



Lower Allen Township

YEAR ENDED DECEMBER 31, 2022

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2022

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Independent Auditor's Report

Honorable Board of Commissioners
Lower Allen Township
Camp Hill, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Lower Allen Township (the Township) as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the Township as of December 31, 2022, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Lower Allen Township Authority (the Authority), which represent 36%, 37% and 18%, of the assets, net position and revenues, respectively, of the Township's governmental activities and discretely presented component units. Those statements were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Township, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits 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 Lower Allen Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lower Allen 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 Lower Allen Township's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund budgetary comparison information and the historical pension and other post-employment benefits other than pension information on pages 4 through 22 and 111 through 125, respectively, be presented to supplement the basic financial statements. Such information, although not a required 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 and other auditors 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 the audit of the basic financial statements. We and the component unit auditors do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements as a whole. The combining and individual non-major fund financial statements, schedules and other budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic respective financial statements. Such information has been subjected to the auditing procedures applied in our audit and in the component unit auditors' 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 and the opinion of the component unit auditors, the combining and individual non-major fund statements are fairly stated, in all material respects, in relation to the respective basic financial statements as a whole.

Brown Plus

Camp Hill, Pennsylvania
May 20, 2026

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

The following is a managerial overview of the financial picture of Lower Allen Township (Township), Cumberland County, Pennsylvania, for the fiscal year ended December 31, 2022. While the Lower Allen Township Authority, the Lower Allen Township Development Authority and Lower Allen Township Stormwater Authority are legally separate entities, they are shown in the financial statements as discretely presented component units. This overview, however, focuses on the primary government and, unless otherwise noted, these three component units are not included in this discussion.

FINANCIAL HIGHLIGHTS

Government-wide net position of the Township at the close of the year was \$38,252,222. The Township's total net position increased by \$4,402,485 or 13% from December 31, 2021. As the national economy showed some signs of life, the Township's economically sensitive revenue outpaced both the prior year and the jump in the inflation rate. Revenue exceeded the budget without tax increases. From a working capital perspective, cash and investments received most of the equity surplus. Receivables decreased, especially ambulance-related receivables. The unrestricted net position showed an increase of \$2,925,888 demonstrating that current year costs are not being deferred to future taxpayers.

As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$21,743,654, an increase of \$4,778,993. Discussion of this increase is found in the Financial Analysis of the Government's Funds below. Fund balance of Township general and special revenue funds remains above the Township's original self-imposed minimum of 30% of the budgeted expenditures.

The Commissioners adopted additional but temporary fund balance and spending restrictions for 2020 through 2025 by way of Resolution 2020-R-07. Of the \$14,915,718 General Fund fund balance, \$10,147,080 represents a self-imposed spending cap. A maximum of \$3 million can be drawn down only in the event of an economic recession. Beyond that, a maximum total of \$1 million can be drawn down over the remaining three years for any other purpose. Through 2025, spending growth cannot exceed an amount that would cause real estate tax to increase beyond 0.3 mills. Annually, public safety expenditures cannot exceed 7.5%, and most other General Fund services cannot exceed 5.0%. Fire expenditures, for which a significant portion of annual revenue is set aside for future capital outlay, cannot exceed 2.5%.

There was no new debt in 2022. The existing tax-exempt bonded debt is at a fixed rate of 0.95%, and the taxable portion is at 1.71%. Discussions continue of a possible bond issue in 2025 or beyond for fire and other needs, to coincide with the expiration of the existing tax-exempt debt. The Township adopted a formal debt policy in 2016. Standard & Poor's reconfirmed the most recent rating of AA+ Stable in 2014.

The largest single nonrecurring outflow was \$134,855 for a mini excavator. Other large outlays were for three police cars, and playground equipment at Cedar Run Park. Overall, 2022 saw the lowest capital outlay expenditure level since 2012. Architectural plans were completed in 2022 for development of Beacon Hill Park. This, along with notice of a grant award, suggests that future outlays will take place there. The plans call for mostly passive activities.

Trial for a lawsuit by Triple Crown Corporation alleging an overcharge of \$321,028 in construction permit fees concluded on March 9. The verdict was not received in 2022, but the Township's attorney is cautiously optimistic. A loss could drastically affect construction-related revenue across the Commonwealth.

In February 2022, a contract was signed with Solar Renewable Energy, LLC for construction of solar panels at two Township sites. Mr. Barry of that company projected an offset of 95% of Township energy consumption through net metering. Annual savings are estimated at \$55,000, with \$2.5 million in savings over the 40-year estimated useful life of the panels. Construction will begin in 2023, having been slowed by COVID-related material shortages.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

FINANCIAL HIGHLIGHTS (CONTINUED)

In 2019, the Lower Allen Township Development Authority acquired property of Alstores Realty Corporation (known locally as the BonTon property) for redevelopment. The Township's General Fund had loaned the Authority \$810,000 at 4% (later lowered to 3%) in 2020. This loan and all accrued interest was repaid in 2022 in the amount of \$948,399. Except for a few remaining details, the Authority successfully completed this project in 2022, repaying their main loan with F&M Trust, and bringing to the Township Trader Joes, Chick-fil-A, a hotel and other viable businesses.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a concise yet complete overview of the Township's finances in a manner similar to a private-sector business. The statement of net position presents information on the entire Township's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the components reported as net position. The statement of activities measures inter-period equity - in other words, were current year revenues sufficient to cover current year expenses, or were costs instead deferred to future taxpayers. It also shows the extent to which governmental activities support themselves (net expenses). Changes in net position shown at the bottom of the statement serves as an indicator of whether the Township's financial position is improving or deteriorating. The Lower Allen Township Development Authority, the Lower Allen Township Authority and the Lower Allen Township Stormwater Authority, discretely presented component units, are included in the government-wide financial statements in separate columns.

The full-accrual accounting method is used here, showing the flow of economic resources. The effects of an event are recorded when an economic impact occurs. For example, if a capital asset is purchased for cash, the statement of net position would show less in cash and cash equivalents and more in capital assets since one asset is merely being exchanged for another. Over time, the portion of the capital asset's value that is reduced through age and wear is reported on the statement of activities as depreciation expense, and also as a reduction in the capital assets line in the statement of net position. Therefore, there are events shown that are purely economic and are unrelated to the transfer of cash. This basis is particularly useful for assessing financial condition and for conducting an analysis.

Fund financial statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds. The Township does not have proprietary funds.

The balance sheets show current assets, deferred inflows of resources and some current liabilities of the Township, but show no capital assets or long-term liabilities. The statements of revenues, expenditures and changes in fund balance show some revenue and all expenditures. This is particularly useful to understand the level of cash that must be brought in to support services and to assess legal compliance.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements (continued)

Component Units – Component units are used to account for legally separate organizations for which the Township is financially accountable. They use the full-accrual accounting method showing the flow of economic resources and consist of the Lower Allen Township Development Authority, the Lower Allen Township Authority and the Lower Allen Township Stormwater Authority, which are discretely presented; meaning that the financial tie is sufficiently insubstantial to warrant presentation separate from the Township. Total net position of the component units at December 31, 2022 was \$29,585,234.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use modified accrual accounting showing a flow of current resources. The effects of an event are shown at or near the time cash is transferred. For example, if land is purchased for cash, cash and cash equivalents are reduced on the balance sheet, and a capital outlay expenditure is recorded on the statement of revenues, expenditures and changes in fund balance. Therefore, an expenditure can be shown even though the economic condition of the Township does not reduce as a result of the transaction. Nevertheless, this has informational value since the cash to purchase the land would have to be budgeted and raised. Should the money come through a grant, the outlay would have to be reported to demonstrate legal compliance.

The Township maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund, Capital Improvement Fund and Fire Services Fund, which are considered to be major governmental funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for six governmental funds using the modified accrual basis of accounting with minor exceptions. A budgetary comparison statement has been provided as required supplementary information for the General Fund to demonstrate compliance with this budget on pages 98 and 99. The other governmental funds budgetary statements can be found on pages 101 and 117 through 120 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The Township carries four fiduciary funds, which include three pension trust funds and one OPEB trust fund. Total net position of the trust funds at December 31, 2022 was \$20,112,003. The basic fiduciary funds financial statements can be found on pages 32 and 33 of this report.

The OPEB (which stands for other post-employment benefits, and consists of police retiree healthcare benefits) Trust Fund began in 2015 as an effort to minimize the long-term financial burden. The establishment of a trust facilitates the accumulation of money over the careers of the police officers so that resources are available when they retire. A trust also allows for a diversified investment portfolio, with an historically higher rate of return. The weighted return for 2022 was 20.95% loss compared to a 11.71% gain for 2021. The discount rate was increased to 4.4% from 4.0% in 2022.

Notes to the financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 through 97 of this report.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements (continued)

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees and budgetary comparison for the General Fund. The required supplementary information can be found on pages 102 through 113 of this report.

Other supplementary information, including the combining statements referred to earlier in connection with non-major governmental funds, component units and pension and other post-employment benefits trust funds, is presented immediately following the notes to the financial statements and the required supplementary information. Other supplementary information can be found on pages 114 through 137 of this report.

A schedule of cash flows for the governmental funds begins on pages 121-122. Cash flow schedules are seldom seen in governmental funds' financial statements, but are commonly included for business and other enterprises where empirical assessment of financial condition is of interest.

Government-wide financial analysis

As noted earlier, net position serves as a useful indicator of a government's financial position. Table 1 reflects total net position at December 31, 2022 of \$38,252,222, which represents an increase of \$4,402,485 from 2021.

The *current ratio* (current assets divided by current liabilities) is a measure of short-term solvency. This ratio at year end 2022 was 4.83, compared to 4.64 the previous year. This means that for every dollar of current liabilities, the Township has \$4.83 of current assets with which to pay them. It is generally considered a warning sign if the current ratio drops below 1.00.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Government-wide financial analysis (continued)

Average collection period represents the average number of days the Township must wait to have its bills paid by the customer. Sanitation services are billed quarterly, with 30 or 31 days to pay before the bill is considered in the penalty period and 90 days until delinquent. The average collection period in 2022 was 10.70 days, compared to 11.10 days in 2021. It is generally considered a warning sign if the average collection period extends beyond the payment period.

Table 1
Net Position
December 31, 2022 and 2021

| | 2022 Governmental activities | 2021 Governmental activities | Increase (decrease) over prior year |
|--|------------------------------------|------------------------------------|---|
| Cash and investments | \$ 23,534,529 | \$ 17,495,595 | \$ 6,038,934 |
| Receivables | 4,305,204 | 4,998,770 | (693,566) |
| Other current assets | 351,665 | 328,451 | 23,214 |
| Capital assets | 24,268,768 | 25,541,185 | (1,272,417) |
| Other noncurrent assets | - | 2,702,457 | (2,702,457) |
| Total assets | 52,460,166 | 51,066,458 | 1,393,708 |
| Deferred outflows of resources | 3,472,176 | 1,359,174 | 2,113,002 |
| Total assets and deferred outflows of resources | \$ 55,932,342 | \$ 52,425,632 | \$ 3,506,710 |
| Current liabilities | \$ 5,840,212 | \$ 4,926,815 | \$ 913,397 |
| Long-term liabilities, less amounts due in one year | 10,292,444 | 9,782,395 | 510,049 |
| Total liabilities | 16,132,656 | 14,709,210 | 1,423,446 |
| Deferred inflows of resources | 1,547,464 | 3,866,685 | (2,319,221) |
| Net position: | | | |
| Net investment in capital assets | 19,905,914 | 19,754,874 | 151,040 |
| Restricted | 5,554,601 | 4,229,044 | 1,325,557 |
| Unrestricted | 12,791,707 | 9,865,819 | 2,925,888 |
| Total net position | 38,252,222 | 33,849,737 | 4,402,485 |
| Total liabilities, deferred inflows of resources and net position | \$ 55,932,342 | \$ 52,425,632 | \$ 3,506,710 |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Government-wide financial analysis (continued)

The average general real estate tax collection period decreased to 66 days in 2022 from 79 days in 2021. The taxpayer has four months from the bill date until the bill is considered delinquent, and there is a 2% discount if paid within two months. Real estate tax is collected by an elected tax collector who is not under the oversight of the Township and sets her own office hours.

The *debt-to-worth ratio* (total liabilities divided by net position) measures longer-term financial risk. This ratio was 0.42 and 0.44 for 2022 and 2021, respectively. That means that for every dollar of book value equity, the Township owes 42¢ to creditors and bondholders. The higher the ratio, the more the reliance on debt rather than current revenue to support operations. The optimal ratio level varies by type of government operation. The governmental activity debt-to-worth ratio for Hampden Township was 1.72 (in 2022), and was 0.33 for neighboring Upper Allen Township (in 2022).

Capital assets, include the Township's investment in capital assets (land, buildings and improvements, equipment and infrastructure), net of accumulated depreciation. The book value, net of accumulated depreciation, was \$24,268,768 at the end of 2022.

GOVERNMENTAL ACTIVITIES

Table 2 highlights the Township's revenues, expenses and changes in net position for the fiscal year ended December 31, 2022 and the prior year. As mentioned, net position increased by \$4,402,485 in 2022. Revenue increased by \$2,422,162. The largest absolute increases came from tax revenue, interest revenue and grant revenue.

Revenue is divided into two major components: program revenue and general revenue. Program revenue is defined as charges for services, operating and capital grants and contributions stemming from a service provided by the Township. General revenue includes taxes, investment earnings, general intergovernmental revenue and contributions and other general revenue sources.

Township staff believes the economic "spottiness" of 2021 gave way to good economic growth in 2022. Current-year earned income tax (representing residents' taxable earnings) increased over 20% compared to 8% in 2021. Local services tax (representing the number employed within Township borders), which decreased 4% in 2021, surged by 21% in 2022. Construction-related revenue grew by 11%, and real estate transfer tax (representing the value of taxable real estate sales) advanced by 37%. Even amusement tax (representing gross receipts on entertainment events) added 11%. This contrasts with some national economic results where real disposable income fell by 6% and residential investment by 9%.

Although the Township had a positive cash flow. A grant for the Fun Fort restoration (with related expenditures occurring in prior years) of \$250,000 was received. Grant revenue of \$85,237 for a Lower Allen Township Stormwater Authority project flowed from the Commonwealth through the Township. Interest earnings increased 706% after falling 67% in 2021. Wells Fargo gives the 2022 and 2021 one-year treasury bill rates as 2.80% and 0.37%, respectively. Much of the 87% increase in charges for services came from increases in construction-related revenue.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

GOVERNMENTAL ACTIVITIES (CONTINUED)

Expenses increased by \$2,579,360 (or 17%) in 2022 compared to \$581,381 (or 4%) the year before. Wells Fargo reported the employment cost index at 4.9% (about 60% of Township expenses are labor-related), and the Consumer Price Index at 8.0%. The largest expense increases occurred in public safety, where one new police officer was hired with three hired in the prior year who had a full year of salary, plus police pension funding needs increased. Public works followed with their largest increases being a per-unit contract increase by the Township's refuse hauler, and for new Lower Allen Township Stormwater Authority projects (increasing by \$230,591 and being fully reimbursed by the Authority). Healthcare costs created a large general increase (\$154,275), mostly because of new hires and a temporary reduction in offsetting employee contributions. Full-time equivalent units of employees (FTEs) increased a total of 2.4, with public works, police, emergency medical and parks and recreation adding 2.1, 1.5, 0.6 and 0.5, respectively. Public works added a full-time employee and the cost of another was reallocated in 2022 from the Lower Allen Township Stormwater Authority cost center (which reduced by 1.1 FTE). Parks and recreation recovered to full strength in 2022 after a vacancy in 2021. Over the last decade, the Township added on average 2.1 FTEs per year. Two public safety cost centers received the entire net addition: police officers and emergency medical grew by 1.04 and 1.05 FTEs annually, respectively, while the sum of all other Township cost-center FTEs held steady.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

GOVERNMENTAL ACTIVITIES (CONTINUED)

Table 2
Change in Net Position
Years ended December 31, 2022 and 2021

| | 2022 Governmental activities | 2021 Governmental activities | Increase (decrease) over prior year |
|---|------------------------------------|------------------------------------|---|
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 4,228,011 | \$ 4,004,464 | \$ 223,547 |
| Operating grants and contributions | 2,173,249 | 1,163,972 | 1,009,277 |
| Capital grants and contributions | 757,171 | 809,312 | (52,141) |
| General revenues: | | | |
| Real estate taxes | 7,683,191 | 7,436,763 | 246,428 |
| Other taxes | 5,961,548 | 5,321,333 | 640,215 |
| Intergovernmental revenue and contributions | 512,865 | 479,728 | 33,137 |
| Investment earnings | 294,893 | 36,587 | 258,306 |
| Gain on sale of assets | 137,834 | 66,951 | 70,883 |
| Other | 1,392 | 8,882 | (7,490) |
| Total revenues | 21,750,154 | 19,327,992 | 2,422,162 |
| Expenses: | | | |
| Public safety | 9,541,764 | 8,102,472 | 1,439,292 |
| Public works | 4,174,376 | 3,309,412 | 864,964 |
| General government | 2,799,440 | 2,583,185 | 216,255 |
| Parks and recreation | 743,708 | 543,616 | 200,092 |
| Interest on long-term debt | 88,381 | 229,624 | (141,243) |
| Total expenses | 17,347,669 | 14,768,309 | 2,579,360 |
| Changes in net position | 4,402,485 | 4,559,683 | (157,198) |
| Net position: | | | |
| Beginning | 33,849,737 | 29,290,054 | 4,559,683 |
| Ending | \$ 38,252,222 | \$ 33,849,737 | \$ 4,402,485 |

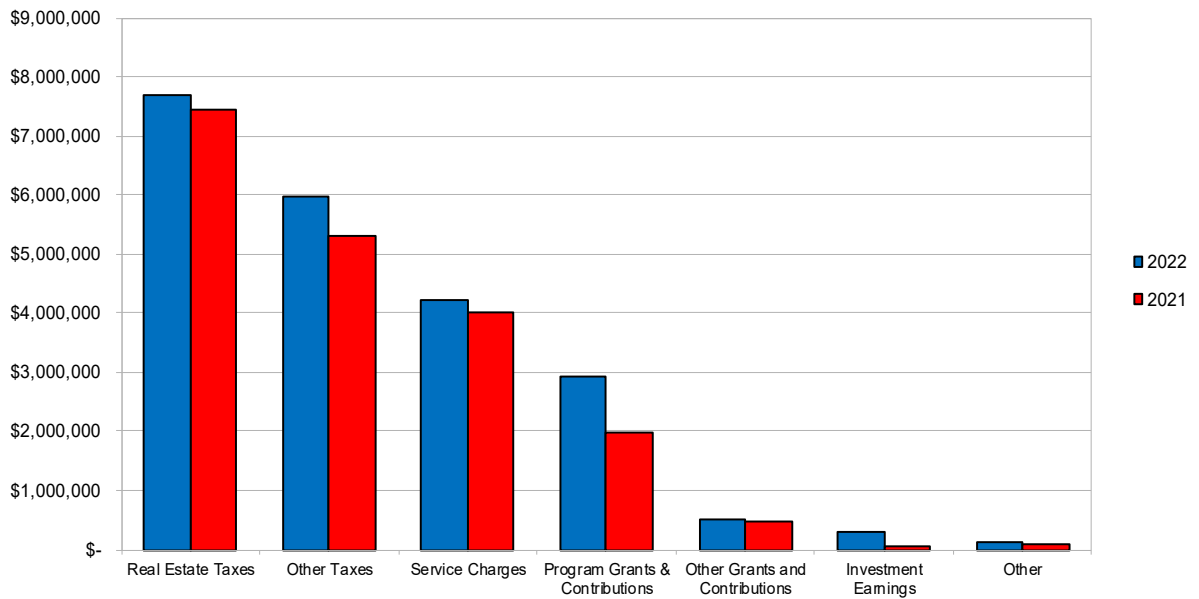
LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

GOVERNMENTAL ACTIVITIES (CONTINUED)

The table below shows the two-year comparison of total revenue allocated by source. The largest increase was in program grants and contributions, followed by other taxes and investment earnings. These are discussed elsewhere in this discussion.

Comparison of Revenues by Source - Governmental Activities



LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

GOVERNMENTAL ACTIVITIES (CONTINUED)

The graph below shows 2022 revenue sources indicating real estate taxes, other taxes and charges for services as the major sources for funding. Tax revenues at 64% constitute most of the Township's revenue sources. Service charges follow at 19%.

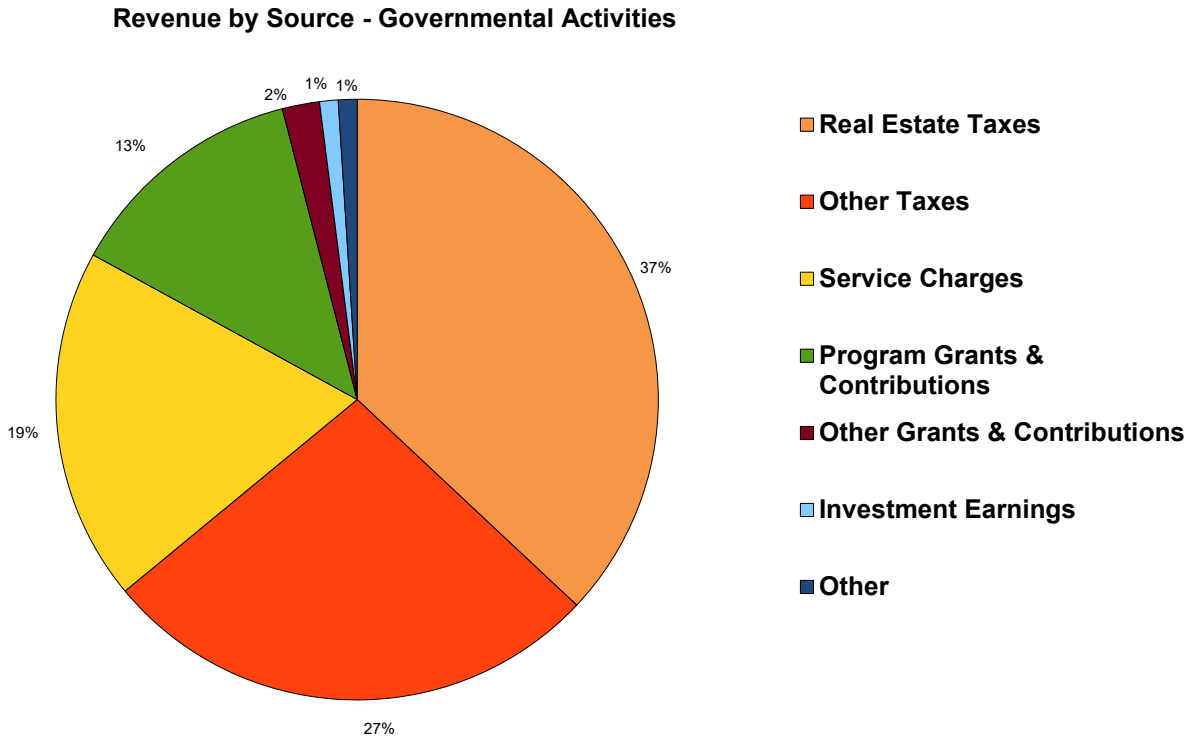


Table 3 on the next page discloses the cost of services for governmental activities. The total cost of services column contains all costs related to the programs, and the net cost column shows those costs less program revenues. Net costs must be covered by local taxes or other general revenue.

Net cost of services was 59% of the total cost of services in 2022. Charges for services – especially refuse fees – plus the timing of a large influx of grant revenue (mentioned above), and a reimbursement from the Lower Allen Township Stormwater Authority provide for a “net gain” from public works operations. This, along with a reduction in interest cost, allowed the relative taxpayer burden to decrease slightly in 2022. In June 2021, the Township received \$1,060,229 emanating from the American Rescue Plan. This money will not show as revenue until a qualified expense is made. No qualified expenses were made in 2022, so none of these receipts appear on the statement of activities.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

GOVERNMENTAL ACTIVITIES (CONTINUED)

Table 3
Cost and Net Cost of Services
Years ended December 31, 2022 and 2021

| | 2022 <u>Total cost</u> | 2022 <u>Net cost of services</u> | <u>% Net cost to total</u> |
|----------------------------|-----------------------------|-------------------------------------|----------------------------|
| Programs: | | | |
| Public safety | \$ 9,541,764 | \$ 7,356,050 | |
| General government | 2,799,440 | 2,570,484 | |
| Public works | 4,174,376 | (335,855) | |
| Interest on long-term debt | 88,381 | 88,381 | |
| Parks and recreation | <u>743,708</u> | <u>510,178</u> | |
| | <u>\$ 17,347,669</u> | <u>\$ 10,189,238</u> | <u>59%</u> |

| | 2022 <u>Total cost</u> | 2021 <u>Net cost of services</u> | <u>% Net cost to total</u> |
|----------------------------|-----------------------------|-------------------------------------|----------------------------|
| Programs: | | | |
| Public safety | \$ 8,102,472 | \$ 5,994,849 | |
| General government | 2,583,185 | 2,306,072 | |
| Public works | 3,309,412 | (122,816) | |
| Interest on long-term debt | 229,624 | 229,624 | |
| Parks and recreation | <u>543,616</u> | <u>382,832</u> | |
| | <u>\$ 14,768,309</u> | <u>\$ 8,790,561</u> | <u>60%</u> |

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Township uses the modified accrual basis of accounting to show results for individual funds to ensure and demonstrate compliance with finance-related legal requirements.

