	17,788	-	(17,788)	-	-
Business-type activities long-term liabilities	<u>\$ 158,958,274</u>	<u>\$ 946,770</u>	<u>\$ (5,577,223)</u>	<u>\$ 154,327,821</u>	<u>\$ 5,734,504</u>

The General Fund is used to liquidate the liabilities for debt and compensated absences in the governmental activities.

The Township had additional draws on the Pennvest Loan 2019 in the amount of \$946,770. The Pennvest Loan 2019 has an additional \$663,910 to be drawn.

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	\$ 3,745,000
Series of 2015	14,005,000	2015/2029	2.00% - 4.00%	\$160,000 to \$2,125,000	11,630,000
Series of 2016	23,840,000	2016/2046	2.00% - 5.00%	\$685,000 to \$1,115,000	13,915,000
Series of 2019	52,040,000	2019/2044	3.00% - 4.00%	\$495,000 to \$4,975,000	49,030,000
Series of 2020A	25,970,000	2020/2050	1.00% - 4.00%	\$510,000 to \$1,450,000	24,435,000
Series of 2020B	8,665,000	2020/2027	1.00% - 4.00%	\$785,000 to \$2,390,000	3,590,000
Series of 2020C	34,760,000	2020/2046	0.51% - 2.98%	\$410,000 to \$2,555,000	33,585,000
Series of 2022	\$18,550,000	2022/2047	2.00% - 4.00%	\$370,000 to \$1,055,000	17,350,000
				Total general obligation debt	<u>157,280,000</u>
Loans					
PennVest loan 2019	7,653,472	2020/2032	1.51% - 2.06%	\$493,009 to \$777,665	<u>11,552,821</u>
				Total loan	<u>11,552,821</u>
				Total long-term debt	<u>\$ 168,832,821</u>

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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
2024	\$ 1,905,000	\$ 424,821	\$ 2,329,821
2025	1,985,000	351,299	2,336,299
2026	1,850,000	282,399	2,132,399
2027	1,920,000	218,046	2,138,046
2028	1,055,000	171,701	1,226,701
2029-2033	4,350,000	461,328	4,811,328
2034-2038	1,335,000	72,322	1,407,322
2039-2043	85,000	13,100	98,100
2044-2047	20,000	400	20,400
	<u>\$ 14,505,000</u>	<u>\$ 1,995,416</u>	<u>\$ 16,500,416</u>

An analysis of debt service requirements to maturity on the business-type activities obligations follows:

	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2024	\$ 5,734,504	\$ 5,052,755	\$ 10,787,259
2025	5,928,350	4,859,052	10,787,402
2026	6,112,612	4,678,847	10,791,459
2027	6,276,568	4,542,132	10,818,700
2028	6,453,664	4,365,485	10,819,149
2029-2033	35,647,041	18,480,357	54,127,398
2034-2038	42,549,424	11,685,587	54,235,011
2039-2043	28,395,658	5,083,998	33,479,656
2044-2048	14,390,000	1,563,588	15,953,588
2049-2050	2,840,000	114,800	2,954,800
	<u>\$ 154,327,821</u>	<u>\$ 60,426,601</u>	<u>\$ 214,754,422</u>

NOTE 6: DEFEASED DEBT

In prior years, the Township defeased portions of the Governmental Sewer Authority 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, 2023, 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, 2023

NOTE 7: LEASES

Pertinent governmental activities information regarding leases is presented below:

Governmental Activities					
Date of Issue	Initial Liability	Purpose	Outstanding Liability Balance December 31, 2023	Asset Value December 31, 2023	Accumulated Amortization
Various	\$ 3,602,722	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.	\$ 1,624,609	\$ 3,655,644	\$ 1,711,643

Business-type Activities					
Date of Issue	Initial Liability	Purpose	Outstanding Liability Balance December 31, 2023	Asset Value December 31, 2023	Accumulated Amortization
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.	\$ -	\$ 81,617	\$ 52,441

The future principal and interest lease payments as of December 31, 2023, were as follows:

Governmental Activities			
Year Ending	Principal	Interest	Total
2024	\$ 511,218	\$ 65,017	\$ 576,235
2025	403,391	86,461	489,852
2026	301,097	45,776	346,873
2027	162,593	28,119	190,712
2028	171,080	14,604	185,684
2029	75,230	4,124	79,354
Totals	\$ 1,624,609	\$ 244,101	\$ 1,868,710

During 2023, the Township made the final payment for its business-type activities lease.

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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 \$129,081. There was no additional revenue for variable and other payments not included in the measurement of the lease receivable. As of December 31, 2023, the value of the lease receivable is \$129,081 and the related deferred inflow for future payments expected to be collected on the lease is \$129,081. The lessee is required to make monthly fixed payments of \$5,692 through December 2025. The lease has an interest rate of 6.0%. The Township did not recognize lease revenue and interest during 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, 2023, the value of the lease receivable is \$304,005 and the related deferred inflow for future payments expected to be collected on the lease is \$278,543. 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 \$4,752 and \$14,477, respectively for the calendar year.

NOTE 8: DEFERRED COMPENSATION

The Township, in accordance with the Board of Supervisors' approval, offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b) ("plan"). 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 plan for the year ended December 31, 2023 were \$615,710.

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, 2023

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-Uniformed Pension Plan

Plan Membership. As of December 31, 2023, participants in the plans consisted of the following:

Participants:	<u>Non-Uniformed</u>
Retirees and beneficiaries currently receiving benefits	92
Terminated employees entitled to benefits but not yet receiving them	7
Active Employees	51

Plan Benefits. The benefits provided by the Non-Uniformed Pension 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, 2023

NOTE 9: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Non-Uniformed 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 \$953,741 which was funded by the Township through Township contributions. Employee contributions in 2022 totaled \$197,565.