As of year-end 2022, the Township's governmental funds reported combined ending fund balances of \$21,743,654, an increase of \$4,778,993 from the previous year. Fund balance is divided into categories designed to convey the level of constraints placed upon the funds. Nonspendable fund balance, for example, consists of inventory of supplies that will not be converted to cash. Restricted fund balance is mandated by grant and other external legal restrictions for particular purposes. Assigned fund balance is constrained by acts of the Township governing body, and unassigned fund balance is available at any time for any legal purpose.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, fund balance was \$14,915,718, an increase of \$2,744,109. Most of the increase occurred on the revenue side, where economically-sensitive revenue (discussed above) more than recovered from pre-COVID levels. The majority of other fund changes relate to the Highway Aid Fund's road repaving cycle occurring every other year.

Beginning in 2016, the Capital Improvement Fund set aside a pool of money to be lent to the General Fund totaling up to \$450,000 annually to obviate the need for external capital borrowing. Due to the strong fund balance in the General Fund, this transfer was not needed.

The Debt Service Fund accounts for a special real estate tax levy in accordance with Commonwealth of Pennsylvania law. Most debt service payments are made from this fund. Outlays not covered by the tax levy are supported by General and Fire Services Fund transfers.

The Street Light Fund provides street lighting to certain neighborhoods. Revenue comes from an assessment based on front footage of properties that benefit. One rate covers improved (seated) properties, and another covers undeveloped (unseated) properties. Money is typically accumulated for a time and then spent down until the assessment needs another increase. The rates were unchanged at 55.00¢ for seated and 13.75¢ for unseated property.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Table 4
Summary of Governmental Change in Fund Balance
Years ended December 31, 2022 and 2021

| | 2022 | | | |
|-------------------------------|----------------------|--------------------------|--------------------------------|--------------------------------|
| | General Fund | Fire Services Fund | Other governmental funds | Total governmental funds |
| Beginning fund balance | \$ 12,171,609 | \$ 859,619 | \$ 3,933,433 | \$ 16,964,661 |
| Change in: | | | | |
| Nonspendable fund balance | 32,504 | 617 | (9,907) | 23,214 |
| Restricted fund balance | - | 295,935 | 1,029,622 | 1,325,557 |
| Committed fund balance | 2,711,605 | 484,846 | - | 3,196,451 |
| Assigned fund balance | - | - | 233,706 | 233,706 |
| Unassigned fund balance | - | - | 65 | 65 |
| Ending fund balance | \$ 14,915,718 | \$ 1,641,017 | \$ 5,186,919 | \$ 21,743,654 |
| | | | | |
| | 2021 | | | |
| | General Fund | Fire Services Fund | Other governmental funds | Total governmental funds |
| Beginning fund balance | \$ 10,984,813 | \$ 1,301,813 | \$ 3,297,341 | \$ 15,583,967 |
| Change in: | | | | |
| Nonspendable fund balance | 21,189 | 54 | (23,548) | (2,305) |
| Restricted fund balance | (422,880) | 375,017 | 696,891 | 649,028 |
| Committed fund balance | 1,588,487 | (817,265) | - | 771,222 |
| Assigned fund balance | - | - | (63,260) | (63,260) |
| Unassigned fund balance | - | - | 26,009 | 26,009 |
| Ending fund balance | \$ 12,171,609 | \$ 859,619 | \$ 3,933,433 | \$ 16,964,661 |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

In 2005, the Township formally adopted its initial policy establishing a target level of unassigned general and special revenue fund balance at 15% of budgeted expenditures. That goal was reached in 2011 and the General Fund (excluding money accumulated through refuse fees for refuse collection) now stands at 49%. During the 2019 budget process, this policy was revisited and enhanced through a resolution passed in early 2020 that is to remain in effect through 2025. Thirty percent of expenditures is now the target. The strengthening of the Township's bond rating was discussed as one possible reason for this move. Additionally, \$3 million of the remaining fund balance is to remain on hand to offset the effects of the next recession (whenever that may be), and a maximum of \$1 million may be drawn down over the next three years.

Township management is not aware of empirical studies that provide a proven formula for determining the ideal unassigned fund balance level. In a document from Moody's Investor Service, dated March 2014, titled *Rating Methodology: U.S. Local Government General Obligation Debt*, one factor in a multivariate formula gives Aaa weight if fund balance is at 30% of revenue, Aa at 15%, A at 5% and Baa at 0%. The Government Finance Officers Association of the United States and Canada (GFOA) recommends no less than two months of regular operating expenditures, which equates to a minimum of 17%. A statement of position dated February 2014 summarized by saying that, "The Office of the State Auditor [of Minnesota] recommends that, at year-end/or at other key times of the year, local governments that rely significantly on property taxes maintain an unrestricted fund balance of approximately 35% to 50% of fund operating revenues, or no less than five months of operating expenditures in their general fund and special revenue funds." A 2013 GFOA study conducted for Colorado Springs, Colorado, recommended a target of 25% of general fund revenues, for that city. The Civic Federation (located in Chicago) found a direct correlation between the ratio of unassigned fund balance to expenditures and financial stability - they report that in 2006 the average ratio for a sample of 13 major U.S. cities was 15.3%, which had declined to 6.9% by 2010. North Carolina municipalities were mandated as of June 30, 2011 to maintain a level of 8%, and the North Carolina League of Municipalities reported on April 18, 2011 that the average in that state was 21%. Lower Allen Township depends more upon economically sensitive revenues than many municipalities who rely more on a stable real estate tax. The Township, therefore, may benefit from a relatively larger fund balance.

The Township is at the maximum taxation rates allowed by law for all taxes except real estate tax. The maximum legal general-purpose real estate tax millage (mills) is 30.00 mills. The Township's general-purpose levy was 2.64 mills in 2022, leaving a very significant margin for increase.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The Township's investment in capital assets for its governmental activities as of December 31, 2022 amounts to \$24,268,768 (net of accumulated depreciation). This investment includes land, land improvements, buildings and improvements, machinery and equipment and infrastructure. Capital assets decreased by \$1,272,417 in 2022. New assets were acquired with a value of \$650,735, depreciation totaled \$1,886,506 and assets with a net book value of \$36,646 were disposed of. Additional information on the Township's capital assets can be found in Note 6 of this report.

Table 5
Capital Assets
Years ended December 31, 2022 and 2021

| | 2022 Governmental activities | 2021 Governmental activities |
|----------------------------|------------------------------------|------------------------------------|
| Buildings and improvements | \$ 14,202,450 | \$ 14,202,699 |
| Machinery and equipment | 12,193,412 | 11,947,585 |
| Infrastructure | 8,602,361 | 5,689,481 |
| Land | 3,303,141 | 3,303,141 |
| Land improvements | 3,913,152 | 3,749,787 |
| Construction in progress | - | 3,049,914 |
| Accumulated depreciation | <u>(17,945,748)</u> | <u>(16,401,422)</u> |
| Total | <u>\$ 24,268,768</u> | <u>\$ 25,541,185</u> |

Pension - Full-time non-uniform employees hired after October 1, 2018 are enrolled in a defined contribution plan. The Township contributes 8% of covered payroll and the employee contributes 2%. The actuarially determined projected salary replacement ratio is 19%. The estimated plan investment return was a 16.25% loss in 2022 and a 16.36% gain in 2021. An investment policy statement for this plan was adopted by the Board of Commissioners in 2019.

The legacy defined benefit non-uniform plan is closed to new members. The Township contributed an average of 9.94% of covered payroll over the last decade, and the 2022 normal cost is 6.8% of covered payroll. The actuarially determined projected salary replacement ratio is 37%. Plan investments had a 15.60% loss for the year, with a benchmark loss of 13.88%.

The Township contributed an average of 12.27% of covered payroll to the police plan over the last decade and a 2022 normal cost of 14.6% of covered payroll. Plan investments had a 15.70% loss for the year, with a benchmark loss of 13.89%. The actuarially determined salary replacement ratio is 49%.

The Volunteer Firefighters Pension had a portfolio loss of 17.46% for 2022. There were no changes to the plan except for the above-mentioned discount rate.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

For the police and non-uniform defined benefit plans, the investment manager, Huntington National Bank, lowered their fees from 52 to 45 basis points. Fees for the defined contribution plan remain at 52 basis points.

Debt – During 2022, no new debt was issued. As of December 31, 2022, the Township had one general obligation bond series and two general obligation notes outstanding in the amount of \$4,841,000 and vehicle loans totaling \$1,526,634. The Township paid \$1,438,317 in principal and \$121,718 in interest and fiscal charges on this outstanding debt in 2022. The debt service on general obligation notes and bonds is the responsibility of the Debt Service Fund and is funded by tax revenues and transfers from the General Fund, except for the 2013 pension obligation bond series and 2020B general obligation notes, which are funded by the General and Fire Services Funds.

Table 6
Fund Sourcing of Outstanding Liabilities
December 31, 2022

| | General Fund | Debt Service Fund | Other governmental funds | Total | Maturity |
|---|----------------------------|----------------------------|--------------------------------|-----------------------------|-----------|
| General Obligation Notes, 2020A | \$ - | \$ 2,985,000 | \$ - | \$ 2,985,000 | 2025 |
| General Obligation Notes, 2020B | 1,484,800 | - | 371,200 | 1,856,000 | 2028 |
| Vehicle loans | 1,501,505 | - | 25,129 | 1,526,634 | 2024-2032 |
| Compensated absences | 667,454 | - | - | 667,454 | |
| Net pension liability | 2,339,786 | - | - | 2,339,786 | |
| Other post-employment benefits liability | 2,710,323 | - | - | 2,710,323 | |
| | <u>\$ 8,703,868</u> | <u>\$ 2,985,000</u> | <u>\$ 396,329</u> | <u>\$ 12,085,197</u> | |

Additional information about the Township's general obligation bond series and capital leases can be found in Note 7 of this report. Compensated absences represent vacation and other vested accrued time payable to employees. Additional compensated absence information can be found in Notes 1 and 7 of this report. Other post-employment benefits arise from retiree healthcare obligated for police officers. This liability is determined by an actuary. More information on this liability can be found in Note 10 of this report.

BUDGETARY EVENTS

Actual General Fund revenues in 2022 exceeded budget by 8.4%, and actual expenditures were under budget by 8.5%. Expenditures are almost always below budget due to conservative fiscal philosophy. No budget amendments were made for 2022.

Variables that most correlate to Township revenue are used to budget economically sensitive revenue. External forecasts are used for the unemployment rate, business investment and nonfarm payroll. Concerns over COVID business restrictions of 2021 complicated the outlook. Despite actual results for the unemployment rate and nonfarm payroll being less favorable than the forecast, earned income tax exceeded budget by 30%, real estate transfer tax by 124% and construction related revenue by 73%. This year's 8.4% revenue budget overage compares to 2021's 6.9%.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

BUDGETARY EVENTS (CONTINUED)

The Lower Allen Township Stormwater Authority (Stormwater Authority) had a third full year of stormwater fee billings and collections. The \$19.00 per EDU fee is accounted for by the Stormwater Authority, but most Stormwater Authority expenditures are accounted for in the Township General Fund and reimbursed by the Stormwater Authority. Stormwater outlays can be difficult to predict due to the timing of large projects and grant awards upon which they may be contingent.

Table 7
Legally Adopted Original Budgets
Years ended December 31, 2023 and 2022

| | 2023 | | Total 2023 | Total 2022 |
|----------------------------|---------------------|-------------------|-------------------|--------------------|
| | General Fund | Other funds | | |
| Revenue: | | | | |
| Tax revenue | \$ 11,063,270 | \$ 2,636,920 | \$ 13,700,190 | \$ 11,807,740 |
| Other revenue | 7,951,200 | 1,514,840 | 9,466,040 | 6,531,670 |
| Other financing sources | 3,844,060 | 2,076,810 | 5,920,870 | 3,534,370 |
| Total revenue | 22,858,530 | 6,228,570 | 29,087,100 | 21,873,780 |
| Expenditures: | | | | |
| Public safety | 12,410,010 | - | 12,410,010 | 10,207,430 |
| Public works | 2,304,780 | 2,094,200 | 4,398,980 | 2,139,570 |
| General government | 2,525,150 | 1,510 | 2,526,660 | 2,527,440 |
| Debt service | - | 1,269,910 | 1,269,910 | 1,523,280 |
| Parks and recreation | 1,535,290 | - | 1,535,290 | 1,346,540 |
| Refuse collection | 2,184,480 | - | 2,184,480 | 902,010 |
| Fire protection | - | 1,273,000 | 1,273,000 | 646,240 |
| Street lights | - | 134,180 | 134,180 | 134,180 |
| Insurance | 107,850 | - | 107,850 | 84,780 |
| Miscellaneous | 3,100 | - | 3,100 | 2,600 |
| Other financing uses | 2,253,500 | 844,640 | 3,098,140 | 2,416,990 |
| Total expenditures | 23,324,160 | 5,617,440 | 28,941,600 | 21,931,060 |
| Fund balance change | \$ (465,630) | \$ 611,130 | \$ 145,500 | \$ (57,280) |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

BUDGETARY EVENTS (CONTINUED)

- The 2022 budget compared to the 2022 budget is shown in Table 7. All tax rates were unchanged. Refuse rates are budgeted to increase to \$108.06 and \$103.26 per quarter for a 96 and 35-gallon containers, respectively, and at 80% and 20% of customer units, respectively.
- Spending caps are in place until 2025. Public safety is limited to non-capital annual spending growth of 7.5%, fire to 2.5% and all others (except debt service, tax collection, stormwater, property and liability insurance and other financing uses) are limited to 5.0%. On top of that, 2022 through 2025 are limited to a 0.3 mill property tax increase. If revenue proves insufficient, public safety expenditure increases must first be reduced to 5%. If more is needed, the Board will decide at that time. Agreement on all limits was finalized in 2019 and established by resolution in 2020. No budgetary cost center exceeds their spending cap in the 2023 budget.
- General Fund fund balance is reexamined every year. As mentioned, it was decided that its base should be no less than 30% of expenditures. The amount of \$3 million additional shall be held for drawdown during the next recession to avoid tax increases or service cuts when the public is least able to absorb them.
- To better track fire spending, the Fire Services Fund was split in 2021 into Fire Operating and Fire Capital. Officially, it will remain as one fund with two sub-funds.
- The Lower Allen Township Stormwater Authority addresses a largely unfunded federal mandate. The Authority accounts for its own revenue, but the Township accounts for most of its expenditures. For 2023, the transfer from the Authority is budgeted at \$2,199,720 (or 13% of the General Fund's budget). Stormwater grants of \$292,000 are also included in General Fund revenue.

Economic forecasts as of this writing predict economic growth and lower (but still above average) inflation in 2023. The following table shows the actual percent change in national annual economic indicators and projected changes for the next two years as supplied by the Wells Fargo Securities Forecast. These are the indicators from that list that correlate best with the largest Township economically sensitive revenues. Earned income tax correlates well with the unemployment rate and business fixed investment. Construction-related revenue correlates well with residential construction and business investment in structures. Residential construction for 2023 is forecast by Township staff to buck the national trend and continue to hold steady. Total expenditures are harder to predict using a correlative method, but best match the change in Consumer Price Index. Note that some of these correlations are best when lagged.

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>Average</u> | <u>Slope</u> |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------|--------------|
| Business fixed investment | 6.4 | 2.9 | (5.3) | 7.4 | 5.2 | 4.2 | (0.9) | 2.8 | (0.3) |
| Business investment in structures | 4.1 | (0.6) | (12.5) | (8.0) | (2.1) | 12.0 | (1.0) | (1.2) | 0.7 |
| Consumer Price Index | 2.4 | 1.8 | 1.2 | 4.7 | 8.0 | 4.1 | 2.5 | 3.5 | 0.4 |
| Real GDP | 2.9 | 2.2 | (3.4) | 5.7 | 1.9 | 2.4 | 0.9 | 1.8 | (0.0) |
| Residential construction | (1.5) | (1.7) | 6.8 | 9.2 | (0.9) | 3.9 | 2.4 | 2.6 | 0.5 |
| Unemployment rate | 3.7 | 3.7 | 8.1 | 5.4 | 3.6 | 3.6 | 4.2 | 4.6 | (0.1) |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

REQUESTS FOR INFORMATION

These financial statements and discussions are designed to provide our citizens, taxpayers, investors and creditors with a complete disclosure of the Township's finances and to demonstrate a high degree of accountability for the public funds entrusted to us. The audited financial statements for the component units may be reviewed at the Township building. If you have any questions about this report or need additional information, please contact Alycia Knoll, Finance Director, Lower Allen Township, 2233 Gettysburg Road, Camp Hill, PA 17011.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF NET POSITION – DECEMBER 31, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | Primary government Governmental activities | Component units | | Lower Allen Township Stormwater Authority |
|--|---|---|--------------------------------------|--|
| | | Lower Allen Township Development Authority | Lower Allen Township Authority | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 18,610,750 | \$ 2,324,307 | \$ 2,131,363 | \$ 2,892,056 |
| Certificates of deposit | 4,614,352 | - | - | - |
| Cash, escrow | 309,427 | - | - | - |
| Investments | - | - | 2,890,323 | - |
| Receivables, net: | | | | |
| Taxes | 2,558,115 | - | - | - |
| Accounts | 1,189,569 | - | - | 50,375 |
| Sanitation fees | 135,716 | - | - | - |
| Sanitary sewer rents | - | - | 320,782 | - |
| Lower Allen Township Development Authority | 421,804 | - | - | (421,804) |
| Inventory | 41,146 | - | - | - |
| Other assets | 310,519 | - | 27,660 | - |
| Total current assets | 28,191,398 | 2,324,307 | 5,370,128 | 2,520,627 |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Not being depreciated | 3,303,141 | - | 736,271 | - |
| Being depreciated, net | 20,965,627 | - | 25,702,749 | - |
| Total noncurrent assets | 24,268,768 | - | 26,439,020 | - |
| Total assets | 52,460,166 | 2,324,307 | 31,809,148 | 2,520,627 |
| Deferred outflows of resources: | | | | |
| Deferred charge on refunding | 148,780 | - | - | - |
| Deferred outflows of resources for: | | | | |
| Pensions | 3,208,758 | - | 915,083 | - |
| Other post-employment benefits | 114,638 | - | - | - |
| Total deferred outflows of resources | 3,472,176 | - | 915,083 | - |
| Total assets and deferred outflows of resources | \$ 55,932,342 | \$ 2,324,307 | \$ 32,724,231 | \$ 2,520,627 |

(continued)

See notes to financial statements.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF NET POSITION – DECEMBER 31, 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

| | Primary government Governmental activities | Component units | | |
|--|---|---|--------------------------------------|--|
| | | Lower Allen Township Development Authority | Lower Allen Township Authority | Lower Allen Township Stormwater Authority |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Payroll taxes and withholding | \$ 47,032 | \$ - | \$ 7,394 | \$ - |
| Vouchers payable | 453,247 | 19,064 | 131,878 | - |
| Accrued: | | | | |
| Wages payable | 257,590 | - | 132,782 | - |
| Interest | 7,512 | - | 12,867 | - |
| Other payables | 212,062 | - | 23,422 | - |
| Escrow payable | 309,427 | - | - | - |
| Unearned revenue | 2,760,589 | 49,461 | - | - |
| Long-term liabilities, due within one year: | | | | |
| Compensated absences | 300,031 | - | - | - |
| General obligation bonds | - | - | 724,000 | - |
| General obligation notes | 1,278,000 | - | - | - |
| Vehicle loans | 214,722 | - | - | - |
| Total current liabilities | 5,840,212 | 68,525 | 1,032,343 | - |
| Long-term liabilities: | | | | |
| Long-term liabilities, due in more than one year: | | | | |
| Compensated absences | 367,423 | - | - | - |
| General obligation bonds | - | - | 6,298,000 | - |
| General obligation notes | 3,563,000 | 149,847 | - | - |
| Vehicle loans | 1,311,912 | - | - | - |
| Net pension liability | 2,339,786 | - | 288,303 | - |
| Other post-employment benefits liability | 2,710,323 | - | - | - |
| Total long-term liabilities | 10,292,444 | 149,847 | 6,586,303 | - |
| Total liabilities | 16,132,656 | 218,372 | 7,618,646 | - |
| Deferred inflows of resources: | | | | |
| Deferred inflows of resources for: | | | | |
| Pensions | 554,777 | - | 146,913 | - |
| Other post-employment benefits | 992,687 | - | - | - |
| Total deferred inflows of resources | 1,547,464 | - | 146,913 | - |
| Net position: | | | | |
| Net investment in capital assets | 19,905,914 | (168,911) | 19,417,020 | - |
| Restricted for: | | | | |
| Debt service | 1,704,286 | - | - | - |
| Public safety | 1,143,119 | - | - | - |
| Public works | 1,681,905 | - | - | - |
| Parks and recreation | 595,266 | - | - | - |
| Capital expenditure | 430,025 | - | - | - |
| Unrestricted | 12,791,707 | 2,274,846 | 5,541,652 | \$ 2,520,627 |
| Total net position | 38,252,222 | 2,105,935 | 24,958,672 | 2,520,627 |
| Total liabilities, deferred inflows of resources and net position | \$ 55,932,342 | \$ 2,324,307 | \$ 32,724,231 | \$ 2,520,627 (concluded) |

See notes to financial statements.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

| Functions/programs | Expenses | Program revenues | | | Governmental activities | Net revenue (expenses) and changes in net position | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--|--------------------------------|---|
| | | Charges for services | Operating grants and contributions | Capital grants and contributions | | Component units | | |
| | | | | | | Lower Allen Township Development Authority | Lower Allen Township Authority | Lower Allen Township Stormwater Authority |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 2,799,440 | \$ 164,838 | \$ 64,118 | \$ - | \$ (2,570,484) | \$ - | \$ - | \$ - |
| Public safety | 9,541,764 | 2,185,714 | - | - | (7,356,050) | - | - | - |
| Public works | 4,174,376 | 1,834,961 | 1,918,099 | 757,171 | 335,855 | - | - | - |
| Parks and recreation | 743,708 | 42,498 | 191,032 | - | (510,178) | - | - | - |
| Interest on long-term debt | 88,381 | - | - | - | (88,381) | - | - | - |
| Total primary government | \$ 17,347,669 | \$ 4,228,011 | \$ 2,173,249 | \$ 757,171 | (10,189,238) | - | - | - |
| Component units: | | | | | | | | |
| Lower Allen Township Development Authority | \$ 1,131,742 | \$ 241,885 | \$ 251,199 | \$ - | - | (638,658) | - | - |
| Lower Allen Township Authority | 6,136,563 | 5,758,303 | - | - | - | - | (378,260) | - |
| Lower Allen Township Stormwater Authority | 1,370,263 | 1,310,706 | - | - | - | - | - | (59,557) |
| Total component units | \$ 8,638,568 | \$ 7,310,894 | \$ 251,199 | \$ - | - | (638,658) | (378,260) | (59,557) |

(continued)

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

| | Net revenue (expenses) and changes in net position | | | |
|---|---|---|--------------------------------------|--|
| | Governmental activities | Component units | | |
| | | Lower Allen Township Development Authority | Lower Allen Township Authority | Lower Allen Township Stormwater Authority |
| General revenues: | | | | |
| Real estate taxes | \$ 7,683,191 | \$ - | \$ - | \$ - |
| Real estate transfer taxes | 1,030,008 | - | - | - |
| Earned income taxes | 3,800,219 | - | - | - |
| Local services taxes | 751,827 | - | - | - |
| Franchise taxes | 349,263 | - | - | - |
| Public utility realty tax | 11,677 | - | - | - |
| Amusement taxes | 18,554 | - | - | - |
| Investment earnings (losses) | 294,893 | 8,179 | (56,701) | 41,054 |
| Intergovernmental revenue and contributions (not restricted to a specific purpose) | 512,865 | - | - | - |
| Gain on sale of assets | 137,834 | 2,664,069 | 9,000 | - |
| Other revenue (not restricted to a specific purpose) | 1,392 | 24,714 | - | - |
| Total general revenues | 14,591,723 | 2,696,962 | (47,701) | 41,054 |
| Change in net position | 4,402,485 | 2,058,304 | (425,961) | (18,503) |
| Net position: | | | | |
| Beginning | 33,849,737 | 47,631 | 25,384,633 | 2,539,130 |
| Ending | \$ 38,252,222 | \$ 2,105,935 | \$ 24,958,672 | \$ 2,520,627 |

(concluded)

See notes to financial statements.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2022

| | Major funds | | Non-major funds | Total governmental funds |
|---|----------------------|--------------------------|--------------------------------|--------------------------------|
| | General Fund | Fire Services Fund | Other governmental funds | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 10,404,736 | \$ 2,509,009 | \$ 5,697,005 | \$ 18,610,750 |
| Certificates of deposit | 4,614,352 | - | - | 4,614,352 |
| Cash, escrow | 309,427 | - | - | 309,427 |
| Receivables, net: | | | | |
| Taxes | 2,467,335 | 61,367 | 29,413 | 2,558,115 |
| Accounts | 1,188,907 | - | 662 | 1,189,569 |
| Sanitation fees | 135,716 | - | - | 135,716 |
| Lower Allen Township Stormwater Authority | 421,804 | - | - | 421,804 |
| Due from other funds | 656,939 | - | 210,746 | 867,685 |
| Inventory | 41,146 | - | - | 41,146 |
| Other assets | 297,467 | 13,052 | - | 310,519 |
| Total assets | \$ 20,537,829 | \$ 2,583,428 | \$ 5,937,826 | \$ 29,059,083 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Payroll tax and withholding | \$ 47,032 | \$ - | \$ - | \$ 47,032 |
| Due to other funds | - | 867,685 | - | 867,685 |
| Vouchers payable | 417,365 | 35,717 | 165 | 453,247 |
| Accrued wages payable | 257,590 | - | - | 257,590 |
| Other payables | 212,062 | - | - | 212,062 |
| Escrow payable | 309,427 | - | - | 309,427 |
| Unearned revenue | 2,305,488 | 16,333 | 738,485 | 3,060,306 |
| Total liabilities | 3,548,964 | 919,735 | 738,650 | 5,207,349 |
| Deferred inflows of resources: | | | | |
| Unavailable revenue: | | | | |
| Taxes | 1,643,848 | 22,676 | 12,257 | 1,678,781 |
| Charges for services | 429,299 | - | - | 429,299 |
| Total deferred inflows of resources | 2,073,147 | 22,676 | 12,257 | 2,108,080 |
| Fund balances: | | | | |
| Nonspendable | 338,613 | 13,052 | - | 351,665 |
| Restricted for: | | | | |
| Debt service | - | - | 1,704,286 | 1,704,286 |
| Public safety | - | 1,143,119 | - | 1,143,119 |
| Public works | - | - | 1,681,905 | 1,681,905 |
| Parks and recreation | - | - | 595,266 | 595,266 |
| Capital expenditure | 430,025 | - | - | 430,025 |
| Committed for: | | | | |
| Economic recession | 3,000,000 | - | - | 3,000,000 |
| Economic stabilization | 10,147,080 | - | - | 10,147,080 |
| Fire equipment | - | 484,846 | - | 484,846 |
| Assigned for capital projects | - | - | 1,200,711 | 1,200,711 |
| Unassigned | 1,000,000 | - | 4,751 | 1,004,751 |
| Total fund balances | 14,915,718 | 1,641,017 | 5,186,919 | 21,743,654 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 20,537,829 | \$ 2,583,428 | \$ 5,937,826 | \$ 29,059,083 |

See notes to financial statements.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS ON THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022

| | |
|---|---|
| Total governmental fund balances | \$ 21,743,654 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 24,268,768 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds. | 2,407,797 |
| Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds: Net pension liability | (2,339,786) |
| Deferred outflows and deferred inflows of resources are applicable to future periods and, therefore, are not reported in the funds: Deferred outflows of resources related to pensions Deferred inflows of resources related to pensions Deferred outflows of resources related to other post-employment liability Deferred inflows of resources related to other post-employment liability | 3,208,758 (554,777) 114,638 (992,687) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds: Notes payable Less deferred charge on refunding Capital lease payable Compensated absences payable Other post-employment liability Accrued interest expense | (4,841,000) 148,780 (1,526,634) (667,454) (2,710,323) <u>(7,512)</u> |
| Net position of governmental activities | <u><u>\$ 38,252,222</u></u> |

See notes to financial statements.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

| | <u>Major funds</u> | | <u>Non-major funds</u> | Total governmental funds |
|--|--------------------------|--------------------------|--------------------------------|--------------------------------|
| | General Fund | Fire Services Fund | Other governmental funds | |
| Revenues: | | | | |
| Real estate taxes | \$ 4,981,743 | \$ 1,789,949 | \$ 917,409 | \$ 7,689,101 |
| Other taxes | 5,600,625 | - | - | 5,600,625 |
| Licenses and permits | 447,520 | - | - | 447,520 |
| Fines and forfeits | 103,516 | - | - | 103,516 |
| Investment earnings | 183,737 | 35,760 | 75,396 | 294,893 |
| Rents | 42,498 | - | 16,824 | 59,322 |
| Intergovernmental revenue | 1,243,586 | - | 785,238 | 2,028,824 |
| Charges for services | 3,965,732 | - | 55,534 | 4,021,266 |
| Miscellaneous revenues | 123,995 | 100 | 191,671 | 315,766 |
| Total revenues | <u>16,692,952</u> | <u>1,825,809</u> | <u>2,042,072</u> | <u>20,560,833</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 2,368,242 | - | 2,566 | 2,370,808 |
| Public safety | 8,368,666 | 531,485 | - | 8,900,151 |
| Public works | 2,992,485 | - | 329,220 | 3,321,705 |
| Parks and recreation | 795,837 | - | - | 795,837 |
| Miscellaneous expenditures | 77,664 | - | - | 77,664 |
| Capital outlay | - | - | 50,270 | 50,270 |
| Debt service: | | | | |
| Principal | 247,964 | 5,036 | 1,185,317 | 1,438,317 |
| Interest and fiscal charges | 35,825 | - | 85,893 | 121,718 |
| Total expenditures | <u>14,886,683</u> | <u>536,521</u> | <u>1,653,266</u> | <u>17,076,470</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,806,269</u> | <u>1,289,288</u> | <u>388,806</u> | <u>3,484,363</u> |

(continued)

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

| | <u>Major funds</u> | | <u>Non-major funds</u> | Total governmental funds |
|---|------------------------------------|-----------------------------------|---|---|
| | <u>General Fund</u> | <u>Fire Services Fund</u> | <u>Other governmental funds</u> | |
| Other financing sources (uses): | | | | |
| Transfers in | \$ 566,300 | \$ - | \$ 864,680 | \$ 1,430,980 |
| Transfers out | (813,090) | (617,890) | - | (1,430,980) |
| Contributions from Lower Allen Township Stormwater Authority | 1,370,150 | - | - | 1,370,150 |
| Contributions to Lower Allen Township Development Authority | (250,000) | - | - | (250,000) |
| Proceeds from sale of assets | 64,480 | 110,000 | - | 174,480 |
| Total other financing sources (uses) | <u>937,840</u> | <u>(507,890)</u> | <u>864,680</u> | <u>1,294,630</u> |
| Net changes in fund balances | 2,744,109 | 781,398 | 1,253,486 | 4,778,993 |
| Fund balances: | | | | |
| Beginning of year | <u>12,171,609</u> | <u>859,619</u> | <u>3,933,433</u> | <u>16,964,661</u> |
| End of year | <u><u>\$ 14,915,718</u></u> | <u><u>\$ 1,641,017</u></u> | <u><u>\$ 5,186,919</u></u> | <u><u>\$ 21,743,654</u></u> (concluded) |

See notes to financial statements.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Net change in fund balances, governmental funds **\$ 4,778,993**

Amounts reported for governmental activities in the statement of activities are 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 depreciation and disposals exceeded capital outlays in the current period.

The details of the difference are as follows:

| | | |
|----------------------------|-----------------|-------------|
| Capital outlays | \$ 650,735 | |
| Depreciation | (1,886,506) | |
| Disposal of capital assets | <u>(36,646)</u> | |
| Net | | (1,272,417) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (318,663)

The issuance of long-term debt (i.e., bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. The details of the difference are as follows:

| | | |
|-----------------------|----------------|-----------|
| Principal repayments: | | |
| Bonds payable | 1,230,000 | |
| Capital lease payable | <u>208,317</u> | |
| Net | | 1,438,317 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The details of the difference are as follows:

| | | |
|--|---------------|--|
| Change in compensated absences | (34,093) | |
| Change in net pension asset and liability, net of related deferred outflows and inflows of resources | (199,961) | |
| Change in other post-employment liability, net of related deferred outflows of resources | (23,028) | |
| Amortization of deferred charge on refunding | (43,878) | |
| Change in accrued interest | <u>77,215</u> | |

Change in net position of governmental activities **\$ 4,402,485**

See notes to financial statements.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION – TRUST FUNDS
DECEMBER 31, 2022

| | <u>Pension and OPEB Trust Funds</u> |
|---|---|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 882,476</u> |
| Investments: | |
| Fixed income | 5,838,679 |
| Common stock | 10,091,430 |
| Mutual funds | <u>3,338,891</u> |
| Total investments | <u>19,269,000</u> |
| Total assets | <u><u>\$ 20,151,476</u></u> |
| LIABILITIES AND NET POSITION | |
| Liabilities, accounts payable | <u>\$ 269,774</u> |
| Net position: | |
| Restricted for pension | 19,176,781 |
| Restricted for other post-employment benefits | <u>704,921</u> |
| Total net position | <u>19,881,702</u> |
| Total liabilities and net position | <u><u>\$ 20,151,476</u></u> |

See notes to financial statements.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PENSION AND OTHER
POST-EMPLOYMENT BENEFIT TRUST FUNDS
YEAR ENDED DECEMBER 31, 2022

| | <u>Pension and OPEB Trust Funds</u> |
|--|---|
| Additions: | |
| Contributions: | |
| State aid and employer | \$ 777,422 |
| Employee | <u>175,722</u> |
| Total contributions | <u>953,144</u> |
| Net investment loss: | |
| Net depreciation in value of investments | (3,760,331) |
| Add investment expense | <u>(115,152)</u> |
| Net investment loss | <u>(3,875,483)</u> |
| Total additions, net of investment losses | <u>(2,922,339)</u> |
| Deductions: | |
| Benefits | 976,142 |
| Administrative expenses | <u>36,026</u> |
| Total deductions | <u>1,012,168</u> |
| Decrease in plans' net position | (3,934,507) |
| Net position: | |
| Beginning | <u>23,816,209</u> |
| Ending | <u>\$ 19,881,702</u> |

See notes to financial statements.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

1. Nature of operations and summary of significant accounting policies:

The financial statements of Lower Allen Township (Township) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. The accounting and reporting framework and the more significant accounting principles and practices of the Township are discussed in subsequent sections of this note. The remaining notes are organized to provide required disclosures and explanations of the Township's financial activities for the year ended December 31, 2022.

Reporting entity:

The Township obtained first class township status on November 2, 1954. The Township operates under a form of government which is comprised of an elected Board of Commissioners (five members) under the administration of an appointed Township manager.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization, or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the Township is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt or the levying of taxes.

The Lower Allen Township Authority (Authority) is a separate legal entity in which the Township Board of Commissioners (Board) appoints the five members of the governing board. Each is appointed for a five-year term. One member is appointed each year. Once appointed, a member can only be removed for just cause by the County Court of Quarter Sessions. At December 31, 2022, one Township commissioner was also a member of the governing board of the Authority. The Township guarantees the Guaranteed Sewer Revenue Bonds, Series 2017 and Series of 2020 for the Authority. Thus, the Township is legally obligated for the Authority's debt. The Township's legal authority and limits for extending the guarantees and types of obligations guaranteed is pursuant to the provisions of the Pennsylvania Local Government Unit Debt Act. Accordingly, the Authority has been included as a discretely presented component unit of the Township for the year ended December 31, 2022. Separate financial statements were issued by the Authority and can be obtained by contacting the Lower Allen Township Authority.

The Authority is an operating authority responsible for acquiring, holding, constructing, improving, owning and leasing sewers, sewer systems or parts thereof. The Authority provides services principally to portions of the Township and Shiremanstown Borough. In addition, under operating agreements with Upper Allen Township, Fairview Township and the State Correctional Institution at Camp Hill, the Authority provides sewage treatment services for these entities.

In December 2008, the Township passed a resolution organizing the Lower Allen Township Development Authority (Development Authority). The Township appoints the board members of the Development Authority. The Development Authority must get approval from the Township Board to undergo projects, programs or any other significant activities. Accordingly, the Development Authority has been included as a discretely presented component unit of the Township for the year ended December 31, 2022. Separate financial statements are not issued by the Development Authority.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

Reporting entity:

In September 2011, the Development Authority was approved as a publicly supported organization and is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

During the year ended December 31, 2013, the Township approved creating a Transportation Development District (TDD) with Upper Allen Township. On April 16, 2014, the Intergovernmental Cooperation Agreement was signed for an initial term of five years. The TDD was established to make improvements to the function and safety of Gettysburg Road. The activity for the year ended December 31, 2022 was immaterial. Separate financial statements are not issued by the TDD.

During the year ended December 31, 2018, the Township passed a resolution organizing the Lower Allen Township Stormwater Authority (Stormwater Authority). The Township appoints the board members of the Stormwater Authority. The Stormwater Authority must get approval from the Township Board to undergo projects, programs or any other significant activities. Accordingly, the Stormwater Authority has been included as a discretely presented component unit of the Township for the year ended December 31, 2022. Separate financial statements were issued by the Stormwater Authority and can be obtained by contacting the Lower Allen Township Stormwater Authority.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. 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 to external parties for support. However, the Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 are reported as separate columns in the fund financial statements.

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, pension and other post-employment benefit (OPEB) trust funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

Measurement focus, basis of accounting and financial statement presentation:

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 available when they are collectible within the current period or soon enough thereafter to be used 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. The Township considers real estate, earned income and franchise taxes, intergovernmental revenue and charges for services as meeting the available criteria. All other governmental fund revenues are recorded as cash as received because they are generally not measurable until actually received. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term obligations are recognized when due. Expenditures for claims, judgments, compensated absences and employer pension and other post-employment benefit contributions are reported to the extent that they mature each period.

The pension and OPEB trust funds' deductions for benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

Measurement focus, basis of accounting and financial statement presentation:

The Township reports unavailable and unearned revenue on its governmental fund balance sheet. Unavailable revenue arises when potential revenue does not meet the "measurable" and "available" criteria for recognition in the current period. Unearned revenues 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 government has a legal claim to the resources, the deferred inflow of resources or liability for unavailable or unearned revenue is removed from the governmental fund balance sheet and revenue is recognized. Unearned revenues at December 31, 2022 consisted of the following:

| | |
|--|--------------|
| General fund: | |
| Ambulance subscriptions | \$ 54,320 |
| American Rescue Plan Act (ARPA) | 1,877,303 |
| Cable access grant | 13,803 |
| Insurance reimbursement | 51,669 |
| Watershed restoration and stormwater management | 299,717 |
| Other | 8,676 |
| Fire Service Fund, insurance reimbursement | 16,333 |
| Non-major funds: | |
| Cell tower lease | 691,567 |
| Winter maintenance grant | 46,918 |
| Total governmental unearned revenue | 3,060,306 |
| Certain revenues that are not available to pay for current financial resources are shown as unearned on the governmental financial statements. These revenue are show as income on the government-wide financial statements. | |
| | (299,717) |
| Total government-wide unearned revenue | \$ 2,760,589 |

The Township reports the following major governmental funds:

General Fund - The General Fund is the general operating fund. It accounts for all financial resources of the general government, except those resources accounted for in another fund.

Fire Services Fund – The Fire Services Fund operates and supports the Lower Allen Fire Company and the Lisburn Fire Company by allocating monies to cover fire department expenditures. Financing is provided through taxes and transfers from other funds.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

Measurement focus, basis of accounting and financial statement presentation:

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

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Township reports the following fiduciary fund types:

Pension and OPEB Trust Funds - The Pension and OPEB Trust Funds account for assets held by the government under the terms of a formal trust agreement. The Pension Trust Funds are used to account for the non-uniformed, police and volunteer firefighter's pension plans. The Other Post-Employment Benefit Trust Fund accounts for certain post-employment healthcare benefits of the Township's police retirees.

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.

Budget information:

Policy and practice:

The Township's Manager submits an annual budget to the Township's Board in accordance with the Township's Charter and the Pennsylvania First Class Township Code. In December, the Board adopts annual fiscal year appropriated budgets for the Township's operating funds. These include the General Fund, Debt Service Fund and the following special revenue funds: Streetlight Fund, Highway Aid Fund and Fire Services Fund.

Annually, a legally authorized, appropriated budget is prepared for the Capital Improvement Fund. Expenditures for this fund are controlled on a project (designated purpose) basis and are carried forward each year until the project is completed.

Once approved, and after a 90-day waiting period, the Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Budgetary control:

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted at the department level in the General Fund and at the fund level in the Debt Service Fund and budgeted Special Revenue Funds. This constitutes the legal level of control. Expenditures may not exceed 125% of appropriations at the department level and 110% at the fund level. All budget revisions at this level are subject to final review by the Board. Within these control levels, management may transfer appropriations without Board approval.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

Budget information:

Encumbrances:

Encumbrance accounting is used for the General Fund, Special Revenue Funds and Capital Improvement Funds. Encumbrances are recorded when purchase orders are issued, but are not considered expenditures until liabilities for payment are incurred. Under Pennsylvania law, appropriations lapse at December 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget.

Budgetary basis of accounting:

An annual non-generally accepted accounting principles (GAAP) basis budget, modified accrual basis except for operating lease payments recognized as revenue in the year of receipt, is adopted for the General Fund, Streetlight Fund, Highway Aid Fund, Fire Services Fund and the Capital Improvement Fund. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. Unencumbered appropriations for annually budgeted funds lapse at fiscal year end.

Cash and investments:

The Township considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Exceptions are the pension and OPEB trust funds, which classify cash equivalents in investments.

Investment income revenues are recorded in the fund in which the investment is held.

Investments are reported at fair value or net asset value. Net asset value is the investment's assets less the liabilities, which is a practical expedient for estimating fair value. Fair values for fixed income and equity securities are determined by quoted market prices based on national exchanges when available. External investment pools are reported at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. Cash deposits and cash equivalents are reported at carrying amount, which approximates fair value.

Interfund receivables and payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due to/from other funds" on the balance sheet. The effect of interfund activities has been eliminated from the government-wide financial statements.

Receivables:

Accounts receivable include fees charged for ambulance services and are recorded net of an allowance for uncollectible fees, which at December 31, 2022 was \$1,001,698.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

Inventory:

Inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Pension and other post-employment benefits plans:

The government-wide financial statements report pension and other post-employment benefits obligations as earned by participants using actuarial calculations, which allocate expected costs over employees' service periods. Fund financial statements report employer contributions to the pension and other post-employment benefits plans as expenditures as they are made. Pension and other post-employment benefits obligations are typically liquidated by the General Fund.

Capital assets:

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, dams and similar items), are reported in the governmental activities column in the government-wide financial statements. Infrastructure assets are reported prospectively, beginning January 1, 2004. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend lives are not capitalized.

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

| | |
|------------------------------------|----------------|
| Land improvements | 10 to 45 years |
| Building and building improvements | 50 to 80 years |
| Machinery and equipment | 5 to 20 years |
| Infrastructure | 20 to 40 years |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

Deferred inflows and outflows resources for pensions and other post-employment benefits:

In conjunction with pension and other post-employment benefits accounting requirements, the effect of the differences in the Township's expected and actual experience, the changes of assumptions and the difference between projected and actual earnings on pension and other post-employment benefits plans' investments are recorded as deferred inflows or outflows of resources related to pensions and other post-employment benefits on the government-wide financial statements. These amounts are determined based on the actuarial valuations performed for the pension and other post-employment benefits plans. Note 9 presents additional information about the pension plans. Note 10 presents additional information about the other post-employment benefits plan.

Compensated absences:

Township employees are granted vacation and sick leave in varying amounts based on length of service. Upon termination, employees are paid accumulated vacation leave at full rates. Upon retirement, employees will be paid 25% of accumulated sick leave, not to exceed 165 days for uniformed employees and 30 days for non-uniformed employees. Each employee is limited to the employee's yearly allowance plus one week of accumulated carried over vacation leave at their employment anniversary date and limited at all times to a maximum accumulated sick leave of 165 days.

All vested compensated absences of the Township are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are typically liquidated by the General Fund.

The employees of the Authority are permitted to accumulate limited amounts of earned, but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave, since the Authority does not have a policy to pay any amounts when employees separate from service except at retirement. Employees are permitted to carry over a maximum of 15 days of unused vacation time into the next year. A liability for accumulated vacation pay benefits is recorded because it is the Authority's policy to pay employees for unused vacation at separation from service.

Long-term obligations:

In the government-wide financial statements, the Township records long-term debt and other long-term obligations as liabilities. Bond premiums and discounts are amortized over the life of the related obligation using the effective interest method. Debt is reported net of the applicable bond premium or discount. Bond issuance costs, excluding bond insurance, are expensed in the year of issuance. Bond insurance is recorded as another asset and amortized over the life of the bonds.

In the Township's fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the 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.

The Authority's bond issue costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

Net position and fund balance:

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net investment in capital assets - This category groups all capital assets, including infrastructure, 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 reduces this category. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included in this component of net position.

Restricted - 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 - This category represents the net position of the Township, which does not meet the definition of "restricted" or "net investment in capital assets."

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the fund financial statements, fund balances of governmental funds are classified in four separate categories. The four categories and their general meanings are as follows:

Nonspendable - This category represents funds that are not in spendable form and includes such items as prepaid expenditures and inventory. Nonspendable fund balance at December 31, 2022 consisted of the following:

| | |
|---------------------------------|------------|
| General Fund: | |
| Inventory | \$ 41,146 |
| Prepays | 297,467 |
| Fire Services Fund, prepays | 13,052 |
| Total nonspendable fund balance | \$ 351,665 |

Restricted - This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.

Committed - This category represents funds that are constrained to specific purposes by the Township itself, using the highest level of decision-making authority (i.e., Township Board). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same level of action to remove or change the constraint. This formal action is a Township Board approved resolution.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

Net position and fund balance:

Assigned - This category represents intentions of the Township Manager to use funds for specific purposes. Through a resolution of the Township Board of Commissioners, the Township Manager or his/her designee has been delegated the responsibility to assign funds.

Unassigned - This category represents all other funds that are not nonspendable, restricted, committed or assigned for specific purposes. Accounts for funds not reported in other fund balance categories.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any component of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, assigned fund balance is applied first. Unassigned fund balance is applied last. The General Fund is the only fund that reports a positive unassigned fund balance.

In 2005, the Township adopted a Fund Balance Policy. The General Fund and Special Revenue Funds shall strive to maintain an unassigned fund balance approximate to the greater of 15% of their respective budgets or two months of operating expenditures of said budgets. The Capital Improvement Fund shall strive to maintain unassigned fund balance approximate to 5% of the General Fund budget.

The governmental fund balances are used for the following purposes:

General Fund - The General Fund is the general operating fund. It accounts for all financial resources of the general government, except those resources accounted for in another fund. The majority of the fund balance is unassigned. A portion of the fund balance is nonspendable for prepaid expenditures and inventory. The General Fund has \$430,025 restricted by third parties to purchase capital expenditures. During 2020, the Commissioners adopted additional, but temporary, fund balance restrictions through resolution 2020-R-07. The resolution states that a maximum of \$3 million can be drawn down only in the event of an economic recession. Beyond that, a maximum total of \$1 million can be drawn down over the next four years for any other purpose. The remainder of the fund balance must remain intact. The fund balance as of December 31, 2022 was \$14,915,718.

Capital Improvement Fund - The Capital Improvement Fund accounts for the acquisition of capital assets or construction of major capital projects. The revenues are assigned by the Township's Manager for future capital improvement projects. The fund balance as of December 31, 2022 was \$1,200,711.