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 9: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Non-Uniformed Pension Plan (Continued)

C. Net Pension Liability

The total pension (asset) liability was based on an actuarial valuation dated January 1, 2023 and update procedures were used to roll-forward the total pension (asset) liability to the December 31, 2023 measurement date. The components of the net pension asset of the Township as of December 31, 2023, were as follows:

Total pension liability	\$ 27,419,931
Plan fiduciary net position	<u>(25,994,101)</u>
Net pension liability	<u>\$ 1,425,830</u>
Plan fiduciary net position as a percentage of the total pension liability	94.8%

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-Uniformed Pension Plan for the year ended December 31, 2023 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2022	\$27,306,167	\$22,789,577	\$ 4,516,590
Service Cost	681,354	-	681,354
Interest Cost	1,710,267	-	1,710,267
Changes for Experience	(1,092,238)	-	(1,092,238)
Contributions - Employer	-	953,741	(953,741)
Contributions - Member	-	197,565	(197,565)
Net Investment Income	-	3,251,762	(3,251,762)
Benefit Payments, including			
Refunds of Member Contributions	(1,185,619)	(1,185,619)	-
Administrative Expense	<u>-</u>	<u>(12,925)</u>	<u>12,925</u>
Net Changes	<u>113,764</u>	<u>3,204,524</u>	<u>(3,090,760)</u>
Balances at December 31, 2023	<u>\$27,419,931</u>	<u>\$25,994,101</u>	<u>\$1,425,830</u>

As of December 31, 2023, the plan fiduciary net position as a percentage of the total pension liability was 94.8%.

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 9: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Non-Uniformed Pension Plan (Continued)

C. Net Pension Liability (Continued)

As of December 31, 2023, the Township reported deferred outflows of resources and deferred inflows of resources related to the Non-Uniformed Pension Plan from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ 1,324,490
Change in assumptions	575,441	-
Net difference between projected and actual investment earnings	<u>3,321,674</u>	<u>2,128,655</u>
Total	<u>\$ 3,897,115</u>	<u>\$ 3,453,145</u>

The total pension expense recognized in 2023 for the Non-Uniformed Pension Plan was \$486,468. The deferred outflows of resources and the deferred inflows of resources will be recognized in pension expense as follows:

Year ended	
2024	\$ 158,939
2025	393,204
2026	606,690
2027	(506,924)
2028	(155,927)
Thereafter	<u>(52,012)</u>
Total	<u>\$ 443,970</u>

D. Actuarial Assumptions

The Township's Non-Uniformed net pension liability was measured as of January 1, 2023 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%
Salary increases, including inflation	4.75% including inflation
Expected long-term rate of return	6.50% 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, 2023

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-Uniformed 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, 2023 are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return</u>
Equity	65%	18.71% - 39.18%
Fixed income	33%	6.81% - 12.46%
Cash	2%	0.47% - 1.07%

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 MMO. 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	\$ 4,674,225	\$ 1,425,830	\$ (1,315,604)

G. Rate of return

For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments was 14.49%. 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, 2023

NOTE 9: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Police Pension Plan

As of December 31, 2023, participants in the Police Pension 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	60

A. Plan benefits:

The benefits provided by the Police Pension 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, 2023

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 Police Pension Plan is also subject to Act 205. The actuarially determined contribution for the MMO to the pension trust fund was \$1,934,638 which was funded by the Township through a state aid and Township contributions. Employee contributions in 2023 totaled \$306,822.

C. Net Pension Liability

The total pension (asset) liability was based on an actuarial valuation dated January 1, 2023 and update procedures were used to roll-forward the total pension (asset) liability to the December 31, 2023 measurement date. The components of the net pension asset of the Township as of December 31, 2023, were as follows:

Total pension liability	\$ 42,020,957
Plan fiduciary net position	<u>(34,965,477)</u>
Net pension liability	<u>\$ 7,055,480</u>
Plan fiduciary net position as a percentage of the total pension liability	83.2%

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, 2023

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, 2023 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2022	\$41,397,857	\$30,352,660	\$ 11,045,197
Service Cost	1,041,431	-	1,041,431
Interest Cost	2,623,824	-	2,623,824
Changes of Benefit Terms	(1,133,408)	-	(1,133,408)
Contributions - Employer	-	1,934,638	(1,934,638)
Contributions - Member	-	306,822	(306,822)
Net Investment Income	-	4,288,719	(4,288,719)
Benefit Payments, including Refunds of Member Contributions	(1,908,747)	(1,908,747)	-
Administrative Expense	-	(8,615)	8,615
Net Changes	623,100	4,612,817	(3,989,717)
Balances at December 31, 2023	\$42,020,957	\$34,965,477	\$7,055,480

As of December 31, 2023, the plan fiduciary net position as a percentage of the total pension liability was 83.2%.

As of December 31, 2023, 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	\$ 390,374	\$ 950,600
Change in assumptions	868,188	-
Net difference between projected and actual investment earnings	4,301,419	2,736,773
Total	\$ 5,559,981	\$ 3,687,373

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 9: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Police Pension Plan (continued)

C. Net Pension Liability (Continued)

The total pension expense recognized in 2023 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	
2024	\$ 719,931
2025	901,690
2026	1,065,688
2027	(595,333)
2028	(182,808)
Thereafter	<u>(36,560)</u>
Total	<u>\$ 1,872,608</u>

D. Actuarial Methods and Assumptions

The Township's police net pension liability was measured as of January 1, 2023 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75%
Salary increases, including inflation	5.50% including inflation
Expected long-term rate of return	6.50%, applied to all periods

Mortality rates were based on the 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, 2023 are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return</u>
Equity	65%	18.71% - 32.92%
Fixed income	33%	6.81% - 12.46%
Cash	2%	0.47% - 1.07%

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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 MMO. 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	\$ 12,475,278	\$ 7,055,480	\$ 2,549,868

H. Rate of Return

For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments was 14.05%. The money-weighted rate of return expresses investment performance, net of investment expenses, not funded through the MMO.

NOTE 10. LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

A. Plan Description

Plan Administrator

The Lower Paxton Township 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 plan is reported as a pension trust fund in the statement of fiduciary net position and changes therein. The plan does not issue stand-alone financial reports.

Plan Membership

As of December 31, 2023, participants in the LOSAP Plan consisted of the following:

Participants:	LOSAP
Inactive members and beneficiaries currently receiving benefits	20
Inactive entitled to benefits but not yet receiving them	18
Active members	56

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 10: LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

A. Plan Description (Continued)

Plan Benefits

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

	<u>LOSAP</u>
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 2023 totaled \$0.

C. Net Pension Asset

The total pension liability was measured as of December 31, 2023 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2023. The components of the net pension asset of the Township as of December 31, 2023, were as follows:

Total pension liability	\$ 941,703
Plan fiduciary net position	<u>(1,179,230)</u>
Net pension asset	<u>\$ (237,527)</u>
Plan fiduciary net position as a percentage of the total pension asset	125.2%

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 10: LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

C. Net Pension Asset (Continued)

The schedule of changes in the net pension asset 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 asset for the LOSAP Plan for the year ended December 31, 2023 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at December 31, 2022	\$1,386,945	\$1,089,973	\$ 296,972
Service Cost	6,454	-	6,454
Interest Cost	63,365	-	63,365
Changes for Experience	(201,310)	-	(201,310)
Changes of Assumptions	(259,991)	-	(259,991)
Net Investment Income	-	154,017	(154,017)
Benefit Payments, including			
Refunds of Member Contributions	(53,760)	(53,760)	-
Administrative expense	-	(11,000)	11,000
Net Changes	(445,242)	89,257	(534,499)
Balances at December 31, 2023	<u>\$941,703</u>	<u>\$1,179,230</u>	<u>\$ (237,527)</u>

As of December 31, 2023, the plan fiduciary net position as a percentage of the total liability was 125.2%.

As of December 31, 2023, 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	\$ -	\$ 218,109
Change in assumptions	58,888	236,355
Net difference between projected and actual investment earnings	98,224	-
Total	<u>\$ 157,112</u>	<u>\$ 454,464</u>

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 10: LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

C. Net Pension Liability (Continued)

The total pension expense recognized in 2023 for the LOSAP Plan was \$2,301. The deferred outflows of resources and the deferred inflows of resources will be recognized in pension expense as follows:

Year ended	
2024	\$ (4,486)
2025	(4,488)
2026	3,873
2027	(55,771)
2028	(39,774)
Thereafter	<u>(196,706)</u>
Total	<u>\$ (297,352)</u>

D. Actuarial methods and assumptions

The Township's LOSAP net pension liability was measured as of December 31, 2023 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2023. 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-2021 to reflect mortality improvement.

The long-term expected rate of return on the LOSAP 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, 2023 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, 2023

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 (Asset) in the Discount Rate

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

	1% Decrease	Current	1% Increase
	6.00%	Discount Rate	8.00%
		7.00%	
Net pension liability (asset)	\$ 1,225,063	\$ (237,527)	\$ (1,230,089)

G. Rate of Return

For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments was 14.53%.

NOTE 11: INTERFUND BALANCES AND ACTIVITY

Interfund receivable and payable balances consist of the following as of December 31, 2023:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 1,993,679	\$ -
General Improvement Fund	7,943	-
Lower Paxton Township Authority	-	2,001,622
Total	<u>\$ 2,001,622</u>	<u>\$ 2,001,622</u>

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:

	Transfer In	Transfer Out
General Fund	\$ -	\$ 673,699
General Improvement Fund	673,699	-
Total	<u>\$ 673,699</u>	<u>\$ 673,699</u>

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 12: 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 2023 amounted to \$522,194. 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 \$3,671,794 for the year ended December 31, 2023. As of December 31, 2023, the Authority owed the Township \$1,941,183 primarily for the fourth quarter of calendar year 2023.

NOTE 13: 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 Balance Classifications				Total Fund Balance
Fund	Nonspendable	Restricted	Assigned	Unassigned	
<u>General Fund:</u>					
Other assets	\$ 502,814	\$ -	\$ -	\$ -	\$ 502,814
Use of budgetary reserves/earmarked funds	-	-	4,124,162	-	4,124,162
Police	-	2,124	-	-	2,124
Parks and recreation	-	18,802	-	-	18,802
Available for any purpose	-	-	-	13,452,036	13,452,036
<u>General Improvement Fund:</u>					
Other assets	10,458	-	-	-	10,458
Township Improvements	-	712,320	569,579	-	1,281,899
<u>Non-Major Funds:</u>					
State highway aid	-	628,074	-	-	628,074
Fire Equipment	9,618	2,829,372	-	-	2,838,990
	\$ 522,890	\$ 4,190,692	\$ 4,693,741	\$ 13,452,036	\$ 22,859,359

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 13: FUND BALANCES / NET POSITION CLASSIFICATIONS AND RESTRICTIONS
(CONTINUED)

The restrictions of net position included in the Fiduciary Funds are as follows:

<u>Fiduciary funds</u>	
Fireman's LOSAP trust fund, amounts restricted for payment of LOSAP benefits	\$ 1,179,230
Non-uniform trust fund, amounts restricted for payment of Non-uniform pension benefits	25,994,102
Uniform trust fund, amounts restricted for payment of Uniform pension benefits	34,965,477
OPEB trust fund, amounts restricted for payment of OPEB benefits	<u>752,689</u>
Total fiduciary funds, net position	<u>\$ 62,891,498</u>

NOTE 14: 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, 2023 which totaled \$22,166,596. Work totaling \$6,358,178 had been completed on these contracts as of year end.

NOTE 15: AGREEMENTS

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

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 15: AGREEMENTS (CONTINUED)

The Authority has entered into the Swatara Township Authority Intermunicipal Agreement with the joint users of the Swatara Township Authority treatment plant. The Agreement covers the operating expenses of the Swatara Township Authority treatment plant and transmission facilities and the corresponding responsibilities of each user based on a pro rata share basis. Under this agreement, the Authority's operating costs amounted to \$1,778,959 for the year ended December 31, 2023.

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 ("Joint Municipalities") continue to negotiate with the City of Harrisburg and Capital Region Water ("CRW") to finalize a new Intermunicipal Agreement, which sets the rate for treatment and transmission services provided to the Joint Municipalities, as well as the funding of the improvement projects for CRW facilities. Under the current agreement, the Authority's operating costs amounted to \$4,163,992.

The Authority is currently disputing the method of calculating certain 2021 charges related to the services provided above. The total amount owed is \$1,432,657 and \$318,264 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, 2023.

NOTE 16: 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, 2023, the Authority estimates that additional investments for compliance with the agreements are \$40,360,000 for Beaver Creek; \$16,194,000 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, 2023, the estimated additional MS4 capital costs relative to the plan total \$6,491,342.

NOTE 17: POST-EMPLOYMENT BENEFIT PLAN

Plan Description

Plan Administration. The Township administers a single-employer defined OPEB plan ("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 reported as an OPEB Trust fund in the accompanying financial statements and does not issue stand-alone statements.

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 17: POST-EMPLOYMENT BENEFIT PLAN (CONITNUED)

Plan Membership. As of December 31, 2023, the Plan's membership consisted of the following:

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

Benefits include the same medical coverage enjoyed by active members and currently include medical, prescription drug, dental and vision coverage. Coverage is suspended if the retiree is eligible for comparable coverage cost-free from another source. After the period of coverage ceases, retirees may purchase any of the benefits covered at the effective group rates. The Township pays the first 5% of any increase in annual cost. Thereafter, the Township and the retiree share equally for any annual increases exceeding 5%.