Streetlight Fund - Operates and maintains Township streetlights. Financing is provided by assessments collected from property owners having property benefiting from street lighting. The revenues are restricted for the payment of streetlight costs. The fund balance as of December 31, 2022 was \$117,180.

Highway Aid Fund - Maintenance and construction of Township highways, storm sewers, traffic signals and bridges. Financing is provided by the Township's share of the state liquid fuels tax. Restrictions for use of these funds are placed by the Commonwealth of Pennsylvania. A portion of the fund balance is nonspendable for prepaid expenditures. The fund balance as of December 31, 2022 was \$1,518,485.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

Net position and fund balance:

Fire Services Fund - Operates and supports the Lower Allen Fire Company and the Lisburn Fire Company by allocating monies to cover fire department expenditures. The majority of the funding is committed for fire equipment, a portion is restricted for payment of fire services and a portion of the funding is nonspendable for prepaid expenditures. The fund balance as of December 31, 2022 was \$1,641,017.

Road Improvement Fund - This fund is used to account for monies provided by the developer of High Meadows, to be used for the future development of Thompson Lane. Revenues are restricted for future development of Thompson Lane. The fund balance as of December 31, 2022 was \$46,240.

Lower Allen Park (LAP) Recreation Fund - Monies held in this fund are provided by developers of residential developments within a one-mile radius of the Township's community park for improvements to the park, in lieu of providing separate recreation areas within the subdivisions. Revenues are restricted for community park improvements. The fund balance as of December 31, 2022 was \$595,266.

Friends of Fun Fort Fund - This fund is used to account for monies provided by the public for maintenance of the Fun Fort located at the Lower Allen Township Park. Revenues are restricted for maintenance of the Fun Fort. As of December 31, 2022, the fund had an unassigned deficit of \$4,751.

Debt Service Fund - The Debt Service Fund accounts for the general obligation bond and capital lease expenditures of the Township. Financing is provided through real estate taxes and transfers from other funds. The revenues are restricted for the payment of Township debt obligations. The fund balance as of December 31, 2022 was \$1,704,286.

Capital contributions:

The Authority receives resources from other governmental entities to be used for various purposes connected with the planning, modernization and expansion of plant facilities. These resources are reported as capital contributions. Contributions of lines from external sources are reported as capital contributions and recorded at acquisition value at the time the property is contributed.

Risk management:

The Township and Authorities are 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's and Authorities' significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverage in 2022 for the Township or the Authorities. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years for any entity. Management of the Township and Authorities believe their commercial insurance coverage is sufficient to prevent any significant uninsured losses.

Use of estimates:

The process of preparing financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

Pending GASB statements:

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

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. This Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions and assessing accountability. The provisions of GASB Statement No. 100 are effective for the Township's December 31, 2024 financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The provisions of GASB Statement No. 101 are effective for the Township's December 31, 2024 financial statements.

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

2. Adoption of new accounting pronouncement:

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement changes accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Effective January 1, 2022, the Township adopted GASB Statement No. 87, *Leases*, using the retrospective method. There was no qualitative impact as a result of adopting this Statement as management believes the Township's leases are immaterial.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

3. Cash and investments:

Primary government:

Deposits:

As of December 31, 2022, the Township's bank balance and book balance were as follows:

| | Bank balance | Book balance |
|---|-----------------|-------------------|
| External investment pool, presented as cash and cash equivalents | \$ 19,344,893 | \$ 18,902,796 |
| Non-pooled deposits, cash and cash equivalents | 5,510,567 | 5,514,209 |
| | \$ 24,855,460 | \$ 24,417,005 |
| Governmental activities: | | |
| Cash and cash equivalents | | \$ 18,610,750 |
| Certificates of deposit | | 4,614,352 |
| Cash, escrow | | 309,427 |
| Fiduciary funds, Pension and OPEB Trust Funds | | 882,476 |
| Total cash and cash equivalents | | \$ 24,417,005 |

Custodial credit risk - Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a policy for custodial credit risk. As of December 31, 2022, \$4,875,716 of the Township's non-pooled bank balance of \$5,510,567 was insured by the Federal Deposit Insurance Corporation (FDIC). The \$634,851 not covered by FDIC was collateralized in accordance with Act 72. This Act requires the institution to pool collateral for all its government deposits and to have the collateral held by an approved custodian in the institution's name. The bank balance of \$19,344,893 was pooled funds invested in an external investment pool with the Pennsylvania School District Liquid Asset Fund (PSDLAF). These pooled funds are presented as cash and cash equivalents on the statement of net position and balance sheet.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

3. Cash and investments (continued):

Primary government:

Investments and external investment pool:

Township investments are under the custody of the Township Manager. Township funds may be invested in:

- United States treasury bills
- Obligations of the United States government and federal agencies
- Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions
- General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency or of any Pennsylvania political subdivision
- Shares of mutual funds whose investments are restricted to the above categories
- Repurchase agreements collateralized by United States treasury bills or federal agency securities
- Commercial paper issued by corporations or other business entities organized in accordance with federal and state law, with a maturity not to exceed 270 days, and the issuing corporation or business entity is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Bankers' acceptances that do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Negotiable certificates of deposit with a remaining maturity of three years or less, issued by a nationally or state-chartered bank, a federal or state savings and loan association or a state-licensed branch of a foreign bank

Deposits and investments of the Pension and OPEB Trust Funds are held separately from those of other Township funds. Pension and OPEB Trust Funds are not restricted to the above requirements and may invest in other instruments.

The Township categorizes the fair value of its investments based on the measurement hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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 does not have any investments that are measured using Level 2 or Level 3 inputs.

Investments in real estate are not included in any of the fair value measurement hierarchy levels. Real estate investments are reported at net asset value. Net asset value is the investment's assets less the liabilities.

The external investment pool, Pennsylvania School District Liquid Asset Fund (PSDLAF), is valued at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The fair value of the securities, held by the external investment pool, are evaluated on at least a weekly basis using prices supplied from an independent pricing service. These values are compared to the amortized cost of the securities. PSDLAF's Trustees have established procedures to (1) monitor any differences in these values and (2) consider what steps, if any, should be taken in the event that such difference exceeds 0.5%. It is anticipated that PSDLAF Trustees will take such measures as they consider appropriate to minimize any material dilution or other unfair results which might arise from such differences. There is no formal external regulatory oversight for the external investment pool.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

3. Cash and investments (continued):

Primary government:

Investments and external investment pool:

The Township has investments measured at fair value and also has investments measured using net asset value as a practical expedient to estimate fair value which are not classified in the fair value measurement hierarchy. The Township has the following fair value measurements as of December 31, 2022:

| Investment type | Fair value |
|---|---------------------------------|
| Investments: | |
| Fair value measurement Level 1: | |
| Fixed income, Huntington Bank | \$ 5,838,679 |
| Common stock, Huntington Bank | 10,091,430 |
| Mutual funds: | |
| Huntington Bank | 2,127,626 |
| Wells Fargo Advisors | <u>1,211,265</u> |
| Total investments by fair value measurement level | <u><u>\$ 19,269,000</u></u> |
| Reconciliation to statements: | |
| Fiduciary funds: | |
| Non-Uniformed Pension Plan Trust Fund | \$ 7,156,695 |
| Police Pension Plan Trust Fund | 10,901,041 |
| Volunteer Firefighter's Service Award Program | 236,574 |
| Other Post-Employment Benefit Trust Fund | <u>974,690</u> |
| | <u><u>\$ 19,269,000</u></u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

3. Cash and investments (continued):

Primary government:

Investments and external investment pool:

The Township has the following recurring net asset value and amortized cost measurements as of December 31, 2022, including unfunded commitments and redemption terms, as follows:

| | <u>Fair value</u> | <u>Unfunded commitments</u> | <u>Redemption frequency</u> | <u>Redemption notice period</u> |
|---|----------------------|---------------------------------|---------------------------------|---|
| Cash equivalents measured at amortized cost, external investment pool, PSDLAF ¹ | <u>\$ 18,902,796</u> | \$ - | Weekly | 5 days |

¹ External investment pool: This type includes pooled investments in bank repurchase agreements, certificates of deposit, U.S. treasuries and U.S. government obligations. The fair value of the investments in this type have been determined using amortized cost, which approximates fair value. Distributions from the fund will be received as the underlying investments of the funds are liquidated, which is expected to occur weekly.

Custodial credit risk - Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Township does not have a formal investment policy for custodial credit risk. At December 31, 2022, the Township's investments are not held in securities form and, therefore, are not exposed to custodial credit risk.

Pooled funds - The Township participates in a cash and investment pool that is available for use by all funds, except the Pension and OPEB Trust Funds. All pooled monies are deposited into PSDLAF investing in bank repurchase agreements, certificates of deposit, U.S. treasuries and U.S. government obligations. PSDLAF issues audited financial statements that are available to the public.

Concentration of credit risk - The Township places no limit on the amount the Township may invest in any one issuer. The Non-Uniformed Pension Plan, the Police Pension Plan, the Volunteer Firefighter's Service Award Program and the OPEB Plan have a policy that states that no more than 5% of the total equities may be invested in the common stock of any one corporation. Investments in any corporation shall not exceed 5% of the outstanding shares of the corporation. At December 31, 2022, the Township's investments are held in mutual funds form and, therefore, are not exposed to concentration of credit risk.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

3. Cash and investments (continued):

Primary government:

Investments and external investment pool:

Credit risk - As indicated above, investing is performed in accordance with investment policies complying with state statutes and the Township Charter. The Township has no investment policy that would further limit its investment choices. The Non-Uniformed Pension Plan and Police Pension Plan have a policy that states the fixed income portfolio should be diversified by issuer and to the extent possible by maturity rate. At least 50% of the fixed income portfolio will be at "A" or better; no more than 20% of the fixed income portfolio will be invested in noninvestment grade (below BBB) or nonrated bonds. The Volunteer Firefighter's Service Award Program and the OPEB Plan have a policy that states the fixed income portfolio should be diversified by issuer and to the extent possible by maturity rate. At least 50% of the fixed income portfolio will be at "BBB" or better. At December 31, 2022, the Township's cash equivalents and investment ratings were as follows:

| | Rating | Amortized cost |
|--|---------|----------------|
| Cash equivalents measured at amortized cost, external investment pool | AAAm | \$ 18,902,796 |
| | Rating | Fair value |
| Investments at fair value measurement level, Level 1: | | |
| Fixed income | AA+ | \$ 484,513 |
| Fixed income | A+ | 491,924 |
| Fixed income | AA | 192,718 |
| Fixed income | A | 754,438 |
| Fixed income | A- | 875,037 |
| Fixed income | BBB+ | 188,367 |
| Fixed income | BBB | 114,751 |
| Fixed income | Unrated | 2,736,931 |
| Common stock | A+ | 262,295 |
| Common stock | A | 96,533 |
| Common stock | A- | 160,698 |
| Common stock | B+ | 228,491 |
| Common stock | Unrated | 9,343,413 |
| | | \$ 15,930,109 |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

3. Cash and investments (continued):

Component unit – Lower Allen Township Authority:

Statutes authorize Lower Allen Township Authority to invest in the following:

- United States treasury bills
- Obligations of the United States government and federal agencies
- Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions
- General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency or of any Pennsylvania political subdivision
- Shares of mutual funds whose investments are restricted to the above categories
- Repurchase agreements collateralized by United States treasury bills or federal agency securities
- Commercial paper issued by corporations or other business entities organized in accordance with federal and state law, with a maturity not to exceed 270 days and the issuing corporation or business entity is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Bankers' acceptances that do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Negotiable certificates of deposit with a remaining maturity of three years or less, issued by a nationally or state-chartered bank, a federal or state savings and loan association or a state-licensed branch of a foreign bank

Deposits:

The Lower Allen Township Authority has a policy that requires deposits and investments, other than U.S. government obligations, to be covered by federal insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not insured by the FDIC are collateralized using the pooled asset method. The securities pledged as collateral are held by the trust department of a financial institution or by its agents in the financial institution's name. The Authority's policy provides that, to the extent practicable, investments are matched with anticipated cash flows and generally have maturities of one year or less.

Deposits of Lower Allen Township Authority are held in several financial institutions and are carried at cost. The carrying amount of deposits is displayed on the financial statements as "cash and cash equivalents" and includes petty cash of \$300.

| | Book balance | Bank balance |
|---|-----------------|-----------------|
| Insured (FDIC) | \$ 250,250 | \$ 250,250 |
| Uninsured and collateral held by pledging financial institution, or agent not in the Authority's name | 1,881,113 | 1,886,394 |
| | \$ 2,131,363 | \$ 2,136,644 |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

3. Cash and investments (continued):

Component unit – Lower Allen Township Authority:

Investments:

Investments, which are stated at carrying value, which approximates fair value, consisted of the following at December 31, 2022:

| | Cost | Carrying value |
|---|--------------|-------------------|
| FDIC insured bank deposits | \$ 2,019 | \$ 2,019 |
| Certificates of deposit, maturity dates through December 8, 2025 and interest rates ranging from 0.10% to 4.95% | 3,000,032 | 2,888,304 |
| | \$ 3,002,051 | \$ 2,890,323 |

All of Lower Allen Township Authority's investments were fully insured by the FDIC or Securities Investor Protection Corporation (SIPC) at December 31, 2022.

Component unit – Stormwater Authority:

Custodial credit risk and deposits:

For deposits, custodial credit risk is the risk that, in the event of bank failure, the Stormwater Authority's deposits may not be returned to it.

As of December 31, 2022, the Stormwater Authority's bank balance of \$2,892,056 was not covered by the Federal Deposit Insurance Corporation, but was collateralized in accordance with Act 72. This Act requires the institution to pool collateral for all its government deposits and to have the collateral held by an approved custodian in the institution's name.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

3. Cash and investments (continued):

Component unit – Stormwater Authority:

External investment pool:

Statutes authorize the Stormwater Authority to invest in the following:

- United States treasury bills
- Obligations of the United States government and federal agencies
- Insured savings and checking accounts and certificates of deposits in banks, savings and loan associations and credit unions
- General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency or of any Pennsylvania political subdivision
- Shares of mutual funds whose investments are restricted to the above categories
- Repurchase agreements collateralized by United States treasury bills or federal agency securities
- Commercial paper issued by corporations or other business entities organized in accordance with federal and state law, with a maturity not to exceed 270 days and the issuing corporation or business entity is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Bankers' acceptances that do not exceed 180 days' maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Negotiable certificates of deposit with a remaining maturity of three years or less, issued by a nationally or state-chartered bank, a federal or state savings and loan association or a state-licensed branch of a foreign bank

The Stormwater Authority categorizes the fair value of its investments based on the measurement hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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 Stormwater Authority does not have any investments that are measured using Level 2 or Level 3 inputs.

The external investment pool, Pennsylvania School District Liquid Asset Fund (PSDLAF), is valued at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The fair value of the securities, held by the external investment pool, are evaluated on at least a weekly basis using prices supplied from an independent pricing service. These values are compared to the amortized cost of the securities. PSDLAF's Trustees have established procedures to (1) monitor any differences in these values and (2) consider what steps, if any, should be taken in the event that such difference exceeds 0.5%. It is anticipated that PSDLAF Trustees will take such measures as they consider appropriate to minimize any material dilution or other unfair results which might arise from such differences. There is no formal external regulatory oversight for the external investment pool.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

3. Cash and investments (continued):

Component unit – Stormwater Authority:

External investment pool:

The Stormwater Authority has the following recurring net asset value and amortized cost measurements as of December 31, 2022, including unfunded commitments and redemption terms, as follows:

| | Fair value | Unfunded commitments | Redemption frequency | Redemption notice period |
|---|--------------|-------------------------|-------------------------|--------------------------------|
| Cash equivalents measured at amortized cost, external investment pool, PSDLAF ¹ | \$ 2,892,056 | \$ - | Weekly | 5 days |

¹ External investment pool: This type includes pooled investments in bank repurchase agreements, certificates of deposit, U.S. treasuries and U.S. government obligations. The fair value of the investments in this type have been determined using amortized cost, which approximates fair value. Distributions from the fund will be received as the underlying investments of the funds are liquidated, which is expected to occur weekly.

Custodial credit risk - Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Stormwater Authority does not have a formal investment policy for custodial credit risk. At December 31, 2022, the Stormwater Authority's investments are not held in securities form and, therefore, are not exposed to custodial credit risk.

Pooled funds - The Stormwater Authority participates in a cash and investment pool that is available for use. All pooled monies are deposited into PSDLAF investing in bank repurchase agreements, certificates of deposit, U.S. treasuries and U.S. government obligations. PSDLAF issues audited financial statements that are available to the public.

Credit risk - As indicated above, investing is performed in accordance with investment policies complying with state statutes. The Stormwater Authority has no investment policy that would further limit its investment choices. At December 31, 2022, the Stormwater Authority's cash equivalents at PSDLAF are rated AAAM.

Interest rate risk - The Stormwater Authority does not have a formal policy that limits the Stormwater Authority investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Stormwater Authority's PSDLAF investments are treated like cash and can be withdrawn at any time.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

4. Real estate taxes:

The Township's real estate tax is levied each March 1 on the assessed value listed as of January 1 on all taxable real property located in the Township. The tax levy ordinance for 2022 was passed by the Township Board on December 21, 2021. The real estate tax rate for the year ended December 31, 2022 was \$2.64 per \$1,000 of assessed valuation for general purposes, \$.41 per \$1,000 of assessed valuation for debt service purposes, \$1.00 per \$1,000 of assessed valuation for street light purposes and \$.95 per \$1,000 of assessed valuation for fire services purposes. Current tax collection for the year ended December 31, 2022 was 99% of the tax levied. A majority of the taxes billed for 2022 were received during the current year and, based on experience, substantially all taxes will be collected in subsequent periods.

Cumberland County, which includes the Township, is responsible for collection of delinquent real property taxes and property tax assessment. Delinquent 2022 real property taxes were turned over to Cumberland County in January 2023.

The full year property tax calendar is as follows:

| | |
|---|-------------------------------------|
| Assessment date | January 1, 2022 |
| Property tax bills rendered, lien date | March 1, 2022 |
| Bills paid during March and April are granted a 2% discount | April 30, 2022 |
| Gross amount of levy is due | June 30, 2022 |
| Taxes delinquent and penalty of 10% of the face amount is charged | July 1, 2022 to February 1, 2023 |

5. Interfund balances and transfers:

The composition of interfund balances at December 31, 2022 was as follows:

| | Interfund receivables | Interfund payables |
|---|--------------------------|-----------------------|
| General Fund | \$ 656,939 | \$ - |
| Fire Services Fund | - | 867,685 |
| Non-major governmental funds, Debt Service Fund | 210,746 | - |
| | \$ 867,685 | \$ 867,685 |

Interfund balances are primarily temporary loans to help pay for expenditures prior to cash flow from tax and intergovernmental revenues.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

5. Interfund balances and transfers (continued):

The composition of interfund transfers for the year ended December 31, 2022 was as follows:

| | Transfers in | Transfers out |
|-------------------------------|--------------|---------------|
| General Fund | \$ 566,300 | \$ 813,090 |
| Fire Services Fund | - | 617,890 |
| Non-major governmental funds: | | |
| Capital Improvement Fund | 4,970 | - |
| Debt Service Fund | 859,710 | - |
| | \$ 1,430,980 | \$ 1,430,980 |

Interfund transfers were made primarily to fund debt service and public safety expenditures.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

6. Capital assets:

Capital asset activity of the Township for the year ended December 31, 2022 was as follows:

| | Balance, January 1 | Additions | Deletions | Reclassifications | Balance, December 31 |
|---|-----------------------|-----------------------|--------------------|--------------------|-------------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 3,303,141 | \$ - | \$ - | \$ - | \$ 3,303,141 |
| Construction in progress | 3,049,914 | 50,270 | - | (3,100,184) | - |
| Total capital assets, not being depreciated | <u>6,353,055</u> | <u>50,270</u> | <u>-</u> | <u>(3,100,184)</u> | <u>3,303,141</u> |
| Capital assets being depreciated: | | | | | |
| Land improvements | 3,749,787 | 16,517 | - | 146,848 | 3,913,152 |
| Building and building improvements | 14,202,699 | 1,375 | - | (1,624) | 14,202,450 |
| Machinery and equipment | 11,947,585 | 582,573 | (378,826) | 42,080 | 12,193,412 |
| Infrastructure | 5,689,481 | - | - | 2,912,880 | 8,602,361 |
| Total capital assets being depreciated | <u>35,589,552</u> | <u>600,465</u> | <u>(378,826)</u> | <u>3,100,184</u> | <u>38,911,375</u> |
| Less accumulated depreciation: | | | | | |
| Land improvements | 1,007,598 | 43,498 | - | 435,359 | 1,486,455 |
| Building and building improvements | 4,524,911 | 321,209 | - | 13,337 | 4,859,457 |
| Machinery and equipment | 7,117,620 | 1,061,286 | (342,180) | - | 7,836,726 |
| Infrastructure | 3,751,293 | 460,513 | - | (448,696) | 3,763,110 |
| Total accumulated depreciation | <u>16,401,422</u> | <u>1,886,506</u> | <u>(342,180)</u> | <u>-</u> | <u>17,945,748</u> |
| Total capital assets being depreciated, net | <u>19,188,130</u> | <u>(1,286,041)</u> | <u>(36,646)</u> | <u>3,100,184</u> | <u>20,965,627</u> |
| Total governmental activities, capital assets, net | <u>\$ 25,541,185</u> | <u>\$ (1,235,771)</u> | <u>\$ (36,646)</u> | <u>\$ -</u> | <u>\$ 24,268,768</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 353,253 |
| Public safety | 759,988 |
| Public works | 715,498 |
| Parks and recreation | <u>57,767</u> |
| Total depreciation expense, governmental activities | <u>\$ 1,886,506</u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

6. Capital assets (continued):

Component unit – Development Authority:

Capital asset activity of the Development Authority for the year ended December 31, 2022 was as follows:

| | Balance, January 1 | Additions | Deletions | Balance, December 31 |
|---|-----------------------|--------------|----------------|-------------------------|
| Development Authority, capital assets, not being depreciated, construction in progress | \$ 9,293,791 | \$ 1,966,961 | \$(11,260,752) | \$ - |

Component unit – Lower Allen Township Authority:

Capital asset activity of Lower Allen Township Authority for the year ended December 31, 2022 was as follows:

| | Balance, January 1 | Additions | Deletions | Balance, December 31 |
|--|-----------------------|------------|--------------|-------------------------|
| Capital assets, not being depreciated: | | | | |
| Land and right-of-way | \$ 224,720 | \$ - | \$ - | \$ 224,720 |
| Construction in progress | 72,406 | 1,062,176 | (623,031) | 511,551 |
| Total capital assets, not being depreciated | 297,126 | 1,062,176 | (623,031) | 736,271 |
| Capital assets being depreciated: | | | | |
| Sewer systems | 20,260,410 | 623,031 | - | 20,883,441 |
| Plant and pumping stations | 45,686,083 | 14,346 | - | 45,700,429 |
| Equipment | 1,999,906 | 55,033 | (19,663) | 2,035,276 |
| Total capital assets being depreciated | 67,946,399 | 692,410 | (19,663) | 68,619,146 |
| Less accumulated depreciation: | | | | |
| Sewer systems | 16,631,775 | 279,848 | - | 16,911,623 |
| Plant and pumping stations | 23,100,695 | 1,185,902 | - | 24,286,597 |
| Equipment | 1,667,308 | 70,532 | (19,663) | 1,718,177 |
| Total accumulated depreciation | 41,399,778 | 1,536,282 | (19,663) | 42,916,397 |
| Total capital assets being depreciated, net | 26,546,621 | (843,872) | - | 25,702,749 |
| Authority, capital assets, net | \$ 26,843,747 | \$ 218,304 | \$ (623,031) | \$ 26,439,020 |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

7. Long-term liabilities:

Long-term liabilities' activities of the Township for the year ended December 31, 2022 were as follows:

| | Balance, January 1 | Additions | Reductions/ retirements | Balance, December 31 | Due within one year |
|---|-----------------------|---------------------|----------------------------|-------------------------|------------------------|
| Compensated absences | \$ 633,361 | \$ 506,978 | \$ (472,885) | \$ 667,454 | \$ 300,031 |
| General Obligation Bonds, 2013 | 250,000 | - | (250,000) | - | - |
| General Obligation Notes, 2020A | 3,962,000 | - | (977,000) | 2,985,000 | 983,000 |
| General Obligation Notes, 2020B | 1,859,000 | - | (3,000) | 1,856,000 | 295,000 |
| Vehicle loans | 1,734,951 | - | (208,317) | 1,526,634 | 214,722 |
| Net pension liability | 4,690 | 2,335,096 | - | 2,339,786 | - |
| Other post-employment benefits liability | 3,048,786 | - | (338,463) | 2,710,323 | - |
| | <u>\$ 11,492,788</u> | <u>\$ 2,842,074</u> | <u>\$(2,249,665)</u> | <u>\$ 12,085,197</u> | <u>\$ 1,792,753</u> |

Compensated absences:

Compensated absences are typically liquidated by the General Fund.