Contributions. The contribution requirements of Plan members and the Township are established and may be amended by the Township's Board of Supervisors. Previously, the Plan was 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. During 2023, the Township created a trust to fund future benefits. Retiree contribution rates and amounts vary based on the benefits selected.

Investment policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Supervisors, by a majority vote. It is the policy of the Board of Supervisors to pursue an investment strategy that reduces risk though the prudent diversification of the portfolio across a broad selection of distinct assets classes. The following is the Plan's asset allocation policy as of December 31, 2023:

<u>Asset class</u>	<u>Target allocation</u>
Equity	50%
Fixed Income	48%
Cash Equivalents	2%

Rate of return. For the year ended December 31, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 0.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 17: POST-EMPLOYMENT BENEFIT PLAN (CONITNUED)

Net OPEB Liability

The components of the net OPEB liability of the County as of December 31, 2023, were as follows:

Total OPEB liability	\$ 9,394,614
Plan fiduciary net position	<u>(752,689)</u>
Net OPEB liability	<u>\$ 8,641,925</u>
Plan fiduciary net position as a percentage of the total OPEB liability	8.0%

Actuarial Assumptions and Other Inputs. The net OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Discount Rate	4.25%
Dental/Vison Trend Rate	2.00%
Medical Trend Rate	4.00% for 2023, 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 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, 2023 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.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns before inflation, net of OPEB plan investment expense) 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 rates of return by the target asset allocation percentage. The Township's expected future real rates of return by asset class is as shown below. Best estimates of arithmetical real rates of return for each major asset class included in the OPEB plan's target asset allocation are summarized in the following table:

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 17: POST-EMPLOYMENT BENEFIT PLAN (CONITNUED)

<u>Asset class</u>	<u>Long-term expected rate of return</u>
Equity	5.5% - 7.5%
Fixed Income	1.0% - 3.0%
Cash Equivalents	0.5% - 1.0%

Discount rate. The discount rate used to measure the total OPEB liability was 4.25%. The projection of cash flows used to determine the discount rate assumed that Township contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the 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 Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Township's net OPEB liability for the plan as of December 31, 2023 was as follows:

	<u>Increase (Decrease)</u>		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at December 31, 2022	\$10,871,623	\$ -	\$ 10,871,623
Service Cost	433,702	-	433,702
Interest Cost	385,490	-	385,490
Changes for Experience	303,251	-	303,251
Changes of Assumptions	(2,478,276)	-	(2,478,276)
Contributions - Employer	-	871,176	(871,176)
Net Investment Income	-	2,689	(2,689)
Benefit Payments, including Refunds of Member Contributions	(121,176)	(121,176)	-
Net Changes	<u>(1,477,009)</u>	<u>752,689</u>	<u>(2,229,698)</u>
Balances at December 31, 2023	<u>\$9,394,614</u>	<u>\$ 752,689</u>	<u>\$ 8,641,925</u>

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 (3.25%) or 1-percentage higher (5.25%) than the current discount rate:

	<u>1% Decrease 3.25%</u>	<u>Current Rate 4.25%</u>	<u>1% Increase 5.25%</u>
Net OPEB liability	\$ 9,516,077	\$ 8,641,925	\$ 7,851,979

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 17: POST-EMPLOYMENT BENEFIT PLAN (CONITNUED)

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 or 1-percentage higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Township total OPEB liability	\$ 7,960,246	\$ 8,641,925	\$ 9,448,069

As of December 31, 2023, 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	\$ 517,488	\$ 120,605
Changes of assumptions	714,477	2,301,707
Net difference between projected and actual earnings on OPEB plan investments	-	66
Total	<u>\$ 1,231,965</u>	<u>\$ 2,422,378</u>

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

Year ended December 31,	
2024	\$ (95,316)
2025	(95,316)
2026	(95,316)
2027	(95,314)
2028	(129,189)
Thereafter	<u>(679,962)</u>
Total	<u>\$ (1,190,413)</u>

OPEB Expense

For the year ended December 31, 2023, the Township recognized OPEB expense of \$721,270.

NOTE 18: 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.

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 18: RISK MANAGEMENT (CONTINUED)

The Township is a member of a risk sharing pool, the Susquehanna Municipal Trust ("Trust"), to provide workers' compensation coverage. The 2023 contribution for this coverage was \$238,455, net of \$99,831 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, 2023, 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 2023, the Township paid premiums of \$2,950,834. For the year ended December 31, 2023, the Township was limited in liability for claims to \$70,000 per enrollee. Actual claims paid for the year ended December 31, 2023 were \$2,751,833.

NOTE 19: SUBSCRIPTION LIABILITIES

The Township has entered into contracts for various subscription-based information technology arrangements. The arrangements qualify as other than short-term arrangements under GASB 96 and, therefore, have been recorded at the present value of the future minimum payments.

The Township has the following arrangements:

<u>Description</u>	<u>Term</u>	<u>Payment Amount</u>	<u>Interest Rate</u>
Various	The Township entered into several agreements ranging from three to nine years.	The Township is required to make principal and interest payments ranging from \$854 to \$39,428.	The arrangements have interest rates of 3% to 6%.

The future minimum payments under the arrangements as of December 31, 2023 were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 58,996	\$ 8,187	\$ 67,183
2025	64,313	4,627	68,940
2026	18,115	841	18,956
2027	2,290	299	2,589
2028	2,560	159	2,719
	<u>\$ 146,274</u>	<u>\$ 14,113</u>	<u>\$ 160,387</u>

LOWER PAXTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 19: SUBSCRIPTION LIABILITIES (CONTINUED)

Interest expense for the subscription liabilities was \$3,764 for the year ended December 31, 2023.

NOTE 20: ENVIRONMENTAL CONCERNS

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

NOTE 21: EXCESS EXPENDITURES OVER APPROPRIATION IN MAJOR FUND

The following major fund had an excess of actual expenditures over budget for the year ended December 31, 2023:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Percentage of Excess over Appropriations</u>
General Fund	\$ 27,880,051	\$ 32,579,344	17%

The excess expenditures over appropriations were funded by the excess revenues.

NOTE 22: SUBSEQUENT EVENTS

In January 2024, the Township was awarded \$1,400,826 Commonwealth Financing Authority COVID-19 ARPA H2O grant towards sewer and stormwater improvements in the Paxton Creek basin area.

In March 2024, the Township issued General Obligation Bonds, Series 2024 in the amount of \$14,670,000. The proceeds of the bonds will be used for capital improvements to the sewer system facility and to pay the costs of issuance.