General obligation bonds and notes:

In 2013, the Township issued general obligation bonds designated as "General Obligation Pension Funding Bonds, Series of 2013" in the aggregate principal amount of \$3,730,000 to fund the Non-Uniformed, Police and Volunteer Firefighter's Pension Plans, and to pay the costs of issuance of the bonds. The bonds were partially paid off during 2020 with the issuance of the General Obligation Note, Series of 2020B. After the partial payoff, the bonds required semiannual payments ranging from \$4,062 to \$254,063, which include principal and interest ranging from 3.12% to 3.25%, starting in May 2021 through May 2022, and were payable by the General and Fire Services Funds. No specific assets were pledged to secure this obligation; however, the Township had pledged its taxing power as security for the outstanding debt. The loan was paid off during 2022

(continued)

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

7. Long-term liabilities (continued):

General obligation bonds and notes:

In 2020, the Township issued general obligation notes designated as "General Obligation Notes, Series of 2020A" in the aggregate principal amount of \$4,773,000 to currently refund \$955,133 of the Township's General Obligation Bonds, Series of 2012, to currently refund \$3,765,544 of the Township's General Obligation Bonds, Series of 2014, and to pay the costs of issuance of the notes. The notes require semiannual payments ranging from \$4,774 to \$1,009,774, which include principal and interest of 0.95%, starting in May 2021 through May 2025 and are payable by the Debt Service Fund. No specific assets are pledged to secure this obligation; however, the Township has pledged its taxing power as security for the outstanding debt. The loan contains a provision that in the event of default, outstanding amounts become immediately due if the Township is unable to make payment.

\$ 2,985,000

In 2020, the Township issued general obligation notes designated as "General Obligation Notes, Series of 2020B" in the aggregate principal amount of \$1,859,000 to advance refund \$1,833,421 of the Township's General Obligation Bonds, Series of 2013, and to pay the costs of issuance of the bonds. The notes require semiannual payments ranging from \$2,770 to \$326,770, which include principal and interest of 1.71%, starting in May 2021 through May 2028 and are payable by the General and Fire Services Funds. No specific assets are pledged to secure this obligation; however, the Township has pledged its taxing power as security for the outstanding debt. The loan contains a provision that in the event of default, outstanding amounts become immediately due if the Township is unable to make payment.

1,856,000

\$ 4,841,000
(concluded)

As of December 31, 2022, the defeased bond balance on the General Obligation Pension Funding bonds, Series of 2013 is \$1,730,000.

Debt service requirements to maturity for the General Obligation Notes, Series of 2020A are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|---------------------|------------------|---------------------|
| 2023 | \$ 983,000 | \$ 23,688 | \$ 1,006,688 |
| 2024 | 997,000 | 14,283 | 1,011,283 |
| 2025 | <u>1,005,000</u> | <u>4,774</u> | <u>1,009,774</u> |
| | <u>\$ 2,985,000</u> | <u>\$ 42,745</u> | <u>\$ 3,027,745</u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

7. Long-term liabilities (continued):

General obligation bonds and notes:

Debt service requirements to maturity for the General Obligation Notes, Series of 2020B are as follows:

| | Principal | Interest | Total |
|------|--------------|-----------|--------------|
| 2023 | \$ 295,000 | \$ 29,215 | \$ 324,215 |
| 2024 | 301,000 | 24,120 | 325,120 |
| 2025 | 305,000 | 18,938 | 323,938 |
| 2026 | 314,000 | 13,646 | 327,646 |
| 2027 | 317,000 | 8,251 | 325,251 |
| 2028 | 324,000 | 2,770 | 326,770 |
| | \$ 1,856,000 | \$ 96,940 | \$ 1,952,940 |

Vehicle loans:

The Township entered into agreements to purchase a fire truck, vehicles, machinery and equipment through vehicle loan agreements. The vehicle loan agreements are payable through March 2032 and have interest rates varying from 2.79% to 3.19%. The following is a schedule of the future minimum payments under loan agreements, as of December 31, 2022:

| | Principal | Interest | Total |
|-----------|--------------|------------|--------------|
| 2023 | \$ 214,722 | \$ 46,102 | \$ 260,824 |
| 2024 | 212,672 | 39,343 | 252,015 |
| 2025 | 210,763 | 32,737 | 243,500 |
| 2026 | 217,455 | 26,044 | 243,499 |
| 2027 | 224,361 | 19,139 | 243,500 |
| 2028-2032 | 446,661 | 20,227 | 466,888 |
| | \$ 1,526,634 | \$ 183,592 | \$ 1,710,226 |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

7. Long-term liabilities (continued):

Borrowing capacity:

The estimated borrowing base of the Township at December 31, 2022 was \$19,870,196. The estimated non-electoral or non-self-liquidating borrowing capacity of the Township at base percent (250%) is \$49,675,490. These amounts were determined as follows:

| | |
|---|----------------------|
| Total revenues and other financing sources, most current three years | \$ 60,171,823 |
| Proceeds from the disposition of capital assets and other nonrecurring items, including bond or note proceeds, most current three years | <u>(561,234)</u> |
| | <u>\$ 59,610,589</u> |
| Borrowing base (total adjusted revenue/3) | <u>\$ 19,870,196</u> |
| Debt limit (250% of borrowing base) | \$ 49,675,490 |
| Amount of debt applicable to debt limit | <u>(4,511,634)</u> |
| Legal debt margin | <u>\$ 45,163,856</u> |

Article II of the Pennsylvania Local Government Unit Debt Act (P.L. 781) places limits on debt that has not received voter approval. Debt that is subsidized or self-liquidating may be excluded from the limitation with state approval.

Component unit – Development Authority:

On January 15, 2019, the Lower Allen Township Development Authority issued a guaranteed project note designated as “Guaranteed Project Note, Series of 2019” in the aggregate principal amount of \$14,200,000 to purchase a property. During 2022, 2021, 2020 and 2019, the Development Authority drew \$1,300,000, \$570,000, \$193,883 and \$7,690,064, respectively, on the note. During 2022 and 2021, the Development Authority paid \$8,505,000 and \$40,000, respectively, on the note. The note required an interest only payment of \$254,417 on June 15, 2019 and requires semiannual interest only payments of \$305,300 starting on December 15, 2019 through December 15, 2023. The Township will then be required to make a final principal and interest payment of \$14,432,868 on February 1, 2024. The note bears interest of 4.3%. The note is fully guaranteed by the Township. No specific assets are pledged to secure this obligation. The loan contains a provision that in the event of default, outstanding amounts become immediately due. The loan is expected to be paid off in 2023 and for this reason is shown as current at December 31, 2022.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

7. Long-term liabilities (continued):

Component unit - Development Authority:

Debt service requirements to maturity for the Guaranteed Project Note, Series 2019 are shown below:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|------------------|-----------------|--------------|
| 2023 | \$ 149,847 | \$ 4,495 | \$ 154,342 |

Long-term liability activity of the Development Authority for the year ended December 31, 2022 is as follows:

| | <u>Balance, January 1</u> | <u>Additions</u> | <u>Reductions/ retirements</u> | <u>Balance, December 31</u> | <u>Due within one year</u> |
|---|-------------------------------|------------------|------------------------------------|---------------------------------|--------------------------------|
| Guaranteed Project Note Series of 2019 | \$ 7,354,847 | \$ 1,300,000 | \$ 8,505,000 | \$ 149,847 | \$ - |

Component unit – Lower Allen Township Authority:

On November 16, 2020, Lower Allen Township Authority issued the Guaranteed Sewer Revenue Bond, Series 2020, in the amount of \$8,345,000, to provide for the current refunding of the Series 2017. The bond was secured by a pledge of and lien on the revenues of Lower Allen Township Authority and was guaranteed by the Township with a pledge and lien on the Township's full faith credit and taxing power. Principal payments are to be made annually on May 15 of each year from 2021 to 2032 inclusive, or until paid in full. Interest is due on May 15, 2021 and thereafter semiannually on November 15 and May 15 of each year, until final maturity on May 15, 2032, or until paid in full. The bond bears interest at a rate of 1.45% from May 15, 2021 to November 15, 2030 and from November 16, 2030 to May 15, 2032 at a variable rate of 79% of the *Wall Street Journal* prime lending rate with a floor of 2.5% and a maximum cap rate of 2.75%.

The Authority incurred interest costs related to the Series of 2020 Bond of \$105,503 in 2022.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

7. Long-term liabilities (continued):

Component unit – Lower Allen Township Authority:

Debt service requirements to maturity for the Guaranteed Sewer Revenue Bond, Series 2020 are shown below:

| | Principal | Interest | Total |
|-----------|--------------|------------|--------------|
| 2023 | \$ 724,000 | \$ 96,570 | \$ 820,570 |
| 2024 | 739,000 | 85,963 | 824,963 |
| 2025 | 747,000 | 75,190 | 822,190 |
| 2026 | 760,000 | 64,264 | 824,264 |
| 2027 | 772,000 | 53,157 | 825,157 |
| 2028-2032 | 3,280,000 | 112,865 | 3,392,865 |
| | \$ 7,022,000 | \$ 488,009 | \$ 7,510,009 |

Long-term liability activity of Lower Allen Township Authority for the year ended December 31, 2022 is as follows:

| | Balance, January 1 | Additions | Retirements | Balance, December 31 | Due within one year |
|--|-----------------------|-----------|--------------|-------------------------|------------------------|
| Guaranteed Sewer Revenue Bond Series of 2020 | \$ 7,702,000 | \$ - | \$ (680,000) | \$ 7,022,000 | \$ 724,000 |

8. Commitments and contingencies:

Primary government:

Litigation:

There are several pending lawsuits in which the Township is involved. These lawsuits pertain to zoning ordinances and are covered by insurance. The Board intends to oppose, through its insurance carrier, all of the lawsuits.

Grants:

In the normal course of business, the Township receives grant funds from various federal and state agencies. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to ensure compliance with the conditions precedent to the granting of funds. Any liability for reimbursement that may arise as a result of these audits is not believed to be material.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans:

Primary government:

Summary of significant accounting policies:

Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

Plan descriptions:

The Lower Allen Township Non-Uniformed Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of the Township ordinance adopted pursuant to Act 205. The plan is governed by the Board of Commissioners of Lower Allen Township, which may amend provisions, and which is responsible for the management of plan assets. Lower Allen Township has contracted with Principal Financial Group to manage plan assets. The plan does not issue a separate report.

The Lower Allen Township Police Pension Plan is single-employer defined benefit pension plan controlled by the provisions of the Township ordinance adopted pursuant to Act 205. The plan is governed by the Board of Commissioners of Lower Allen Township, which may amend provisions, and which is responsible for the management of plan assets. Lower Allen Township has contracted with Principal Financial Group to manage plan assets. The plan does not issue a separate report.

The Lower Allen Township Volunteer Firefighter's Service Award Program is a single-employer defined benefit pension plan controlled by the provisions of the plan document adopted March 13, 2000. The Plan is governed by the Board of Commissioners of Lower Allen Township, which may amend provisions, and which is responsible for the management of plan assets. Lower Allen Township has contracted with Wells Fargo Advisors to manage plan assets. The plan does not issue a separate report.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Plan membership:

The Non-Uniformed Pension Plan covers all full-time non-uniformed employees hired on or before October 1, 2018. The Police Pension Plan covers all full-time police officers. The Volunteer Firefighter's Service Award Program covers all volunteer firemen who have attained age 18 with one year of service. Each pension plan's membership consisted of:

| | Non-Uniformed Pension Plan | Police Pension Plan | Volunteer Firefighter's Service Award Program |
|--|-------------------------------|------------------------|--|
| Valuation date | January 1, 2021 | January 1, 2021 | April 1, 2021 |
| Active employees | 33 | 24 | 37 |
| Inactive employee or beneficiaries currently receiving benefits | 28 | 23 * | 15 |
| Inactive employees entitled to but not yet receiving benefits | 24 | - | 31 |
| Total | 85 | 47 | 83 |

* Includes one member in the Deferred Retirement Option Plan (DROP).

Benefits provided:

Non-Uniformed Pension Plan

Retirement benefit - A participant who retires at age 65 is entitled to an amount equal to 45% of average compensation multiplied by the short service percentage, plus the benefit provided by the participant's transfer value, if any, based on the purchase rates in the group contracts. Average compensation is the monthly average of compensation for the five consecutive years out of the ten latest years prior to normal retirement date, which gives the highest average. A participant vests 20% after three years of vesting service plus 20% each year thereafter up to 100%.

Early retirement - A participant who has attained age 55 with 12 years of service is eligible for early retirement. The accrued benefit is reduced by 5/9% for each month benefits commencing before age 65 for the first 60 months and 5/18% for each month benefits commencing for the next 60 months.

Disability benefit - An active participant who becomes totally and permanently disabled prior to retirement is entitled to a single-sum payment equal to the transfer value on the date of the disability.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Benefits provided:

Non-Uniformed Pension Plan

Survivor benefit - If a participant's death occurs while he/she is fully or partially vested in the plan, the surviving spouse will receive a monthly annuity payable in the amount that would have been payable if the participant terminated employment on the date of death and survived to his/her earliest retirement age, retired with a qualified joint and 50% survivor annuity in effect, then died the next day. If a participant's death occurs before the participant has vested in the plan, the survivor spouse is entitled to a single-sum death benefit equal to the participant's transfer value on the date of death.

Police Pension Plan

Retirement benefit - A participant who has attained age 50 with 25 years of service is entitled to an amount equal to 50% of average compensation times accrued benefit adjustment, plus complete years of accrual service in excess of 25, multiplied by \$40, not to exceed \$200. Average compensation is the monthly average of total pay received for the 36 latest compensation months of employment. A participant is vested 100% after 12 vesting years.

Early retirement - A participant who has attained 20 years of service is eligible for early retirement. The accrued benefit as of early retirement date is actuarially reduced using the actuarial assumptions reported in the last actuarial valuation report filed under Act 205.

Disability benefit - An active participant who becomes disabled as a result of performing police work is entitled to a monthly income payable until normal retirement, death or recovery, and a deferred annuity payable at normal retirement date. The monthly amount is equal to 50% of a member's final one-month salary prior to the date of disability, offset by Social Security benefits and any disability insurance benefit payable which is funded by the plan.

Survivor benefit - If a participant dies in the line of duty, a monthly death benefit is payable to his/her surviving spouse, or eligible child, equal to 100% of his monthly salary as of the time of death is provided by the Commonwealth of Pennsylvania. If a participant's death occurs while he/she is fully vested in the plan, the surviving spouse or dependent child will receive a monthly annuity deferred to the participant's normal retirement date, payable until the later of the date of the eligible spouse's death or the date there is no longer a surviving dependent child of the participant. The monthly amount is equal to 50% of the pension of the participant which would have been payable to the participant had the participant been retired at the time of death. If a participant's death occurs before the participant has vested in the plan, the benefit is equal to the participant's required contribution account on date of death.

Deferred Retirement Option Plan (DROP) - A participant who is eligible for a normal retirement benefit can elect to participate in DROP for a maximum three-year period. Termination of employment is required at the end of the DROP period. A monthly benefit is held in a separate interest-bearing account until it is distributed as a lump-sum payment upon termination. At December 31, 2022, there was one employee participating in DROP. As of December 31, 2022, the amount of the plan's investments pursuant to DROP was \$62,146.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Benefits provided:

Volunteer Firefighter's Service Award Program

Retirement benefit - A participant who has attained age 65 or five years of service is entitled to a monthly benefit equal to \$5 multiplied by the participant's years of credited service, subject to a maximum monthly benefit of \$150. A participant vests 20% after three years of vesting service, plus 20% after four years, plus 10% after five years, plus 30% after six years, plus 20% after seven years, which is when they obtain 100% vesting.

Disability benefit - An active participant who becomes disabled is entitled to a single-life annuity with no reduction for early commencement, if eligible.

Death benefit - If a participant's death occurs while he/she is fully vested in the program, the surviving spouse or dependent child will receive a single-life annuity with no reduction for early commencement in the amount of the participant's accrued benefit on the date of death.

Contributions required and contributions made:

Non-Uniformed and Police Pension Plans

Act 205 requires that annual contributions to the Non-Uniformed and Police Pension Plans be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. The plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

Non-Uniformed Pension Plan

Active employees are not required to contribute to the plan. During the year ended December 31, 2022, the Township made its required contribution of \$252,564 based on the MMO.

Police Pension Plan

Each active participant shall make required monthly contributions of 5% of compensation. The participant's required contribution account is 100% vested at all times. During the year ended December 31, 2022, the Township made its required contribution of \$338,169 based on the MMO.

Volunteer Firefighter's Service Award Program

Annual contributions to the program are based on the program's Recommended Municipal Contribution (RMC), which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, plan members are not required to contribute to the plan. During the year ended December 31, 2022, the Township contributed \$9,030.

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PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Changes in net pension (asset) liability:

The changes in the net pension (asset) liability of the Township for the year ended December 31, 2022 were as follows:

| | <u>Non-Uniformed Pension Plan</u> | | |
|--|-----------------------------------|--|--------------------------------------|
| | <u>Total pension liability</u> | <u>Increase (decrease) Plan fiduciary net position</u> | <u>Net pension (asset) liability</u> |
| Balances at January 1, 2022 | <u>\$ 7,924,689</u> | <u>\$ 8,989,751</u> | <u>\$ (1,065,062)</u> |
| Changes for the year: | | | |
| Service cost | 173,613 | - | 173,613 |
| Interest | 596,185 | - | 596,185 |
| Contributions, state aid | - | 255,010 | (255,010) |
| Net investment loss | - | (1,444,544) | 1,444,544 |
| Benefit payments | (298,329) | (298,329) | - |
| Administrative expense | - | (12,894) | 12,894 |
| Net changes | <u>471,469</u> | <u>(1,500,757)</u> | <u>1,972,226</u> |
| Balances at December 31, 2022 | <u>\$ 8,396,158</u> | <u>\$ 7,488,994</u> | <u>\$ 907,164</u> |
| Plan fiduciary net position as a percentage of the total pension liability | | | <u>89.2%</u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Changes in net pension (asset) liability:

Police Pension Plan

| | Increase (decrease) | | |
|---|------------------------------------|--------------------------------|----------------------------------|
| | Total pension (asset) liability | Plan fiduciary net position | Net pension (asset) liability |
| Balances at January 1, 2022 | \$ 12,087,215 | \$ 13,724,807 | \$ (1,637,592) |
| Changes for the year: | | | |
| Service cost | 347,333 | - | 347,333 |
| Interest | 909,040 | - | 909,040 |
| Contributions: | | | |
| State aid | - | 339,165 | (339,165) |
| Member | - | 175,722 | (175,722) |
| Net investment loss | - | (2,221,833) | 2,221,833 |
| Benefit payments | (556,960) | (556,960) | - |
| Administrative expense | - | (9,689) | 9,689 |
| Net changes | 699,413 | (2,273,595) | 2,973,008 |
| Balances at December 31, 2022 | \$ 12,786,628 | \$ 11,451,212 | \$ 1,335,416 |
| Plan fiduciary net position as a percentage of the total pension liability | | | 89.6% |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Changes in net pension (asset) liability:

Volunteer Firefighter's Service Award Program

| | Increase (decrease) | | |
|---|------------------------------------|--------------------------------|----------------------------------|
| | Total pension (asset) liability | Plan fiduciary net position | Net pension (asset) liability |
| Balances at January 1, 2022 | \$ 305,013 | \$ 300,323 | \$ 4,690 |
| Changes for the year: | | | |
| Service cost | 7,289 | - | 7,289 |
| Interest | 22,399 | - | 22,399 |
| Changes of assumptions | 16,291 | - | 16,291 |
| Contributions, employer | - | 9,030 | (9,030) |
| Net investment income | - | (51,353) | 51,353 |
| Benefit payments | (17,211) | (17,211) | - |
| Administrative expense | - | (4,214) | 4,214 |
| Net changes | 28,768 | (63,748) | 92,516 |
| Balances at December 31, 2022 | \$ 333,781 | \$ 236,575 | \$ 97,206 |
| Plan fiduciary net position as a percentage of the total pension liability | | | 70.9% |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Actuarial assumptions:

For the Township Non-Uniformed and Police Pension Plans, the net pension liability was determined as part of an actuarial valuation at January 1, 2021. Update procedures were used to roll forward to the fiscal plan year ended December 31, 2022. For the Volunteer Firefighter's Service Award Program, the net pension (asset) liability was determined as part of an actuarial valuation at April 1, 2021. Update procedures were used to roll forward to the fiscal plan year ended December 31, 2022. These valuations were based upon the entry age normal cost method and the following significant actuarial assumptions:

| | Non-Uniformed Pension Plan | Police Pension Plan | Volunteer Firefighter's Service Award Program |
|----------------------------|---|---|--|
| Actuarial assumptions: | | | |
| Investment rate of return | 7.50% | 7.50% | 7.00% |
| Projected salary increases | 4.75% | 5.00% | N/A |
| Underlying inflation rate | 3.00% | 3.00% | 2.45% |
| Retirement age | Normal retirement age | Attainment of age 50 and completion of 25 years of service | Normal retirement age |
| Pre-retirement mortality | None | None | None |
| Post-employment mortality | PubG-2010 mortality table projected generationally using Scale MP-2020 | PubS-2010 mortality table projected generationally using Scale MP-2020 | PubS-2010 health mortality table projected five years past the valuation date using Scale MP-2020 |

Changes in actuarial assumptions:

Changes in benefit terms:

None since January 1, 2021.

Investment policy:

The Non-Uniformed Pension Plan's, Police Pension Plan's and Volunteer Firefighter's Service Award Program's policy in regard to the allocation of invested assets is established and may be amended by the applicable Pension Committee. The investment policy of the plans is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Long-term expected rate of return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment income and inflation of 3.00% for the Non-Uniformed and Police Pension plans and 2.45% for the Volunteer Firefighter's Service Award) 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 allocation percentage and by adding expected inflation.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Non-Uniformed and Police Pension Plans' target asset allocation as of December 31, 2022.

| Non-Uniform | | |
|----------------------|-------------------|-----------------------------------|
| Asset class | Target allocation | Long-term expected rate of return |
| Domestic equity | 38.0 % | 5.50% - 7.50% |
| International equity | 16.0 % | 4.50% - 6.50% |
| Fixed income | 39.0 % | 1.00% - 3.00% |
| Cash | 7.0 % | 0.00% - 1.00% |
| | 100.0 % | |
| Police | | |
| Asset class | Target allocation | Long-term expected rate of return |
| Domestic equity | 39.0 % | 5.50% - 7.50% |
| International equity | 16.0 % | 4.50% - 6.50% |
| Fixed income | 38.0 % | 1.00% - 3.00% |
| Cash | 7.0 % | 0.00% - 1.00% |
| | 100.0 % | |

The Volunteer Firefighter's Service Award Program had a target allocation of 100% for mutual funds and a 6.53% long-term expected rate of return as of December 31, 2022.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Rate of return:

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Non-Uniformed Pension Plan

For the year ended December 31, 2022, the annual money-weighted rate of return on the Non-Uniform Pension Plan investments, net of investment income, was (15.6)%.

Police Pension Plan

For the year ended December 31, 2022, the annual money-weighted rate of return on the Police Pension Plan investments, net of investment income, was (15.7)%.

Volunteer Firefighter's Service Award Program

For the year ended December 31, 2022, the annual money-weighted rate of return on the Volunteer Firefighter's Service Award Program investments, net of investment expense, was (17.5)%.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Concentrations:

At December 31, 2022, the following are investments (other than U.S. government and U.S. government guaranteed obligations), in any one organization, that represent 5% or more of net position available for benefits:

Investments at fair value:

Level 1, mutual funds:

Equities:

Volunteer Firefighter's Service Award Program:

| | |
|--|-----------|
| American Century Mutual Fund Growth Fund | \$ 15,756 |
| Delaware Smallcap Core Fund | 14,434 |
| Delaware Group Equity Fund | 20,430 |
| MFS Ser Ti I Value Fund | 11,919 |
| Mainstay Mackay High Yield Corporate Bond Fund | 14,036 |
| Metropolitan West Fund Total Return Bond Fund | 14,321 |
| Pimco Funds Pac Invt Mgmt Ser Commodity Real Return Fund | 21,373 |
| T. Rowe Price International Fund Overseas Stock Fund | 14,200 |
| T. Rowe Price Blue Chip Growth Fund | 16,853 |
| Allspring Special Mid Cap Value Fund | 11,903 |

Level 1, fixed income:

Non-Uniformed Pension Plan:

| | |
|-----------------------------|-----------|
| U.S. government obligations | 1,235,181 |
|-----------------------------|-----------|

Police Pension Plan:

| | |
|-----------------------------|-----------|
| U.S. government obligations | 1,984,423 |
|-----------------------------|-----------|

Discount rate:

The discount rate used to measure the total pension liability for the Non-Uniformed and Police Pension Plans was 7.50%. The discount rate used to measure the total pension liability for the Volunteer Firefighter's Service Award Program was 7.00%. 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 the Township's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Sensitivity of the net pension (asset) liability to changes in the discount rate:

The following presents the net pension (asset) liability of the plans calculated using the discount rate described above, as well as what the plans' net pension (asset) liability would be if they were calculated using a discount rate that is 1% lower or 1% higher than the current rates:

| | <u>1% Decrease</u> <u>(6.50%)</u> | <u>Current</u> <u>discount rate</u> <u>(7.50%)</u> | <u>1% Increase</u> <u>(8.50%)</u> |
|----------------------------|--------------------------------------|--|--------------------------------------|
| Non-Uniformed Pension Plan | <u>\$ 1,928,115</u> | <u>\$ 907,164</u> | <u>\$ 45,848</u> |
| Police Pension Plan | <u>\$ 3,000,947</u> | <u>\$ 1,335,416</u> | <u>\$ (44,937)</u> |

| | <u>1% Decrease</u> <u>(6.00%)</u> | <u>Current</u> <u>discount rate</u> <u>(7.00%)</u> | <u>1% Increase</u> <u>(8.00%)</u> |
|---|--------------------------------------|--|--------------------------------------|
| Volunteer Firefighter's Service Award Program | <u>\$ 139,150</u> | <u>\$ 97,206</u> | <u>\$ 62,469</u> |

Pension expense (benefit) and deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended December 31, 2022, the Township recognized pension expense of \$801,674. At December 31, 2022, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred</u> <u>outflows</u> <u>of resources</u> | <u>Total</u> <u>Deferred</u> <u>inflows</u> <u>of resources</u> | <u>Net total</u> |
|--|---|--|---------------------|
| Difference between expected and actual experience | \$ 19,111 | \$ (554,777) | \$ (535,666) |
| Changes in assumptions | 741,717 | - | 741,717 |
| Net difference between projected and actual earnings on pension plan investments | <u>2,447,930</u> | <u>-</u> | <u>2,447,930</u> |
| | <u>\$ 3,208,758</u> | <u>\$ (554,777)</u> | <u>\$ 2,653,981</u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Pension expense (benefit) and deferred outflows of resources and deferred inflows of resources related to pensions:

| | Non-Uniform Pension Plan | | |
|---|--------------------------|-------------------------|-------------------|
| | Deferred | Deferred | Net total |
| | outflows of resources | inflows of resources | |
| Difference between expected and actual experience | | \$ (500,148) | \$ (500,148) |
| Changes in assumptions | \$ 409,245 | - | 409,245 |
| Net difference between projected and actual earnings on pension plan investments | 953,821 | - | 953,821 |
| | <u>\$ 1,363,066</u> | <u>\$ (500,148)</u> | <u>\$ 862,918</u> |

| | Police Pension Plan | | |
|---|--------------------------|-------------------------|---------------------|
| | Deferred | Deferred | Net total |
| | outflows of resources | inflows of resources | |
| Difference between expected and actual experience | \$ - | \$ (54,629) | \$ (54,629) |
| Changes in assumptions | 319,295 | - | 319,295 |
| Net difference between projected and actual earnings on pension plan investments | 1,452,011 | - | 1,452,011 |
| | <u>\$ 1,771,306</u> | <u>\$ (54,629)</u> | <u>\$ 1,716,677</u> |

| | Volunteer Firefighter's Service Award | | |
|---|---------------------------------------|-------------------------|------------------|
| | Deferred | Deferred | Net total |
| | outflows of resources | inflows of resources | |
| Difference between expected and actual experience | \$ 19,111 | \$ - | \$ 19,111 |
| Changes in assumptions | 13,177 | - | 13,177 |
| Net difference between projected and actual earnings on pension plan investments | 42,098 | - | 42,098 |
| | <u>\$ 74,386</u> | <u>\$ -</u> | <u>\$ 74,386</u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Pension expense (benefit) and deferred outflows of resources and deferred inflows of resources related to pensions:

The effect of the differences in the Township's expected and actual experience and the changes of assumptions are recognized over the average expected remaining service lives of active and inactive members. The difference between projected and actual earnings on the pension plan investments is recognized over five years. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended <u>December 31,</u> | Net <u>total</u> | Non-Uniform Pension <u>Plan</u> | Police Pension <u>Plan</u> | Volunteer Firefighter's Service <u>Award</u> |
|-----------------------------------|---------------------|---------------------------------------|----------------------------------|---|
| 2023 | \$ 153,354 | \$ 28,593 | \$ 117,307 | \$ 7,454 |
| 2024 | 565,982 | 158,040 | 392,784 | 15,158 |
| 2025 | 855,770 | 272,688 | 565,577 | 17,505 |
| 2026 | 1,070,378 | 404,421 | 646,903 | 19,054 |
| 2027 | (18,770) | (20,209) | (2,947) | 4,386 |
| thereafter | <u>27,267</u> | <u>19,385</u> | <u>(2,947)</u> | <u>10,829</u> |
| | <u>\$ 2,653,981</u> | <u>\$ 862,918</u> | <u>\$ 1,716,677</u> | <u>\$ 74,386</u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Pension financial statements:

Financial statements for the individual pension plans are presented below:

Statements of Fiduciary Net Position
December 31, 2022

| | <u>Non-Uniformed Pension Plan</u> | <u>Police Pension Plan</u> | <u>Volunteer Firefighter's Service Award Program</u> |
|--|---------------------------------------|--------------------------------|--|
| Cash and cash equivalents | \$ 332,299 | \$ 550,171 | \$ 1 |
| Investments: | | | |
| Fixed income | 2,314,810 | 3,523,869 | |
| Common stock | 3,999,110 | 6,092,320 | |
| Mutual funds | 842,775 | 1,284,852 | 236,574 |
| Total investments | <u>7,156,695</u> | <u>10,901,041</u> | <u>236,574</u> |
| Total assets | <u>\$ 7,488,994</u> | <u>\$ 11,451,212</u> | <u>\$ 236,575</u> |
| Net position restricted for pension benefits | <u>\$ 7,488,994</u> | <u>\$ 11,451,212</u> | <u>\$ 236,575</u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Pension financial statements:

Statements of Changes in Fiduciary Net Position
Year ended December 31, 2022

| | <u>Non-Uniformed Pension Plan</u> | <u>Police Pension Plan</u> | <u>Volunteer Firefighter's Service Award Program</u> |
|--|---------------------------------------|--------------------------------|--|
| Additions, net of investment income: | | | |
| Contributions: | | | |
| State aid and employer | \$ 255,010 | \$ 339,165 | \$ 9,030 |
| Employee | <u>-</u> | <u>175,722</u> | <u>-</u> |
| Total contributions | 255,010 | 514,887 | 9,030 |
| Net depreciation in value of investments | <u>(1,444,544)</u> | <u>(2,221,833)</u> | <u>(51,353)</u> |
| Total additions, net of investment losses | <u>(1,189,534)</u> | <u>(1,706,946)</u> | <u>(42,323)</u> |
| Deductions: | | | |
| Benefits | 298,329 | 556,960 | 17,211 |
| Administrative expenses | <u>12,894</u> | <u>9,689</u> | <u>4,214</u> |
| Total deductions | <u>311,223</u> | <u>566,649</u> | <u>21,425</u> |
| Decrease in plan's net position | (1,500,757) | (2,273,595) | (63,748) |
| Net position restricted for pension benefits: | | | |
| Beginning | <u>8,989,751</u> | <u>13,724,807</u> | <u>300,323</u> |
| Ending | <u>\$ 7,488,994</u> | <u>\$ 11,451,212</u> | <u>\$ 236,575</u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Primary government:

Deferred compensation plan:

The Township offers a deferred compensation plan, created in accordance with Internal Revenue Code Section 457, to certain Township employees. The plan permits deferral of a portion of employees' salaries until future years. Funds are held in trust by Mass Mutual for each employee. The deferred compensation is not available for withdrawal until termination, retirement, death or disability.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts and all income attributed to these amounts, property or rights are held in trust for the exclusive benefits of participants and their beneficiaries. Deferred compensation balances of \$2,626,172 are being held as of December 31, 2022.

Component unit – Lower Allen Township Authority:

Plan description:

Lower Allen Township Authority maintains a single-employer noncontributory defined-benefit pension plan controlled by the provisions of the plan document. The plan is governed by Lower Allen Township Authority, which can amend plan provisions. The authority to manage plan assets has been delegated to The Principal Life Insurance Company. The plan is subject to the funding and reporting requirements of the Pennsylvania Municipal Pension Plan Funding and Recovery Act (Act 205). Act 205 requires that an actuarial valuation of the plan be performed every other year. The latest actuarial valuation was dated January 1, 2021. The plan issues a publicly available stand-alone report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Lower Allen Township Authority.

Plan membership:

| | |
|---|------------------|
| Valuation date | January 1, 2022 |
| Active employees | 17 |
| Inactive employees or beneficiaries currently receiving benefits | 16 |
| Inactive employees entitled to but not yet receiving benefits | <u>2</u> |
| Total | <u><u>35</u></u> |

Benefits provided:

An employee shall become a participant on the first day of the month following the completion of one year of eligibility service and has not attained age 60 or older. Plan participation is frozen as of October 13, 2013.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Component unit – Lower Allen Township Authority:

Benefits provided:

The plan provides retirement, disability and death benefits to plan members and beneficiaries. Participants are eligible for normal retirement benefits on the first day of the month on or after the attainment of age 65. Their retirement benefit is 35% of average compensation, plus the employee derived benefit provided by their transfer value, if applicable. Average compensation is the average of the employee's monthly compensation for the highest five consecutive calendar years out of the last ten calendar years of service. The participant's vested benefit is determined by multiplying the accrued benefit by a vesting percentage. Participants are fully vested in their benefits after 10 years of service. Participants are eligible for early retirement on the first day of the month following the attainment of age 55 and 10 years of vesting service. Participants can take an early deferred benefit equal to the accrued benefit payable at normal retirement date. Participants can also take an early intermediate benefit where the early deferred benefit would be reduced by 6-2/3% for each of the first five years and 3-1/3% for each of the next five years by which the starting date of the early retirement benefit precedes such member's normal retirement date. Postponed retirement dates are available and would start on the first of the month following the actual retirement date of the participant. The benefit for postponed retirement would be the greater of the late retirement factors times the member's benefit calculated using compensation and service at his/her normal retirement date or the member's accrued benefit calculated using years of credited service and compensation to the date of actual retirement. The normal form of benefit payments to a married participant are payable in equal monthly installments during the participant's lifetime. Upon death, the surviving spouse shall be entitled to 50% of the benefit the participant was receiving at the time of death. The survivor spouse benefit shall be payable for his/her lifetime. Optional forms of benefit payments are available to participants and are detailed in the plan document.

Death benefits are payable upon death of an active participant. The pre-retirement survivor spouse benefit of a married participant would equal 50% of the benefit payable to the participant at his/her earliest eligible retirement date. The pre-retirement benefit payable upon death of a single participant would be equal to the lump sum of the transfer values at the time of death. Post-retirement benefits are subject to the provisions of the form of payment elected by the participant upon retirement.

Contributions:

Act 205 requires annual contributions to the plan be based on the plan's MMO, which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, employees are not required to contribute to the plan. The Authority contributed \$75,726 to the pension plan for the year ended December 31, 2022.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Component unit – Lower Allen Township Authority:

Changes in net pension asset:

The changes in the net pension asset of Lower Allen Township Authority for the year ended December 31, 2022 were as follows:

| | Increase (decrease) | | |
|---|----------------------------|--------------------------------|----------------------------------|
| | Total pension liability | Plan fiduciary net position | Net pension (asset) liability |
| Balances at January 1, 2022 | \$ 6,205,688 | \$ 7,331,322 | \$ (1,125,634) |
| Changes for the year: | | | |
| Service cost | 63,779 | - | 63,779 |
| Interest | 444,933 | - | 444,933 |
| Contribution, employer | - | 75,726 | (75,726) |
| Net investment (losses) | - | (976,367) | 976,367 |
| Benefit payments, including refunds of member contributions | (264,921) | (264,921) | - |
| Administrative expense | - | (4,584) | 4,584 |
| Net changes | 243,791 | (1,170,146) | 1,413,937 |
| Balances at December 31, 2022 | \$ 6,449,479 | \$ 6,161,176 | \$ 288,303 |
| Plan fiduciary net position as a percentage of the total pension liability | | | 95.53% |

Actuarial assumptions:

An actuarial valuation of the total pension liability is performed biennially. The pension liability was determined as part of an actuarial valuation performed at January 1, 2021. Update procedures were used to roll forward to the plan's year ended December 31, 2022. All plan benefits are valued using the entry age normal cost valuation method. Significant actuarial assumptions used in this valuation included: (1) a rate of return on the investments of present and future assets of 7.25% per year; (2) projected salary increases of 4.75% per year for the participant between his/her current age and retirement age and (3) mortality rates based on the PubG-2010 Health Retiree Mortality Projected five years past the valuation date using Scale MP-200.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Component unit – Lower Allen Township Authority:

Investment policy:

The plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee. The investment policy of the plan is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent.

Valuation of investments:

The pension plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to pay benefits or administrative expenses charged by the Principal Life Insurance Company. Unallocated separate and allocated separate accounts are recorded at fair value.

Long-term expected rate of return:

The long-term expected rate of return on 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 pension plan investment expense and inflation of 2.45%) 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 allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of December 31, 2022 are shown below:

| <u>Asset class</u> | <u>Target allocation</u> | <u>Long-term expected rate of return</u> |
|----------------------|------------------------------|--|
| Domestic equity: | | |
| Large cap | 43 % | 5.4 % |
| Mid cap | 1 | 6.5 |
| Small cap | 2 | 6.5 |
| International equity | - | 6.2 |
| Fixed income | 52 | 2.1 |
| Real estate | 2 | 4.9 |
| Cash | - | (5.0) |
| | <u>100 %</u> | |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Component unit – Lower Allen Township Authority:

Rate of return:

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

For the year ended December 31, 2022, the annual money-weighted rate of return on the plan's investments, net of investment expense, was (13.50%).

Discount rate:

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that Lower Allen Township Authority contributions would be made as required by the plan's MMO. 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension asset to changes in the discount rate:

The following presents the net pension asset of the plan calculated using the discount rate described above, as well as what the plan net pension asset would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| 1% Decrease | Current discount rate | 1% Increase |
|-------------------|--------------------------|---------------------|
| <u>(6.25%)</u> | <u>(7.25%)</u> | <u>(8.25%)</u> |
| <u>\$ 895,897</u> | <u>\$ 288,303</u> | <u>\$ (238,316)</u> |

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended December 31, 2022, Lower Allen Township Authority recognized pension expense of \$138,675. At December 31, 2022, Lower Allen Township Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | <u>Deferred outflows of resources</u> | <u>Deferred inflows of resources</u> | <u>Net total</u> |
|---|---|--|-------------------|
| Difference between expected and actual experience | \$ - | \$ (146,913) | \$(146,913) |
| Changes in assumptions | 124,032 | - | 124,032 |
| Net difference between projected and actual earnings on pension plan investments | <u>791,051</u> | <u>-</u> | <u>791,051</u> |
| | <u>\$ 915,083</u> | <u>\$ (146,913)</u> | <u>\$ 768,170</u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. Pension and deferred compensation plans (continued):

Component unit – Lower Allen Township Authority:

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

The effect of the differences in Lower Allen Township Authority’s expected and actual experience and the changes of assumptions are recognized over the average expected remaining service lives of active and inactive members. The difference between projected and actual earnings on the pension plan investments is recognized over four years. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended <u>December 31,</u> | |
|-----------------------------------|--------------------------|
| 2023 | \$ 61,241 |
| 2024 | 203,306 |
| 2025 | 203,724 |
| 2026 | <u>299,899</u> |
| | <u><u>\$ 768,170</u></u> |

Deferred compensation plan:

Lower Allen Township Authority maintains a deferred plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time Lower Allen Township Authority employees who have attained the age of 21 and have completed two years of service, permits them to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their deferrals are invested. Vesting in the plan is immediate and allows for discretionary employer contributions. The deferred compensation is not available to employees until death or separation from service. Lower Allen Township Authority made a discretionary contribution for the year ended December 31, 2022 in the amount of \$52,532. For the year ended December 31, 2022, the participants deferred compensation in the amount of \$76,888. The plan was amended in 2013 to provide for an employer discretionary contribution for each person who is hired or rehired on or after October 3, 2013. The discretionary contribution for employees hired or rehired after October 3, 2013 is based on a percentage of salary or wages determined by years of service. Lower Allen Township Authority made a discretionary contribution for employees covered under this amendment in the amount of \$20,291 for the year ended December 31, 2022.

10. Other post-employment benefits:

Plan description:

In addition to the pension benefits described in Note 8, the Township provides certain post-employment healthcare benefits to its police retirees through one single-employer, defined benefit other post-employment benefit (OPEB) plan. The OPEB plan does not issue a separate report.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

10. Other post-employment benefits (continued):

Plan description:

Per Section 12.04 of the Collective Bargaining Agreement between the Township and the Lower Allen Township Police Officers' Association, effective January 1, 2015, the Township will provide retired officers with health insurance for a period of time after retirement. The retiree then has the option to maintain coverage through the Township by paying the costs in advance to the Township each month.

The Lower Allen Township OPEB Plan is a single-employer, defined benefit other post-employment benefit plan controlled by the provisions of the plan document adopted January 1, 2015. The plan is governed by the Board of Commissioners of Lower Allen Township, which may amend provisions, and which is responsible for the management of plan assets. Lower Allen Township has contracted with Wells Fargo Advisors to manage plan assets. The Plan does not issue a separate report.

Eligibility: Any full-time police officer who retires after having at least 25 years of service and after attaining age 50. Police officers who elect to enter DROP will be eligible after exiting DROP.

Plan membership:

The OPEB plan membership consisted of the following (actual number of plan members):

| | |
|----------------------------|------------------|
| Valuation date | January 1, 2022 |
| Active plan members | 19 |
| Vested former participants | 2 |
| Retired participants | <u>6</u> |
| Total | <u><u>27</u></u> |

Benefits provided:

Medical, prescription, vision and dental coverage are provided to the participant until such officer is eligible for Medicare. Family members of eligible officers shall receive medical, prescription, vision and dental coverage for 24 months. After 24 months, the Township shall cover 50% of the spouse's basic medical coverage until said spouse is eligible for Medicare and the retired officer shall be eligible to purchase dependent medical coverage and spousal prescription, dental and vision coverage at their own cost.

For officers hired after December 31, 2014, family members of eligible officers shall receive medical, prescription, vision and dental coverage for 12 months. Such officers shall be eligible to purchase coverage for their family at the then applicable COBRA rate, the cost of which is to be paid solely by the retired officer.

Changes in plan provisions:

For officers hired on or after January 1, 2018 retirees pay 100% of premiums for medical, prescription drug, dental and vision.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

10. Other post-employment benefits (continued):

Contributions made:

Eligible employees are not required to contribute to the plan. For the year ended December 31, 2022, the Township did not contribute to the OPEB trust fund. OPEB obligations are typically liquidated by the General Fund.

Changes in net OPEB liability:

The changes in the net OPEB liability for the Township for the year ended December 31, 2022 were as follows:

| | Increase (decrease) | | |
|--|-------------------------|--------------------------------|-----------------------|
| | Total OPEB liability | Plan fiduciary net position | Net OPEB liability |
| Balances at January 1, 2022 | \$ 3,850,114 | \$ 801,328 | \$ 3,048,786 |
| Changes for the year: | | | |
| Service cost | 193,833 | - | 193,833 |
| Interest | 146,259 | - | 146,259 |
| Difference between expected and accrual experience | (331,319) | - | (331,319) |
| Changes of assumptions | (340,001) | - | (340,001) |
| Contributions, employer | - | 174,217 | (174,217) |
| Net investment loss | - | (157,753) | 157,753 |
| Benefit payments | (103,642) | (103,642) | - |
| Administrative expense | - | (9,229) | 9,229 |
| Net changes | (434,870) | (96,407) | (338,463) |
| Balances at December 31, 2022 | \$ 3,415,244 | \$ 704,921 | \$ 2,710,323 |
| Plan fiduciary net position as a percentage of the total OPEB liability | | | 20.64% |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

10. Other post-employment benefits (continued):

Actuarial assumptions:

For the OPEB plan, the net OPEB liability was determined through a rollforward of the liabilities reflected in the January 1, 2021 actuarial valuation report based on the actuarial assumptions contained and incorporating benefit payments as reported by the Township. The valuation was based upon the entry age normal cost method and the following significant actuarial assumptions:

Rates:

| | |
|-----------------------------------|-------|
| Inflation rate | 2.75% |
| Long-term expected rate of return | 7.00% |
| Discount rate | 4.42% |
| Salary increase | 5.00% |

Annual trend rates:

| | |
|------------|---|
| Retirement | Age 50 with completion of 25 years of service |
| Mortality | PubS-2010 headcount-weighted mortality table including rates for contingent survivors |
| DROP | 100% of participants are assumed to enter DROP at first eligibility and remain in DROP, on average, for two years |

Insurance premiums:

Normal retirement:

| | |
|---------------------------------|---|
| Hired prior to January 1, 2015: | The Township pays 100% of the employees medical, prescription drug, dental and vision premiums for member until age 65. For the officer's family, the Township pays 100% of premiums for up to 2 years. After the 2 years, the Township pays 50% of medical coverage premium for the spouse only. |
|---------------------------------|---|

Hired after January 1, 2015 and prior to January 1, 2018:

The Township pays 100% of the employees medical, prescription drug, dental and vision premiums for member until age 65. For the officer's family, the Township pays 100% of premiums for 1 year. After the 2 years, the Township pays 50% of medical coverage premium for the spouse only.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

10. Other post-employment benefits (continued):

Actuarial assumptions:

Insurance premiums:

Age adjustments (Medical/Rx):

| Age | Medical and prescription drug combined | |
|--------------|--|----------|
| | Males | Females |
| Less than 25 | \$ 3,546 | \$ 7,980 |
| 25-29 | 4,264 | 10,646 |
| 30-34 | 4,821 | 10,799 |
| 35-39 | 5,844 | 11,212 |
| 40-44 | 7,146 | 12,074 |
| 45-49 | 9,174 | 13,250 |
| 50-54 | 12,155 | 14,973 |
| 55-59 | 14,795 | 15,665 |
| 60-64 | 19,311 | 17,997 |

Changes in benefit terms:

Participants hired on or after January 1, 2018 were not included in the valuation, since they are not assumed to elect coverage at retirement due to being required to pay 100% of premium costs.

Changes in assumptions:

On January 1, 2019, the assumed discount rate was reduced from 4.75% to 4.50% and medical trend assumption was increased for years 2019 through 2026.

On January 1, 2021, the assumed discount rate was reduced from 4.50% to 4.00% trend rates for 2021 were updated based on actual increases, mortality assumption was updated from RP-2014 table basis to PubS-2010 basis with improvement updated from the 2015 SSA Long-Range Demographic Assumptions to the 2020 SSA Long-Range Demographic Assumptions, rates of disablement were removed.

On January 1, 2022, the assumed discount rate was increased from 4.00% to 4.42% trend rates for 2022 were updated based on actual increases, mortality assumption was updated from PubS-2010 basis to PubS-2021 basis.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

10. Other post-employment benefits (continued):

Investment policy:

The OPEB policy in regard to the allocation of invested assets is established and may be amended by the applicable Township Investment Committee. The investment policy of the plan is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent.