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, 2023

	Budgeted Amounts <u>Original and Final</u>	Actual <u>Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
Revenues			
Taxes	\$ 17,509,940	\$ 18,080,713	\$ 570,773
Licenses and Permits	1,126,250	1,015,186	(111,064)
Fines and Forfeitures	245,000	251,955	6,955
Interest and Rents	603,676	1,056,617	452,941
Intergovernmental	6,166,312	6,597,093	430,781
Charges for Services	1,581,178	5,737,559	4,156,381
Contributions and Donations	23,750	33,257	9,507
Miscellaneous Income	2,500	2,340	(160)
Total Revenues	<u>27,258,606</u>	<u>32,774,720</u>	<u>5,516,114</u>
Expenditures			
General Government	2,197,284	1,880,425	316,859
Police	12,417,013	13,103,067	(686,054)
Fire and Ambulance	400,750	453,883	(53,133)
Community Development	1,160,628	1,262,560	(101,932)
Health and Sanitation	1,453,421	5,338,024	(3,884,603)
Public Works	6,285,962	5,854,403	431,559
Parks and Recreation	1,800,744	2,070,123	(269,379)
Debt Service			
Principal	1,745,820	2,152,455	(406,635)
Interest	418,429	464,404	(45,975)
Total Expenditures	<u>27,880,051</u>	<u>32,579,344</u>	<u>(4,699,293)</u>
Excess of Revenues (Under) Expenditures	<u>(621,445)</u>	<u>195,376</u>	<u>816,821</u>
Other Financing Sources (Uses)			
Transfers Out	(1,146,000)	(673,699)	472,301
Lease Proceeds	200,000	1,220,375	1,020,375
Sale of Capital Assets	10,000	2,392	(7,608)
Total Other Financing Sources (Uses)	<u>(936,000)</u>	<u>549,068</u>	<u>1,485,068</u>
Net Change in Fund Balance	<u>\$ (1,557,445)</u>	<u>\$ 744,444</u>	<u>\$ 2,301,889</u>

LOWER PAXTON TOWNSHIP (NON-UNIFORM)

Schedule of Changes in the Net Pension Liability and Related Ratios (Non-Uniform) - Last 10 Years

For the years Ending December 31

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service Cost	\$ 681,354	\$ 648,429	\$ 633,242	\$ 545,189	\$ 535,173	\$ 451,165	\$ 455,943	\$ 431,365	\$ 459,270	\$ 468,852
Interest	1,710,267	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	(1,092,238)	-	(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	(1,185,619)	(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	113,764	1,321,964	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	27,306,167	25,984,203	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>\$ 27,419,931</u>	<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	\$ 953,741	\$ 1,003,335	\$ 1,003,335	\$ 797,538	\$ 757,954	\$ 683,408	\$ 696,477	\$ 674,462	\$ 789,950	\$ 728,949
Contributions - employee	197,565	185,069	172,808	172,276	156,778	148,881	139,772	138,797	130,169	130,676
Net investment income	3,251,762	(3,842,182)	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	(1,185,619)	(1,024,805)	(873,417)	(829,434)	(823,121)	(778,275)	(650,761)	(564,472)	(481,740)	(375,414)
Administrative expense	(12,925)	(11,309)	(4,254)	(4,325)	(7,944)	(11,556)	(3,800)	(5,555)	(8,162)	(4,925)
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary position	3,204,524	(3,689,892)	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	22,789,577	26,479,469	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>\$ 25,994,101</u>	<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>\$ 1,425,830</u>	<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	94.80%	83.46%	101.91%	96.56%	89.60%	79.46%	87.16%	83.18%	82.46%	82.99%
Covered - payroll	\$ 6,683,139	\$ 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	21.33%	77.86%	-8.75%	15.21%	46.12%	91.35%	54.40%	66.59%	69.18%	62.33%

LOWER PAXTON TOWNSHIP

Schedule of Changes in the Net Pension Liability and Related Ratios (Police) - Last 10 Years

For the years Ending December 31

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service Cost	\$ 1,041,431	\$ 1,048,293	\$ 993,643	\$ 892,583	\$ 846,050	\$ 760,444	\$ 720,800	\$ 583,904	\$ 579,640	\$ 589,923
Interest	2,623,824	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
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(1,133,408)	-	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	(1,908,746)	(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	623,101	1,736,929	3,454,118	1,539,739	2,788,763	1,353,469	1,805,366	1,289,952	1,035,665	1,315,723
Total pension liability - beginning	41,397,856	39,650,927	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>\$ 42,020,957</u>	<u>\$ 41,387,856</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	\$ 1,934,638	\$ 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	306,822	294,920	284,525	287,739	265,560	254,312	241,314	230,727	228,477	225,150
Net investment income	4,288,719	(4,932,439)	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	(1,908,746)	(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	(8,615)	(12,899)	(3,350)	(3,350)	(8,349)	(8,936)	(2,900)	(3,397)	(6,965)	(6,519)
Net change in plan fiduciary position	4,612,818	(4,851,155)	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	30,352,659	35,203,814	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>\$ 34,965,477</u>	<u>\$ 30,352,659</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>\$ 7,055,480</u>	<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	83.2%	73.3%	88.8%	86.8%	82.0%	75.6%	82.3%	76.7%	75.7%	77.4%
Covered - payroll	\$ 6,804,744	\$ 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	103.7%	188.8%	78.5%	82.8%	119.5%	153.2%	109.6%	143.1%	147.5%	134.3%

LOWER PAXTON TOWNSHIP

Schedule of Changes in the Net Pension Liability and Related Ratios (LOSAP) - Last 10 Years

For the Years Ending December 31

	2023	2022	2021
Total pension liability			
Service Cost	\$ 6,454	\$ 16,512	\$ 16,512
Interest	63,365	92,385	88,345
Differences between expected and actual experience	(201,310)	-	(44,673)
Changes of assumptions	(259,991)	-	74,950
Benefit payments, including refunds of employee contributions	(53,760)	(50,460)	(43,810)
Net change in total pension liability	(445,242)	58,437	91,324
Total pension liability - beginning	1,386,945	1,328,508	1,237,184
Total pension liability - ending (a)	<u>\$ 941,703</u>	<u>\$ 1,386,945</u>	<u>\$ 1,328,508</u>
Plan fiduciary net position			
Contributions - employer	\$ -	\$ 79,310	\$ 94,805
Net investment income	154,017	(208,351)	120,602
Benefit payments, including refunds of employee contributions	(53,760)	(50,460)	(43,810)
Administrative expense	(11,000)	-	(4,675)
Net change in plan fiduciary position	89,257	(179,501)	166,922
Plan fiduciary net position - beginning	1,089,973	1,269,474	1,102,552
Plan fiduciary net position - ending (b)	<u>\$ 1,179,230</u>	<u>\$ 1,089,973</u>	<u>\$ 1,269,474</u>
Township's net pension liability - ending (a) - (b)	<u>\$ (237,527)</u>	<u>\$ 296,972</u>	<u>\$ 59,034</u>
Plan fiduciary net position as a percentage of the total pension liability	125.2%	78.6%	95.6%
Covered - payroll	N/A	N/A	N/A
Township net pension liability as a percentage of covered - payroll	N/A	N/A	N/A