Long-term expected rate of return:

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, net of investment expense and 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 allocation percentages specified in the Township's Investment Policy Statement and by adding expected inflation.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the OPEB target asset allocation as of the valuation date of January 1, 2021.

| <u>Asset class</u> | <u>Target allocation</u> | <u>Long-term expected rate of return</u> |
|--------------------|------------------------------|--|
| Equity | 60.0 % | 4.75 - 6.75 % |
| Fixed income | 38.0 | 0.75 - 2.75 |
| Cash equivalents | <u>2.0</u> | 0.00 - 0.75 |
| | <u>100.0 %</u> | |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

10. Other post-employment benefits (continued):

Concentrations:

At December 31, 2022, the following are investments (other than U.S. government and U.S. government guaranteed obligations), in any one organization, that represent 5% or more of net position available for benefits:

Investments at fair value:

Level 1, mutual funds:

Equities:

| | |
|--|-----------|
| American Century Mutual Fund Growth Fund | \$ 64,555 |
| Delaware Smallcap Core Fund | 60,189 |
| Delaware Group Equity Fund | 82,308 |
| MFS Ser Ti I Value Fund | 52,322 |
| Mainstay Fund High Yield Corporate Bond Fund | 59,408 |
| MFS Ser Tr X Emerging Mkts Debt Fd Class I | 50,169 |
| Metropolitan West Fund Total Return Bond Fund | 55,783 |
| Pimco Funds Pac Invt Mgmt Ser Commodity Real Return Fund | 84,260 |
| T. Rowe Price International Fund Overseas Stock Fund | 62,074 |
| T. Rowe Price Blue Chip Growth Fund | 70,004 |
| Allspring Special Mid Cap Value Fund | 52,408 |

Discount rate:

The discount rate used to measure the total OPEB liability was 4.42%. During the prior valuation, the discount rate assumed was 4.00%. The increase in the discount rate was the result of medical premium increases that occurred since the prior valuation. This is the equivalent single rate determined by applying the long-term expected rate of return on investments to future benefit payments for current plan members expected to be funded by plan assets, and applying a tax-exempt, high quality municipal bond rate (estimated to be 4.31%) to benefit payments thereafter. In projecting assets, it was assumed that the Township would continue to deposit approximately zero dollars and pay retiree premiums (indexed for inflation) to/from the trust annually. Based on these assumptions, assets were projected to be available to make 16 years of projected benefit payments.

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

The following presents the net OPEB liability of the plan calculated using the discount rate described above, as well as what the plan's net OPEB liability would be if they were calculated using a discount rate that is 1% lower or 1% higher than the current rates:

| | 1% Decrease | Current discount rate | 1% Increase |
|--------------------------|---------------------|--------------------------|---------------------|
| | 3.42% | 4.42% | 5.42% |
| Total net OPEB liability | <u>\$ 3,043,572</u> | <u>\$ 2,710,323</u> | <u>\$ 2,412,256</u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

10. Other post-employment benefits (continued):

Sensitivity of the net OPEB liability to changes in the medical trend rate:

The following presents the net OPEB liability of the plan calculated using the medical trend rate described above, as well as what the plan's net OPEB liability would be if they were calculated using a medical trend rate that is 1% lower or 1% higher than the current rates:

| | 1% Decrease | Current valuation rates | 1% Increase |
|--------------------------|--------------|----------------------------|--------------|
| Total net OPEB liability | \$ 2,319,179 | \$ 2,710,323 | \$ 3,171,350 |

OPEB expense and deferred outflows or resources and deferred inflows of resources related to OPEB:

For the year ended December 31, 2022, the Township recognized OPEB expense of \$197,245. At December 31, 2022, the Township reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred outflows of resources | Total Deferred inflows of resources | Net total |
|--|--------------------------------------|--|--------------|
| Difference between expected and actual experience | \$ - | \$ (897,033) | \$ (897,033) |
| Changes in assumptions | 114,638 | - | 114,638 |
| Net difference between projected and actual earnings on OPEB plan investments | - | (95,654) | (95,654) |
| | \$ 114,638 | \$ (992,687) | \$ (878,049) |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

10. Other post-employment benefits (continued):

OPEB expense and deferred outflows or resources and deferred inflows of resources related to OPEB:

The effect of the differences in the Township's expected and actual experience and the changes of assumptions are recognized over the average expected remaining service lives of active and inactive members. The difference between projected and actual earnings on the OPEB investments is recognized over seven years. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year ended</u> <u>December 31,</u> | |
|--|--------------------------------|
| 2023 | \$ (106,759) |
| 2024 | (89,928) |
| 2025 | (81,021) |
| 2026 | (73,186) |
| 2027 | (116,383) |
| Thereafter | <u>(410,772)</u> |
| | <u><u>\$ (878,049)</u></u> |

Annual OPEB fund statements:

Financial statements for the OPEB trust fund are presented below:

Statement of Fiduciary Net Position
December 31, 2022

| | |
|--|------------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 5 |
| Investments, mutual funds, equities | <u>974,690</u> |
| Total assets | <u><u>\$ 974,695</u></u> |
| Liabilities, accounts payable | \$ 269,774 |
| Net position, restricted for other post-employment benefits | <u>704,921</u> |
| Total liabilities and net position | <u><u>\$ 974,695</u></u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

10. Other post-employment benefits (continued):

Annual OPEB fund statements:

Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2022

| | |
|---|--------------------------|
| Additions: | |
| Contributions, employer | <u>\$ 174,217</u> |
| Net investment loss: | |
| Investment loss | (149,786) |
| Less investment expense | <u>(7,967)</u> |
| Net investment loss | <u>(157,753)</u> |
| Total additions | <u>16,464</u> |
| Deductions: | |
| Benefits | 103,642 |
| Administrative expenses | <u>9,229</u> |
| Total deductions | <u>112,871</u> |
| Decrease in plan net position | (96,407) |
| Net position restricted for other post-employment benefits: | |
| Beginning of year | <u>801,328</u> |
| End of year | <u><u>\$ 704,921</u></u> |

11. Major customers:

Component unit – Lower Allen Township Authority:

Sales to one customer comprised 12.22% of the net sewer rental revenues for the year ended December 31, 2022.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

12. American Rescue Plan:

On March 11, 2021, the American Rescue Plan Act of 2021 (American Rescue Plan), a \$1.9 trillion coronavirus (COVID-19) relief package, was signed into law. The American Rescue Plan provides additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals and businesses. The American Rescue Plan provides \$130 billion in emergency funding for local governments to enable them to continue to support the public health response and lay the foundation for a strong and equitable economic recovery. The Township was allocated \$2,127,303 in funding from the American Rescue Plan. The Township will have until December 31, 2024 to spend these funds. Any funds not spent by December 31, 2024 are to be turned back over to the federal treasury.

The Township received the first installment of \$1,060,299 during 2021, none of which was used in 2021. The Township received the second installment of \$1,067,004 during 2022 and used \$250,000 during 2022. As of December 31, 2022, the unused portion of \$1,877,303 was recorded as unearned revenues.

13. Subsequent events:

Management of the Township has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through May 20, 2026.

Subsequent to December 31, 2022, the Township approved a solar contract that includes a \$500,000 prepayment, a 28-year term and an option to purchase in year six for \$787,662. The Township also approved and progressed multiple grant-funded infrastructure and park-related projects, including Beacon Hill Park Phase 1, Federal-Aid Highway pedestrian improvements, a zoning ordinance update funded by a DCED grant and a CDBG/LSA-funded leaf turner project. In addition, the Township settled the Triple Crown lawsuit in 2025 which was ruled in favor of the Township. The Township also pursued certain DCED/LSA grants (including strategic management planning, a new ambulance, license plate readers and a new play structure and play surface) that remained on hold pending completion of outstanding audits as of the latest information available to management.

No adjustments have been made to the December 31, 2022 financial statements related to these matters because the underlying conditions arose after year end. Management has determined that disclosure of these matters is appropriate because they are significant to users' understanding of the financial statements.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL –
BUDGETARY (NON-GAAP) BASIS – GENERAL FUND (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

| | Budget | | Actual amounts | Variance of actual with final budget positive (negative) |
|-----------------------------------|---------------------|-------------------|-------------------|--|
| | Original amounts | Final amounts | | |
| Revenues: | | | | |
| Real estate taxes | \$ 4,810,020 | \$ 4,810,020 | \$ 4,981,743 | \$ 171,723 |
| Other taxes | 4,390,290 | 4,390,290 | 5,600,625 | 1,210,335 |
| Licenses and permits | 400,050 | 400,050 | 447,520 | 47,470 |
| Fines and forfeits | 103,000 | 103,000 | 103,516 | 516 |
| Investment earnings | 108,360 | 108,360 | 183,737 | 75,377 |
| Rents | 44,410 | 44,410 | 42,498 | (1,912) |
| Intergovernmental revenue | 2,062,120 | 2,062,120 | 1,243,586 | (818,534) |
| Charges for services | 3,111,430 | 3,111,430 | 3,965,732 | 854,302 |
| Miscellaneous revenues | 17,750 | 17,750 | 123,995 | 106,245 |
| Total revenues | 15,047,430 | 15,047,430 | 16,692,952 | 1,645,522 |
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| General government | 478,410 | 478,410 | 478,275 | 135 |
| Financial administration | 446,250 | 446,250 | 443,503 | 2,747 |
| Tax collection | 135,060 | 135,060 | 120,594 | 14,466 |
| Community and personnel | 115,860 | 115,860 | 133,640 | (17,780) |
| Information services | 210,180 | 210,180 | 208,281 | 1,899 |
| Municipal building | 714,620 | 714,620 | 466,295 | 248,325 |
| Fleet maintenance | 425,650 | 425,650 | 536,154 | (110,504) |
| Total general government | 2,526,030 | 2,526,030 | 2,386,742 | 139,288 |
| Public safety: | | | | |
| Police and fire protection | 5,287,940 | 5,287,940 | 5,307,080 | (19,140) |
| Ambulance service | 1,371,100 | 1,371,100 | 1,296,900 | 74,200 |
| Code enforcement | 800,900 | 800,900 | 627,574 | 173,326 |
| Planning and zoning | 1,100,220 | 1,100,220 | 277,006 | 823,214 |
| Public safety administration | 1,213,490 | 1,213,490 | 1,108,749 | 104,741 |
| Total public safety | 9,773,650 | 9,773,650 | 8,617,309 | 1,156,341 |
| Public works: | | | | |
| General health services | 82,220 | 82,220 | 95,250 | (13,030) |
| Sanitation services | 1,346,540 | 1,346,540 | 1,336,788 | 9,752 |
| Stormwater | 436,380 | 436,380 | 646,372 | (209,992) |
| Highways | 1,062,320 | 1,062,320 | 927,848 | 134,472 |
| Total public works | 2,927,460 | 2,927,460 | 3,006,258 | (78,798) |
| Parks and recreation: | | | | |
| Parks and recreation | 902,010 | 902,010 | 790,354 | 111,656 |
| Shade trees | 5,800 | 5,800 | 5,756 | 44 |
| Libraries | 2,600 | 2,600 | 2,600 | - |
| Total parks and recreation | 910,410 | 910,410 | 798,710 | 111,700 |

(continued)

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL –
BUDGETARY (NON-GAAP) BASIS – GENERAL FUND (UNAUDITED) (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

| | Budget | | Actual amounts | Variance of actual with final budget positive (negative) |
|---|---------------------|-------------------|----------------------|--|
| | Original amounts | Final amounts | | |
| Expenditures (continued): | | | | |
| Miscellaneous expenditures | \$ 84,780 | \$ 84,780 | \$ 77,664 | \$ 7,116 |
| Total expenditures | 16,222,330 | 16,222,330 | 14,886,683 | 1,335,647 |
| Excess (deficiency) of revenues over (under) expenditures | (1,174,900) | (1,174,900) | 1,806,269 | 2,981,169 |
| Other financing sources (uses): | | | | |
| Transfers in | 1,016,300 | 1,016,300 | 566,300 | (450,000) |
| Transfers out | (808,120) | (808,120) | (813,090) | (4,970) |
| Contributions from Lower Allen Township Stormwater Authority | 1,416,020 | 1,416,020 | 1,370,150 | (45,870) |
| Contributions to Lower Allen Township Development Authority | (250,000) | (250,000) | (250,000) | - |
| Contributions to Lower Allen Township Authority | (40,000) | (40,000) | - | 40,000 |
| Proceeds from sale of assets | 60,700 | 60,700 | 64,480 | 3,780 |
| Total other financing sources (uses) | 1,394,900 | 1,394,900 | 937,840 | (457,060) |
| Net change in fund balance | \$ 220,000 | \$ 220,000 | 2,744,109 | \$ 2,524,109 |
| Fund balance: | | | | |
| Beginning of year | | | 12,171,609 | |
| End of year | | | \$ 14,915,718 | |

(concluded)

See accompanying notes to required supplementary information – budgetary comparison schedule.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

1. Budgetary basis of accounting:

In the annual non-GAAP basis budget, debt service payments on the General Obligation Pension Funding Bonds, Series of 2013, are included in the applicable functions rather than reported as principal and interest and fiscal charges in the statement of revenues, expenditures and changes in fund balance – governmental funds. Unencumbered appropriations for annually budgeted funds lapse at fiscal year end.

2. Stewardship, compliance and accountability:

Excess of expenditures over appropriations:

| | <u>Appropriation</u> | <u>Expenditures</u> | <u>Percentage over appropriation</u> |
|---|----------------------|---------------------|--|
| General government: | | | |
| Community and personnel | \$ 115,860 | \$ 133,640 | 15.35 % |
| Fleet maintenance | 425,650 | 536,154 | 25.96 |
| Public safety, police and fire protection | 5,287,940 | 5,307,080 | 0.36 |
| Public works: | | | |
| General health services | 82,220 | 95,250 | 15.85 |
| Stormwater | 436,380 | 646,372 | 48.12 |

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, other financing sources and accumulated fund balance.

In compliance with First Class Township Code, the adopted budget shall reflect as nearly as possible the estimated revenue and expenditures of Lower Allen Township for the year for which the budget is prepared. If, upon any revision of the budget, it appears that the estimated expenditures will be increased by more than 10% of the budgeted fund total or more than 25% in any individual item, a budget amendment must be prepared and duly advertised, affording the taxpayers the opportunity to examine and protest such increases.

3. Budget to actual comparisons:

The General Fund's budget comparison is presented in the required supplementary information section. The budgeted non-major special revenue funds, Capital Improvement Fund and Debt Service Fund budget comparisons are presented in the supplementary information section.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL –
MAJOR GOVERNMENTAL FUND – FIRE SERVICES FUND (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

| | <u>Budget</u> | | Actual amounts | Variance of actual with final budget positive (negative) |
|---|-----------------------------|----------------------------|----------------------------|--|
| | <u>Original amounts</u> | <u>Final amounts</u> | | |
| Revenues: | | | | |
| Real estate taxes | \$ 1,720,340 | \$ 1,720,340 | \$ 1,789,949 | \$ 69,609 |
| Intergovernmental revenue | 13,740 | - | - | - |
| Investment earnings | 15,500 | 15,500 | 35,760 | 20,260 |
| Miscellaneous revenues | 25,000 | 25,000 | 100 | (24,900) |
| Total revenues | 1,774,580 | 1,760,840 | 1,825,809 | 64,969 |
| Expenditures, public safety | 646,240 | 646,240 | 531,485 | 114,755 |
| Excess of revenues over expenditures | 1,128,340 | 1,114,600 | 1,294,324 | 179,724 |
| Other financing uses, transfers out | (591,350) | (591,350) | (617,890) | (26,540) |
| Net change in fund balance | 536,990 | 523,250 | 676,434 | 153,184 |
| Fund balance: | | | | |
| Beginning of year | 859,619 | 859,619 | 859,619 | - |
| End of year | <u>\$ 1,396,609</u> | <u>\$ 1,382,869</u> | <u>\$ 1,536,053</u> | <u>\$ 153,184</u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
SCHEDULE OF CHANGES IN THE NON-UNIFORMED PENSION PLAN'S
NET PENSION (ASSET) LIABILITY AND RELATED RATIOS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability: | | | | | | | | | |
| Service cost | \$ 173,613 | \$ 165,740 | \$ 224,859 | \$ 214,663 | \$ 202,937 | \$ 193,735 | \$ 160,643 | \$ 153,358 | \$ 150,999 |
| Interest | 596,185 | 562,227 | 547,834 | 515,146 | 486,004 | 451,572 | 418,591 | 389,873 | 368,256 |
| Changes of: | | | | | | | | | |
| Experience | - | (277,149) | - | (424,927) | - | - | - | - | - |
| Assumptions | - | - | - | 618,768 | - | 18,238 | - | 123,682 | - |
| Benefit payments, including refunds of member contributions | (298,329) | (267,805) | (221,210) | (387,121) | (206,715) | (213,731) | (185,753) | (174,171) | (194,844) |
| Differences between expected and actual experience | - | - | - | - | - | (5,269) | - | (181,849) | - |
| Net changes in total pension liability | 471,469 | 183,013 | 551,483 | 536,529 | 482,226 | 444,545 | 393,481 | 310,893 | 324,411 |
| Beginning of year | 7,924,689 | 7,741,676 | 7,190,193 | 6,653,664 | 6,171,438 | 5,726,893 | 5,333,412 | 5,022,519 | 4,698,108 |
| End of year (a) | \$ 8,396,158 | \$ 7,924,689 | \$ 7,741,676 | \$ 7,190,193 | \$ 6,653,664 | \$ 6,171,438 | \$ 5,726,893 | \$ 5,333,412 | \$ 5,022,519 |
| Plan fiduciary net position: | | | | | | | | | |
| Contributions, state aid and employer | \$ 255,010 | \$ 294,026 | \$ 286,028 | \$ 251,075 | \$ 246,946 | \$ 162,453 | \$ 149,491 | \$ 166,845 | 157,621 |
| Net investment income (loss) | (1,444,544) | 1,223,088 | 1,063,064 | 1,070,613 | (386,865) | 729,547 | 308,365 | (36,979) | 278,147 |
| Benefit payments, including refunds of member contributions | (298,329) | (267,805) | (221,210) | (387,121) | (206,715) | (213,731) | (185,753) | (174,171) | (194,844) |
| Administrative expense | (12,894) | (10,153) | (14,581) | (20,655) | (29,416) | (5,619) | (9,603) | (12,681) | (10,294) |
| Net change in plan fiduciary net position | (1,500,757) | 1,239,156 | 1,113,301 | 913,912 | (376,050) | 672,650 | 262,500 | (56,986) | 230,630 |
| Total fiduciary net position: | | | | | | | | | |
| Beginning of year | 8,989,751 | 7,750,595 | 6,637,294 | 5,723,382 | 6,099,432 | 5,426,782 | 5,164,282 | 5,221,268 | 4,990,638 |
| End of year (b) | \$ 7,488,994 | \$ 8,989,751 | \$ 7,750,595 | \$ 6,637,294 | \$ 5,723,382 | \$ 6,099,432 | \$ 5,426,782 | \$ 5,164,282 | \$ 5,221,268 |
| Net pension (asset) liability, end of year (a) - (b) | \$ 907,164 | \$ (1,065,062) | \$ (8,919) | \$ 552,899 | \$ 930,282 | \$ 72,006 | \$ 300,111 | \$ 169,130 | \$ (198,749) |
| Plan fiduciary net position as a percentage of the total pension liability | 89.20% | 113.44% | 100.12% | 92.31% | 86.02% | 98.83% | 94.76% | 96.83% | 103.96% |
| Covered payroll | \$ 2,128,059 | \$ 2,182,236 | \$ 2,266,054 | \$ 2,379,862 | \$ 2,493,311 | \$ 2,373,294 | \$ 2,204,534 | \$ 2,124,603 | \$ 2,003,231 |
| Net pension (asset) liability as a percentage of covered payroll | 42.63% | (48.81%) | (0.39%) | 23.23% | 37.31% | 3.03% | 13.61% | 7.96% | (9.92%) |

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the Township is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information – pension plan.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
SCHEDULE OF CHANGES IN THE POLICE PENSION PLAN'S
NET PENSION (ASSET) LIABILITY AND RELATED RATIOS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|
| Total pension liability: | | | | | | | | | |
| Service cost | \$ 347,333 | \$ 330,793 | \$ 285,401 | \$ 271,810 | \$ 285,850 | \$ 272,238 | \$ 234,579 | \$ 223,409 | \$ 225,681 |
| Interest | 909,040 | 581,817 | 847,417 | 824,859 | 813,870 | 726,467 | 733,703 | 708,566 | 701,437 |
| Changes of: | | | | | | | | | |
| Experience | - | (23,576) | - | 82,768 | - | - | - | - | - |
| Assumptions | - | - | - | 739,235 | - | 19,383 | - | 145,786 | - |
| Benefit payments, including refunds of member contributions | (556,960) | (797,421) | (428,759) | (1,120,491) | (470,300) | (472,583) | (632,426) | (605,182) | (386,970) |
| Differences between expected and actual experience | - | - | - | - | - | (566,187) | - | (482,566) | - |
| Net changes in total pension liability | 699,413 | 91,613 | 704,059 | 798,181 | 629,420 | (20,682) | 335,856 | (9,987) | 540,148 |
| Beginning of year | 12,087,215 | 11,995,602 | 11,291,543 | 10,493,362 | 9,863,942 | 9,884,624 | 9,548,768 | 9,558,755 | 9,018,607 |
| End of year (a) | \$ 12,786,628 | \$ 12,087,215 | \$ 11,995,602 | \$ 11,291,543 | \$ 10,493,362 | \$ 9,863,942 | \$ 9,884,624 | \$ 9,548,768 | \$ 9,558,755 |
| Plan fiduciary net position: | | | | | | | | | |
| Contributions: | | | | | | | | | |
| State aid and employer | \$ 339,165 | \$ 309,590 | \$ 246,592 | \$ 222,425 | \$ 200,687 | \$ 151,017 | \$ 154,536 | \$ 159,678 | \$ 155,185 |
| Member | 175,722 | 120,704 | 108,041 | 110,849 | 101,698 | 93,827 | 85,681 | 76,246 | 71,656 |
| Net investment income (loss) | (2,221,833) | 1,895,101 | 1,658,124 | 1,725,725 | (653,946) | 1,267,349 | 541,283 | (70,936) | 514,661 |
| Benefit payments, including refunds of member contributions | (556,960) | (797,421) | (428,759) | (1,120,491) | (470,300) | (472,583) | (632,426) | (605,182) | (386,970) |
| Administrative expense | (9,689) | (8,638) | (8,835) | (17,904) | (11,605) | (6,832) | (10,205) | (12,694) | (20,924) |
| Net change in plan fiduciary net position | (2,273,595) | 1,519,336 | 1,575,163 | 920,604 | (833,466) | 1,032,778 | 138,869 | (452,888) | 333,608 |
| Total fiduciary net position: | | | | | | | | | |
| Beginning of year | 13,724,807 | 12,205,471 | 10,630,308 | 9,709,704 | 10,543,170 | 9,510,392 | 9,371,523 | 9,824,411 | 9,490,803 |
| End of year (b) | \$ 11,451,212 | \$ 13,724,807 | \$ 12,205,471 | \$ 10,630,308 | \$ 9,709,704 | \$ 10,543,170 | \$ 9,510,392 | \$ 9,371,523 | \$ 9,824,411 |
| Net pension (asset) liability, end of year (a) - (b) | \$ 1,335,416 | \$ (1,637,592) | \$ (209,869) | \$ 661,235 | \$ 783,658 | \$ (679,228) | \$ 374,232 | \$ 177,245 | \$ (265,656) |
| Plan fiduciary net position as a percentage of the total pension liability | 89.56% | 113.55% | 101.75% | 94.14% | 92.53% | 106.89% | 96.21% | 98.14% | 102.78% |
| Covered payroll | \$ 2,454,058 | \$ 2,402,434 | \$ 2,251,577 | \$ 2,138,309 | \$ 1,967,671 | \$ 1,935,772 | \$ 1,645,994 | \$ 1,480,832 | \$ 1,437,717 |
| Net pension (asset) liability as a percentage of covered payroll | 54.42% | (68.16%) | (9.32%) | 30.92% | 39.83% | (35.09%) | 22.74% | 11.97% | (18.48%) |