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

Lower Paxton Township
Schedule of Employer Contributions (Non Uniform) - Last 10 Years

For the Years Ending December 31

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 953,741	\$ 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	953,741	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>\$ -</u>	<u>\$ (41,394)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	6,683,139	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 - employee payroll	14.3%	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, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	7 years (aggregate)
Asset valuation method	4-year smoothing
Inflation	2.50%
Salary increases	4.75%, including inflation
Investment rate of return	6.50%, net of investment expenses not funded through the MMO, and including inflation
Mortality	2010 Public Retirement Plan-General Employees mortality tables (PubG-2010). Mortality improvement projected from the year 2020 with rates derived from the Long-Range Demographic Assumptions for the 2020 Social Security Administration's Trustee Report.
Retirement age	Age 60-64: 50%, 65 and older 100%

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 increase 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 Assumptions for the 2015

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

Effective 1/1/21: Interest rate was lowered from 6.75% to 6.5%, inflation rate lowered from 2.75% to 2.50%, mortality updated to 2010 Public Retirement Plan-General Employees mortality tables (PubG-2010). Mortality improvement projected from the year 2020 with rates derived from the Long-Range Demographic Assumptions for the 2020 Social Security Administration's Trustee Report, retirement assumption to ages 60-64: 50% and age 65 and older: 100%.

Lower Paxton Township
Schedule of Employer Contributions (Police) - Last 10 Years

For the Years Ending December 31

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,909,822	\$ 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
Contributions in relation to the actuarially determined contribution	1,934,638	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
Contribution deficiency (excess)	<u>\$ (24,816)</u>	<u>\$ -</u>	<u>\$ (5,694)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	6,804,744	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
Contributions as a percentage of covered - employee payroll	28.43%	29.00%	29.86%	22.71%	25.94%	23.27%	23.66%	24.87%	23.53%	19.57%

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	9 years (aggregate)
Asset valuation method	4-year smoothing
Inflation	2.75%
Salary increases	5.5%, including inflation
Investment rate of return	6.5% net of investment expenses not funded through the MMO, and including inflation
Mortality	2010 Public Retirement Plan-Public Safety mortality tables (PubS-2010) with mortality improvement projected from the year 2020 with rates derived from the Long-Range Demographic Assumptions for the 2020 Social Security Administration's Trustee Report.
Retirement age	Rates of retirement based on age and service according to the following schedule:

	Years of Service	
Age	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%.

Effective 1-1-21: Interest rate lowered from 6.75% to 6.5%, inflation rate lowered from 2.75% to 2.50%, mortality updated to 2010 Public Retirement Plans-employees mortality tables (PubG-2010) with Mortality improvement projected from the year 2020 with rates derived from the Long-Range Demographic Assumptions for the 2020 Social Security Administration's Trustee Report and disability updated from ultimate rates of disability incidence in the Social Security Administration's 2020 Trustee Report.

Lower Paxton Township

Schedule of Employer Contributions (LOSAP) - Last 10 Years

For the Years Ending December 31

	2023	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>\$ -</u>	<u>\$ (15,495)</u>
Covered - employee payroll	N/A	N/A	N/A
Contributions as a percentage of covered - employee payroll	N/A	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	7.00%
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.

Effective 1-1-23: Investment rate of return increased from 5.0% to 7.0%.

LOWER PAXTON TOWNSHIP
SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

Annual money-weighted rate of return:	<u>2023</u>	<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	14.49%	(14.74%)	11.10%	13.14%	18.95%	(4.13%)	14.47%	5.83%	0.18%	6.49%
Police Pension Plan	14.05%	(14.32%)	11.47%	11.06%	18.54%	(3.70%)	14.17%	5.53%	0.82%	6.85%
Fireman's LOSAP	14.53%	(16.38%)	10.68%	-	-	-	-	-	-	-
OPEB	0.60%	-	-	-	-	-	-	-	-	-

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

For OPEB, the Township established a trust during 2023 and there only one year of information is available.

LOWER PAXTON TOWNSHIP

Schedule of Changes in the Net OPEB Liability and Related Ratios - Last 10 Years

For the Years Ending December 31

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service Cost	\$ 433,702	\$ 590,039	\$ 575,648	\$ 476,962	\$ 298,604	\$ 247,550
Interest	385,490	270,637	257,488	330,162	228,507	209,188
Changes of benefit terms	-	-	-	2,356,591	-	-
Changes of assumptions	(2,478,276)	-	1,087,896	-	(205,989)	-
Differences between expected and actual experience	303,251	-	(183,641)	-	548,659	-
Benefit payments, including refunds of employee contributions	(121,176)	(446,256)	(198,381)	(428,589)	(275,372)	(394,123)
Net change in total OPEB liability	(1,477,009)	414,420	1,539,010	2,735,126	594,409	62,615
Total OPEB liability - beginning	10,871,623	10,457,203	8,918,193	6,183,067	5,588,658	5,526,043
Total OPEB liability - ending (a)	<u>\$ 9,394,614</u>	<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>
Plan fiduciary net position						
Contributions - employer	\$ 871,176	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	-	-	-	-	-	-
Net investment income	2,689	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(121,176)	-	-	-	-	-
Net change in plan fiduciary position	752,689	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ 752,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Township's net OPEB liability - ending (a) - (b)	<u>\$ 8,641,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan fiduciary net position as a percentage of the total OPEB liability	8.01%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Payroll	\$ 6,054,064	\$ 5,849,337	\$ 5,680,580	\$ 5,754,758	\$ 5,076,864	\$ 4,685,623
Township net OPEB liability as a percentage of covered payroll	142.75%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Lower Paxton Township

Schedule of Employer Contributions (OPEB) - Last 10 Years

For the Years Ending December 31

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	871,176	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ (871,176)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 6,054,064	\$ 5,801,081	\$ 5,659,105	\$ 5,523,146	\$ 5,214,405	\$ 4,916,287
Contributions as a percentage of covered - employee payroll	14.4%	0.0%	0.0%	0.0%	0.0%	0.0%

Notes to Schedule

Valuation date: January 1, 2023

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	7 years (aggregate)
Asset valuation method	Fair-market value
Inflation	2.75%
Salary increases	4.75%, including inflation
Investment rate of return	4.50%
Mortality	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.

Changes to assumptions.

Effective 1/1/23: Discount rate increased from 2.5% to 4.25%. Inflation increased from 2.5% to 2.75%. Medical, dental and vision trend rates updated. Coverage Level for future retiring participants 50% single, 50% husband and wife (35% sing, 65% husband and wife previously)

OTHER
SUPPLEMENTARY
INFORMATION

LOWER PAXTON TOWNSHIP
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2023

	State Highway Aid	Fire Equipment	TOTAL
<u>Assets</u>			
Unrestricted Cash and Cash Equivalents	\$ 638,814	\$ -	\$ 638,814
Restricted Cash and Cash Equivalents	-	3,004,135	3,004,135
Receivables			
Accounts	-	7	7
Interest	-	17,562	17,562
Taxes	-	99,692	99,692
Prepaid Items	-	9,618	9,618
Total Assets	<u>\$ 638,814</u>	<u>\$ 3,131,014</u>	<u>\$ 3,769,828</u>
<u>Liabilities</u>			
Accounts Payable	\$ 10,740	\$ 218,432	\$ 229,172
Accrued Expenses and Withholdings	-	2,070	2,070
Total Liabilities	<u>10,740</u>	<u>220,502</u>	<u>231,242</u>
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - Property Taxes	-	71,522	71,522
Total Deferred Inflows of Resources	<u>-</u>	<u>71,522</u>	<u>71,522</u>
<u>Fund Balances</u>			
Nonspendable	-	9,618	9,618
Restricted	628,074	2,829,372	3,457,446
Total Fund Balances	<u>\$ 628,074</u>	<u>\$ 2,838,990</u>	<u>\$ 3,467,064</u>

LOWER PAXTON TOWNSHIP
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2023

	State Highway Aid	Fire Equipment	TOTAL
Revenues			
Taxes	\$ -	\$ 2,135,919	\$ 2,135,919
Interest and Rents	61,729	143,720	205,449
Intergovernmental	1,657,122	-	1,657,122
Total Revenues	<u>1,718,851</u>	<u>2,279,639</u>	<u>3,998,490</u>
Expenditures			
Fire and Ambulance	-	1,147,923	1,147,923
Public Works	1,462,402	-	1,462,402
Debt Service			
Principal	205,506	234,000	439,506
Interest	26,311	78,810	105,121
Total Expenditures	<u>1,694,219</u>	<u>1,460,733</u>	<u>3,154,952</u>
Excess of Revenues Over Expenditures	<u>24,632</u>	<u>818,906</u>	<u>843,538</u>
Net Change in Fund Balance	24,632	818,906	843,538
Fund Balances - Beginning of Year	<u>603,442</u>	<u>2,020,084</u>	<u>2,623,526</u>
Fund Balances - End of Year	<u><u>\$ 628,074</u></u>	<u><u>\$ 2,838,990</u></u>	<u><u>\$ 3,467,064</u></u>

LOWER PAXTON TOWNSHIP
COMBINING BALANCE SHEET-
PROPRIETARY FUNDS
DECEMBER 31, 2023

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	Sewer Fund	Stormwater Fund	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,173,153	\$ 1,501,702	\$ 2,674,855
Investments	21,216,585	3,909,019	25,125,604
Receivables			
Interest	99,517	17,562	117,079
Rentals and Fees - Unbilled	4,766,752	867,478	5,634,230
Rentals and Fees - Billed	1,080,357	212,879	1,293,236
Other	7,161	1,574	8,735
Prepaid	53,935	23,706	77,641
Total Current Assets	28,397,460	6,533,920	34,931,380
Noncurrent Assets			
Restricted Cash and Cash Equivalents	24,963	-	24,963
Restricted Investments	2,881,693	12,077,401	14,959,094
Capital Assets, Not Being Depreciated	17,944,080	3,161,762	21,105,842
Capital Assets, Being Depreciated, net	143,966,010	23,692,193	167,658,203
Total Noncurrent Assets	164,816,746	38,931,356	203,748,102
Total Assets	193,214,206	45,465,276	238,679,482
Deferred Outflows of Resources			
Deferred Charges on Refundings	2,245,448	-	2,245,448
Total Deferred Outflows of Resources	2,245,448	-	2,245,448
LIABILITIES			
Current Liabilities			
Accounts Payable	2,158,501	392,731	2,551,232
Current Portion of Long-Term Debt, Subsidy Agreements with the Township	5,154,504	580,000	5,734,504
Accrued Interest	1,066,951	187,597	1,254,548
Developers Escrows	24,963	-	24,963
Due to Other Funds	921,913	1,079,709	2,001,622
Due to Other Governments	1,432,657	-	1,432,657
Total Current Liabilities	10,759,489	2,240,037	12,999,526
Noncurrent Liabilities			
Long-Term Debt, Subsidy Agreements with the Township, Net of Current Portion	128,543,317	20,050,000	148,593,317
Bond Premium	7,690,985	1,419,697	9,110,682
Total Noncurrent Liabilities	136,234,302	21,469,697	157,703,999
Total Liabilities	146,993,791	23,709,734	170,703,525
NET POSITION			
Net Investment in Capital Assets	22,721,464	16,539,626	39,261,090
Unrestricted	25,744,399	5,215,916	30,960,315
Total Net Position	\$ 48,465,863	21,755,542	70,221,405

LOWER PAXTON TOWNSHIP
COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Sewer Fund	Stormwater Fund	Total
Operating Revenues			
Rentals and Fees	17,347,788	3,538,057	\$ 20,885,845
Miscellaneous	171,888	-	171,888
Total Operating Revenues	17,519,676	3,538,057	21,057,733
Operating Expenses			
Cost of Sales and Service	9,695,646	2,057,537	11,753,183
Administration	531,805	177,238	709,043
Depreciation Expense	3,331,811	572,155	3,903,966
Total Operating Expenses	13,559,262	2,806,930	16,366,192
Operating Income	3,960,414	731,127	4,691,541
Nonoperating Revenues (Expenses)			
Interest Income	1,313,347	590,955	1,904,302
Tapping Fees	295,889	-	295,889
Sale of Capital Assets	540,987	9,089	550,076
Interest and Amortization, net	(4,101,542)	(690,425)	(4,791,967)
Developer Contributions	481,349	332,269	813,618
Total Nonoperating Expenses, net	(1,469,970)	241,888	(1,228,082)
Changes In Net Position	2,490,444	973,015	3,463,459
Total Net Position - Beginning of Year	45,975,419	20,782,527	66,757,946
Total Net Position - End of Year	\$ 48,465,863	\$ 21,755,542	\$ 70,221,405

LOWER PAXTON TOWNSHIP
COMBINING SCHEDULE OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Sewer Fund	Stormwater Fund	Total
Cash Flows From Operating Activities			
Receipts from Customers and Users	\$ 17,802,899	\$ 3,052,007	\$ 20,854,906
Receipts from Miscellaneous	171,888	-	171,888
Payments to Suppliers	(9,437,923)	(1,838,094)	(11,276,017)
Lower Paxton Township	(1,535,128)	(439,574)	(1,974,702)
Net Cash Provided by Operating Activities	7,001,736	774,339	7,776,075
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(11,079,897)	(2,380,491)	(13,460,388)
Disposal of Capital Assets	551,118	9,089	560,207
Tapping Fees	295,889	-	295,889
Contributions	481,349	332,269	813,618
Bond Proceeds	946,770	-	946,770
Principal Payments on Long-term Debt	(4,999,433)	(560,002)	(5,559,435)
Principal Payments on Capital Lease	(17,788)	-	(17,788)
Interest Payments	(3,620,906)	(1,604,596)	(5,225,502)
Net Cash Used in Capital and Related Financing Activities	(17,442,898)	(4,203,731)	(21,646,629)
Cash Flows from Investing Activities			
Purchase of Investments, net	1,850,251	2,338,733	4,188,984
Interest Income	1,313,347	590,955	1,904,302
Net Cash Provided by Investing Activities	3,163,598	2,929,688	6,093,286
Net Decrease in Cash and Cash Equivalents	(7,277,564)	(499,704)	(7,777,268)
Cash and Cash Equivalents, Beginning of Year	8,475,680	2,001,406	10,477,086
Cash and Cash Equivalents, End of Year	\$ 1,198,116	\$ 1,501,702	\$ 2,699,818
<u>Presented in Financial Statements as</u>			
Cash and Cash Equivalents	\$ 1,173,153	\$ 1,501,702	\$ 2,674,855
Restricted Cash and Cash Equivalents	24,963	-	24,963
	\$ 1,198,116	\$ 1,501,702	\$ 2,699,818

LOWER PAXTON TOWNSHIP
COMBINING SCHEDULE OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

	Sewer Fund	Stormwater Fund	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 3,960,414	\$ 731,127	\$ 4,691,541
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	3,331,811	572,155	3,903,966
Change in Assets and Liabilities			
Receivables	453,747	(486,050)	(32,303)
Accounts Payable	58,860	226,546	285,406
Due to Other Governments	182,154	-	182,154
Developers Escrows	1,364	-	1,364
Prepaid Items	16,709	(7,103)	9,606
Due to Other Funds	<u>(1,003,323)</u>	<u>(262,336)</u>	<u>(1,265,659)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 7,001,736</u></u>	<u><u>\$ 774,339</u></u>	<u><u>\$ 7,776,075</u></u>

Supplemental Disclosure of Noncash Transactions
(Capital Related and Investing Activities):

Deferred Loss on Refunding	\$ 156,183
Bond Premium	547,487

LOWER PAXTON TOWNSHIP
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION - PENSION TRUST FUNDS
 DECEMBER 31, 2023

	Non-Uniformed Pension	Police Pension	Fireman's LOSAP	Total
Assets				
Cash	\$ 577,856	\$ 748,598	\$ 27,013	\$ 1,353,467
Receivables				
Interest	1,879	2,422	74	4,375
Miscellaneous	-	175	-	175
Investments, at fair value	25,414,542	34,214,795	1,152,143	60,781,480
Total Assets	<u>\$ 25,994,277</u>	<u>\$ 34,965,990</u>	<u>\$ 1,179,230</u>	<u>\$ 62,139,497</u>
Liabilities				
Accounts Payable	\$ 175	\$ 513	\$ -	\$ 688
Total Liabilities	<u>175</u>	<u>513</u>	<u>-</u>	<u>688</u>
Net Position Restricted for Pensions	<u>\$ 25,994,102</u>	<u>\$ 34,965,477</u>	<u>\$ 1,179,230</u>	<u>\$ 62,138,809</u>

LOWER PAXTON TOWNSHIP
 COMBINING SCHEDULE OF CHANGES IN PLAN NET POSITION - PENSION TRUST FUNDS
 YEAR ENDED DECEMBER 31, 2023

	Non-Uniformed Pension	Police Pension	Fireman's LOSAP	Total
Additions				
Contributions				
Employee	\$ 197,565	\$ 317,733	\$ -	\$ 515,298
Employer	953,741	720,933	-	1,674,674
Employer - Commonwealth Funding	-	1,213,705	-	1,213,705
Total Contributions	<u>1,151,306</u>	<u>2,252,371</u>	<u>-</u>	<u>3,403,677</u>
Investment Income				
Interest and Dividends	654,386	856,214	31,063	1,541,663
Net Appreciation in Fair Value of Investments	<u>2,651,245</u>	<u>3,502,956</u>	<u>129,380</u>	<u>6,283,581</u>
Net Investment Gain	<u>3,305,631</u>	<u>4,359,170</u>	<u>160,443</u>	<u>7,825,244</u>
Total Additions	<u>4,456,937</u>	<u>6,611,541</u>	<u>160,443</u>	<u>11,228,921</u>
Deductions				
Retirement Benefits	1,158,185	1,919,658	53,760	3,131,603
Refunds to Terminated Employees	27,434	-	-	27,434
Administrative	<u>66,794</u>	<u>79,065</u>	<u>17,426</u>	<u>163,285</u>
Total Deductions	<u>1,252,413</u>	<u>1,998,723</u>	<u>71,186</u>	<u>3,322,322</u>
Changes In Net Position	3,204,524	4,612,818	89,257	7,906,599
Total Net Position - Beginning of Year	<u>22,789,578</u>	<u>30,352,659</u>	<u>1,089,973</u>	<u>54,232,210</u>
Total Net Position - End of Year	<u>\$ 25,994,102</u>	<u>\$ 34,965,477</u>	<u>\$ 1,179,230</u>	<u>\$ 62,138,809</u>