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the Township is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information – pension plan.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
SCHEDULE OF CHANGES IN THE VOLUNTEER FIREFIGHTER’S SERVICE AWARD PROGRAM’S
NET PENSION (ASSET) LIABILITY AND RELATED RATIOS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
| Total pension liability: | | | | | | | | |
| Service cost | \$ 7,289 | \$ 5,467 | \$ 6,760 | \$ 5,070 | \$ 3,395 | \$ 2,546 | \$ 6,700 | \$ 5,025 |
| Interest | 22,399 | 16,027 | 18,644 | 13,751 | 17,380 | 12,736 | 17,542 | 12,601 |
| Changes of assumptions | 16,291 | 9,832 | - | - | - | 896 | - | 11,295 |
| Benefit payments, including refunds of member contributions | (17,211) | (16,291) | (21,874) | (13,435) | (12,535) | (11,035) | (10,735) | (8,995) |
| Differences between expected and actual experience | - | 15,928 | - | 5,736 | - | (16,763) | - | (16,351) |
| Net changes in total pension liability | 28,768 | 30,963 | 3,530 | 11,122 | 8,240 | (11,620) | 13,507 | 3,575 |
| Beginning of year | 305,013 | 274,050 | 270,520 | 259,398 | 251,158 | 262,778 | 249,271 | 245,696 |
| End of year (a) | \$ 333,781 | \$ 305,013 | \$ 274,050 | \$ 270,520 | \$ 259,398 | \$ 251,158 | \$ 262,778 | \$ 249,271 |
| Plan fiduciary net position: | | | | | | | | |
| Contributions, employer | \$ 9,030 | \$ 3,764 | \$ 3,395 | \$ 2,739 | \$ 9,176 | \$ 9,476 | \$ 7,242 | \$ 4,541 |
| Net investment income (loss) | (51,353) | 27,296 | 30,538 | 46,728 | (14,922) | 34,117 | 17,429 | (6,491) |
| Benefit payments, including refunds of member contributions | (17,211) | (16,291) | (21,874) | (13,435) | (12,535) | (11,035) | (10,735) | (8,995) |
| Administrative expense | (4,214) | (1,983) | (4,693) | (2,332) | (7,639) | (1,883) | (4,098) | (1,634) |
| Net change in plan fiduciary net position | (63,748) | 12,786 | 7,366 | 33,700 | (25,920) | 30,675 | 9,838 | (12,579) |
| Total fiduciary net position: | | | | | | | | |
| Beginning of year | 300,323 | 287,537 | 280,171 | 246,471 | 272,391 | 241,716 | 231,878 | 244,457 |
| End of year (b) | \$ 236,575 | \$ 300,323 | \$ 287,537 | \$ 280,171 | \$ 246,471 | \$ 272,391 | \$ 241,716 | \$ 231,878 |
| Net pension (asset) liability, end of year (a) - (b) | \$ 97,206 | \$ 4,690 | \$ (13,487) | \$ (9,651) | \$ 12,927 | \$ (21,233) | \$ 21,062 | \$ 17,393 |
| Plan fiduciary net position as a percentage of the total pension liability | 70.88% | 98.46% | 104.92% | 103.57% | 95.02% | 108.45% | 91.98% | 93.02% |
| Covered payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Net pension (asset) liability as a percentage of covered payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the Township is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information – pension plan.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
SCHEDULE OF TOWNSHIP CONTRIBUTIONS (UNAUDITED)
DECEMBER 31, 2022

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Non-Uniformed Pension Plan: | | | | | | | | | | |
| Actuarially determined contribution under Act 205 | \$ 252,564 | \$ 294,026 | \$ 251,013 | \$ 251,075 | \$ 200,687 | \$ 162,452 | \$ 149,491 | \$ 166,845 | \$ 157,621 | \$ 215,644 |
| Contributions in relation to the actuarially determined contributions | 255,010 | 294,026 | 286,028 | 251,075 | 246,946 | 162,453 | 149,491 | 166,845 | 157,261 | 215,649 |
| Contribution (excess) deficit | <u>\$ (2,446)</u> | <u>\$ -</u> | <u>\$ (35,015)</u> | <u>\$ -</u> | <u>\$ (46,259)</u> | <u>\$ (1)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 360</u> | <u>\$ (5)</u> |
| Covered payroll | <u>\$ 2,128,059</u> | <u>\$ 2,182,236</u> | <u>\$ 2,266,054</u> | <u>\$ 2,379,862</u> | <u>\$ 2,493,311</u> | <u>\$ 2,373,294</u> | <u>\$ 2,204,534</u> | <u>\$ 2,124,603</u> | <u>\$ 2,003,231</u> | <u>\$ 1,872,545</u> |
| Contributions as a percentage of covered payroll | 11.98% | 13.47% | 12.62% | 10.55% | 9.90% | 6.85% | 6.78% | 7.85% | 7.85% | 11.52% |
| Police Pension Plan: | | | | | | | | | | |
| Actuarially determined contribution under Act 205 | \$ 338,169 | \$ 309,590 | \$ 246,592 | \$ 222,425 | \$ 200,687 | \$ 151,016 | \$ 120,271 | \$ 159,678 | \$ 155,185 | \$ 314,520 |
| Contributions in relation to the actuarially determined contributions | 339,165 | 309,590 | 246,592 | 222,425 | 200,687 | 151,016 | 154,536 | 159,678 | 226,841 | 314,521 |
| Contribution excess | <u>\$ (996)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (34,265)</u> | <u>\$ -</u> | <u>\$ (71,656)</u> | <u>\$ (1)</u> |
| Covered payroll | <u>\$ 2,454,058</u> | <u>\$ 2,402,434</u> | <u>\$ 2,251,577</u> | <u>\$ 2,138,309</u> | <u>\$ 1,967,671</u> | <u>\$ 1,935,772</u> | <u>\$ 1,645,994</u> | <u>\$ 1,480,832</u> | <u>\$ 1,437,717</u> | <u>\$ 1,521,351</u> |
| Contributions as a percentage of covered payroll | 13.82% | 12.89% | 10.95% | 10.40% | 10.20% | 7.80% | 9.39% | 10.78% | 15.78% | 20.67% |
| Volunteer Firefighter's Service Award Program: | | | | | | | | | | |
| Actuarially determined municipal contribution | \$ 9,030 | \$ 6,947 | \$ 9,647 | \$ 2,739 | \$ 5,439 | \$ 9,481 | \$ 9,481 | \$ 8,731 | \$ 11,572 | \$ 14,232 |
| Contributions in relation to the actuarially determined contributions | 9,030 | 3,764 | 3,395 | 2,739 | 9,176 | 9,476 | 7,242 | 4,541 | 7,397 | 16,680 |
| Contribution (excess) deficit | <u>\$ -</u> | <u>\$ 3,183</u> | <u>\$ 6,252</u> | <u>\$ -</u> | <u>\$ (3,737)</u> | <u>\$ 5</u> | <u>\$ 2,239</u> | <u>\$ 4,190</u> | <u>\$ 4,175</u> | <u>\$ (2,448)</u> |
| Covered payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions as a percentage of covered payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

See accompanying notes to required supplementary information – pension plan.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
SCHEDULE OF INVESTMENT RETURNS – TOWNSHIP (UNAUDITED)
DECEMBER 31, 2022

| | <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> | <u>2013</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Non-Uniformed Pension Plan: | | | | | | | | | | |
| Annual money-weighted rate of return, net of investment expense | (15.6%) | 16.3% | 16.3% | 19.5% | (6.20%) | 13.4% | 6.0% | (0.72%) | 5.6% | 0.0% |
| Police Pension Plan: | | | | | | | | | | |
| Annual money-weighted rate of return, net of investment expense | (15.7%) | 16.4% | 16.1% | 19.3% | (6.15%) | 13.4% | 6.0% | (0.74%) | 5.5% | 0.0% |
| Volunteer Firefighter's Service Award Program: | | | | | | | | | | |
| Annual money-weighted rate of return, net of investment expense | (17.5%) | 9.7% | 12.5% | 20.6% | 1.4% | 13.9% | 8.6% | (2.68%) | 0.0% | 0.0% |

The schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the Township is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information – pension plan.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
SCHEDULE OF CHANGES IN THE LOWER ALLEN TOWNSHIP AUTHORITY'S NET PENSION (ASSET) LIABILITY AND RELATED RATIOS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability: | | | | | | | | |
| Service cost | \$ 63,779 | \$ 60,887 | \$ 91,036 | \$ 86,908 | \$ 88,568 | \$ 84,552 | \$ 100,077 | \$ 95,539 |
| Interest | 444,933 | 426,986 | 406,307 | 385,377 | 380,233 | 360,294 | 360,694 | 340,638 |
| Differences between expected and actual experience | - | (230,119) | - | (211,426) | - | (292,922) | - | - |
| Changes in assumptions | - | 253,910 | - | - | - | 5,975 | - | - |
| Benefit payments, including refunds of member contributions | (264,921) | (221,516) | (190,001) | (185,440) | (184,102) | (163,568) | (164,081) | (164,081) |
| Net changes in total pension liability | 243,791 | 290,148 | 307,342 | 75,419 | 284,699 | (5,669) | 296,690 | 272,096 |
| Beginning of year | 6,205,688 | 5,915,540 | 5,608,198 | 5,532,779 | 5,248,080 | 5,253,749 | 4,957,059 | 4,684,963 |
| End of year (a) | \$ 6,449,479 | \$ 6,205,688 | \$ 5,915,540 | \$ 5,608,198 | \$ 5,532,779 | \$ 5,248,080 | \$ 5,253,749 | \$ 4,957,059 |
| Plan fiduciary net position: | | | | | | | | |
| Contributions, employer | \$ 75,726 | \$ 96,632 | \$ 100,308 | \$ 115,539 | \$ 117,820 | \$ 222,076 | \$ 220,014 | \$ 273,602 |
| Net investment income (loss) | (976,367) | 946,693 | 469,506 | 919,334 | (317,306) | 750,135 | 410,788 | (108,125) |
| Benefit payments, including refunds of member contributions | (264,921) | (221,516) | (190,001) | (185,440) | (184,102) | (163,568) | (164,081) | (164,081) |
| Administrative expense | (4,584) | (4,363) | (2,509) | (2,549) | - | - | - | - |
| Net change in plan fiduciary net position | (1,170,146) | 817,446 | 377,304 | 846,884 | (383,588) | 808,643 | 466,721 | 1,396 |
| Total fiduciary net position: | | | | | | | | |
| Beginning of year | 7,331,322 | 6,513,876 | 6,136,572 | 5,289,688 | 5,673,276 | 4,864,633 | 4,397,912 | 4,396,516 |
| End of year (b) | \$ 6,161,176 | \$ 7,331,322 | \$ 6,513,876 | \$ 6,136,572 | \$ 5,289,688 | \$ 5,673,276 | \$ 4,864,633 | \$ 4,397,912 |
| Net pension (asset) liability, end of year (a) - (b) | \$ 288,303 | \$ (1,125,634) | \$ (598,336) | \$ (528,374) | \$ 243,091 | \$ (425,196) | \$ 389,116 | \$ 559,147 |
| Plan fiduciary net position as a percentage of the total pension liability | 95.53% | 118.14% | 110.11% | 109.42% | 95.61% | 108.10% | 92.59% | 88.72% |
| Covered payroll | \$ 1,368,951 | \$ 1,383,535 | \$ 1,442,731 | \$ 1,431,895 | \$ 1,471,978 | \$ 1,435,613 | \$ 1,403,184 | \$ 1,549,821 |
| Net pension (asset) liability as a percentage of covered payroll | 21.06% | (81.36%) | (41.47%) | (36.90%) | 16.51% | (29.62%) | 27.73% | 36.08% |

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the Township is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information – pension plan.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
SCHEDULE OF LOWER ALLEN TOWNSHIP AUTHORITY CONTRIBUTIONS (UNAUDITED)
DECEMBER 31, 2022

| | <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> | <u>2013</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution under Act 205 | \$ 55,726 | \$ 56,632 | \$ 60,308 | \$ 75,539 | \$ 77,820 | \$ 182,076 | \$ 180,014 | \$ 233,602 | \$ 250,019 | \$ 264,689 |
| Contributions in relation to the actuarially determined contributions | <u>75,726</u> | <u>96,632</u> | <u>100,308</u> | <u>115,539</u> | <u>117,820</u> | <u>222,076</u> | <u>220,014</u> | <u>273,602</u> | <u>290,019</u> | <u>304,689</u> |
| Contribution excess | <u>\$ (20,000)</u> | <u>\$ (40,000)</u> | <u>\$ (40,000)</u> | <u>\$ (40,000)</u> | <u>\$ (40,000)</u> | <u>\$ (40,000)</u> | <u>\$ (40,000)</u> | <u>\$ (40,000)</u> | <u>\$ (40,000)</u> | <u>\$ (40,000)</u> |
| Covered payroll | <u>\$ 1,368,951</u> | <u>\$ 1,383,535</u> | <u>\$ 1,442,731</u> | <u>\$ 1,431,895</u> | <u>\$ 1,471,978</u> | <u>\$ 1,435,613</u> | <u>\$ 1,403,184</u> | <u>\$ 1,549,821</u> | <u>\$ 1,586,097</u> | <u>\$ 1,571,693</u> |
| Contributions as a percentage of covered payroll | 5.53% | 6.98% | 6.95% | 8.07% | 8.00% | 15.47% | 15.68% | 17.65% | 18.29% | 19.39% |

See accompanying notes to required supplementary information – pension plan.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

1. Actuarial methods and assumptions:

Actuarial calculations are performed biennially as of January 1 for the Non-Uniformed and Police Pension Plans and as of April 1 for the Volunteer Firefighter's Service Award Program. Contributions noted in the required supplementary information - pension plans are as of each plan's calendar year ended December 31 using actuarially determined rates calculated as of January 1 or April 1, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine the contribution required under Act 205 for the year ended December 31, 2022 are as follows:

| | Non-Uniformed Pension Plan | Police Pension Plan | Volunteer Firefighter's Service Award Program |
|-------------------------------|--|--|--|
| Actuarial valuation date | January 1, 2021 | January 1, 2019 | April 1, 2021 |
| Actuarial cost method | Entry age normal | Entry age normal | Entry age normal |
| Amortization method | Level dollar closed | Level dollar closed | N/A |
| Remaining amortization period | 15 years | 14 years | N/A |
| Asset valuation method | Smoothed value with a corridor of 80% to 120% of market value | Smoothed value with a corridor of 80% to 120% of market value | Market value |
| Actuarial assumptions: | | | |
| Inflation | 3.00% | 3.00% | N/A |
| Investment rate of return | 7.50% | 7.50% | 7.00% |
| Projected salary increases | 4.75% | 5.00% | 2.45% |
| Retirement age | Normal retirement age | Attainment of age 50 and completion of 25 years of service. | Normal retirement age |
| Pre-retirement mortality | None | None | None |
| Post-employment mortality | PubG-2010 mortality table projected generationally using Scale MP-2020 | PubS-2010 mortality table projected generationally using Scale MP-2020 | PubS-2010 health mortality table projected five years past the valuation date using Scale MP-2020 |
| Beneficiary | N/A | N/A | PubS-2010 contingent survivor mortality table projected five years past the valuation date using Scale MP-2020 |
| Disabled | N/A | N/A | PubS-2010 disabled mortality table projected five years past the valuation date using Scale MP-2020 |

2. Significant factors affecting schedules:

Changes in benefit terms:

None since January 1, 2019 and April 1, 2021.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN (UNAUDITED)
LOWER ALLEN TOWNSHIP AUTHORITY
YEAR ENDED DECEMBER 31, 2022

1. Actuarial methods and assumptions:

Actuarial calculations are performed biennially as of January 1 for the Lower Allen Township Authority's pension plan. Contributions noted in the required supplementary information - pension plan – schedule of Lower Allen Township Authority contributions are as of the plan's calendar year ended December 31 using actuarially determined rates calculated as of January 1, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine the contribution required under Act 205 for the year ended December 31, 2022 are as follows:

| | |
|-----------------------------------|---|
| Actuarial valuation date | January 1, 2021 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar closed |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Inflation | 2.45% |
| Discount rate | 7.25% |
| Long-term expected rate of return | 7.25% |
| Projected salary increases | 4.75% |
| Retirement age | Officers are assumed to retire upon reaching age 50 with 25 years of service. |
| Pre-retirement mortality | None |
| Post-employment mortality | PubG-2010 healthy retiree mortality projected 5 years past the valuation date using Scale MP-2020 |

2. Significant factors affecting schedule:

No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – POST-EMPLOYMENT BENEFITS
OTHER THAN PENSIONS (OPEB)
SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Total OPEB liability: | | | | | |
| Service cost | \$ 193,833 | \$ 178,146 | \$ 233,704 | \$ 227,449 | \$ 171,510 |
| Interest | 146,259 | 149,091 | 202,276 | 185,234 | 144,019 |
| Differences between expected and actual experience | (331,319) | (1,009,732) | - | 323,685 | - |
| Changes of assumptions | (340,001) | (92,188) | - | 427,017 | - |
| Benefit payments | <u>(103,642)</u> | <u>(52,019)</u> | <u>(40,517)</u> | <u>(39,929)</u> | <u>(35,770)</u> |
| Net changes in total OPEB liability | (434,870) | (826,702) | 395,463 | 1,123,456 | 279,759 |
| Beginning of year | <u>3,850,114</u> | <u>4,676,816</u> | <u>4,281,353</u> | <u>3,157,897</u> | <u>2,878,138</u> |
| End of year (a) | <u>\$ 3,415,244</u> | <u>\$ 3,850,114</u> | <u>\$ 4,676,816</u> | <u>\$ 4,281,353</u> | <u>\$ 3,157,897</u> |
| Plan fiduciary net position: | | | | | |
| Contributions, employer | \$ 174,217 | \$ 160,000 | \$ - | \$ 32,391 | \$ - |
| Net investment income (loss) | (157,753) | 83,123 | 84,890 | 105,286 | (29,434) |
| Benefit payments | (103,642) | (52,019) | (40,517) | (39,929) | (35,770) |
| Administrative expense | <u>(9,229)</u> | <u>(8,061)</u> | <u>(5,196)</u> | <u>(9,920)</u> | <u>(4,575)</u> |
| Net change in plan fiduciary net position | (96,407) | 183,043 | 39,177 | 87,828 | (69,779) |
| Total fiduciary net position: | | | | | |
| Beginning of year | <u>801,328</u> | <u>618,285</u> | <u>579,108</u> | <u>491,280</u> | <u>561,059</u> |
| End of year (b) | <u>\$ 704,921</u> | <u>\$ 801,328</u> | <u>\$ 618,285</u> | <u>\$ 579,108</u> | <u>\$ 491,280</u> |
| Net OPEB liability, end of year (a) - (b) | <u>\$ 2,710,323</u> | <u>\$ 3,048,786</u> | <u>\$ 4,058,531</u> | <u>\$ 3,702,245</u> | <u>\$ 2,666,617</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>20.64%</u> | <u>20.81%</u> | <u>13.22%</u> | <u>13.53%</u> | <u>15.56%</u> |
| Covered payroll | \$ 1,997,332 | N/A | N/A | N/A | N/A |
| Net OPEB liability as a percentage of covered payroll | 135.7% | N/A | N/A | N/A | N/A |

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the Township is presenting information for those years only for which information is available.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – POST-EMPLOYMENT
BENEFITS OTHER THAN PENSIONS (OPEB)
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
DECEMBER 31, 2022

| | <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> | <u>2013</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|-------------------|-------------------|
| Contractually required contribution | \$ 306,230 | \$ 500,305 | \$ 227,927 | \$ 227,927 | \$ 227,927 | \$ 227,927 | \$ 227,927 | \$ 227,927 | \$ 227,927 | \$ 272,502 |
| Contributions in relation to the contractually required contributions | <u>153,277</u> | <u>160,000</u> | <u>-</u> | <u>32,391</u> | <u>-</u> | <u>39,621</u> | <u>85,757</u> | <u>429,232</u> | <u>43,852</u> | <u>70,292</u> |
| Contribution (excess) deficit | <u>\$ 152,953</u> | <u>\$ 340,305</u> | <u>\$ 227,927</u> | <u>\$ 195,536</u> | <u>\$ 227,927</u> | <u>\$ 188,306</u> | <u>\$ 142,170</u> | <u>\$ (201,305)</u> | <u>\$ 184,075</u> | <u>\$ 202,210</u> |
| Covered payroll | \$ 1,997,332 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions as a percentage of covered payroll | 7.67% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

See accompanying notes to required supplementary information – OPEB plan.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – POST-EMPLOYMENT BENEFITS
OTHER THAN PENSIONS (OPEB) (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

1. Actuarial methods and assumptions:

Actuarial calculations are performed biennially as of January 1 for the OPEB plan. Contributions noted in the required supplementary information - OPEB – schedule of contributions are as of the plan's calendar year ended December 31 using actuarially determined rates calculated as of January 1, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine the contribution for the year ended December 31, 2022 are as follows:

| | |
|-----------------------------------|---|
| Valuation date | January 1, 2022 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, open period |
| Actuarial value of assets | Market value |
| Actuarial assumptions: | |
| Inflation rate | 2.75% |
| Long-term expected rate of return | 7.00% |
| Discount rate | 4.42% |
| Salary increase | 5.00% |
| | |
| Retirement age | Officers are assumed to retire upon reaching age 50 with 25 years of service. |
| | |
| Pre-retirement mortality | None |
| | |
| Post-employment mortality | PubS-2010 headcount-weighted mortality table including rates for contingent survivors |

2. Significant factors affecting schedule:

The discount rate assumed increased from 4.00% to 4.42% since the prior valuation, as a result of medical premium increases that occurred since the prior valuation.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

SCHEDULE OF DESCRIPTION OF FUNDS – NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022

Streetlight Fund

Operation and maintenance of Township streetlights. Financing is provided by assessments collected from property owners having property benefiting from street lighting.

Highway Aid Fund

Maintenance and construction of Township highways, storm sewers, traffic signals and bridges. Financing is provided by the Township's share of the state liquid fuels tax.

Road Improvement Fund

This fund is used to account for monies provided by the developer of High Meadows to be used for the future development of Thompson Lane.

Lower Allen Park (LAP) Recreation Fund

Monies held in this fund are provided by developers of residential developments within a one-mile radius of the Township's community park for improvements to the park, in lieu of providing separate recreation areas within the subdivisions.

Friends of Fun Fort Fund

This fund is used to account for monies provided by the public for maintenance of the Fun Fort located at the Lower Allen Township Park.

Capital Improvement Fund

This fund accounts for the acquisition of capital assets or construction of major capital projects. Financing is provided through grants, debt issuances and transfers from other funds.

Debt Service Fund

This fund accounts for the general obligation bond and capital lease expenditures of the Township.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022

| | Special Revenue Funds | | | | | | Debt Service Fund | Total non-major governmental funds |
|--|-----------------------|---------------------|-----------------------------|---------------------------|--------------------------------|--------------------------------|-------------------------|---|
| | Streetlight Fund | Highway Aid Fund | Road Improvement Fund | LAP Recreation Fund | Friends of Fun Fort Fund | Capital Improvement Fund | | |
| Assets: | | | | | | | | |
| Cash and cash equivalents | \$ 116,853 | \$ 1,564,741 | \$ 46,240 | \$ 595,266 | \$ 4,751 | \$ 1,892,278 | \$ 1,476,876 | \$ 5,697,005 |
| Receivables, net: | | | | | | | | |
| Taxes | 3,496 | - | - | - | - | - | 25,917 | 29,413 |
| Accounts | - | 662 | - | - | - | - | - | 662 |
| Due from other funds | - | - | - | - | - | - | 210,746 | 210,746 |
| Total assets | \$ 120,349 | \$ 1,565,403 | \$ 46,240 | \$ 595,266 | \$ 4,751 | \$ 1,892,278 | \$ 1,713,539 | \$ 5,937,826 |
| Liabilities: | | | | | | | | |
| Vouchers payable | \$ 165 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 165 |
| Unearned revenue | - | 46,918 | - | - | - | 691,567 | - | 738,485 |
| Total liabilities | 165 | 46,918 | - | - | - | 691,567 | - | 738,650 |
| Deferred inflows of resources, unavailable revenue, taxes | 3,004 | - | - | - | - | - | 9,253 | 12,257 |
| Fund balance: | | | | | | | | |
| Restricted for: | | | | | | | | |
| Debt service | - | - | - | - | - | - | 1,704,286 | 1,704,286 |
| Public works | 117,180 | 1,518,485 | 46,240 | - | - | - | - | 1,681,905 |
| Parks and recreation | - | - | - | 595,266 | - | - | - | 595,266 |
| Assigned for capital projects | - | - | - | - | - | 1,200,711 | - | 1,200,711 |
| Unassigned | - | - | - | - | 4,751 | - | - | 4,751 |
| Total fund balance | 117,180 | 1,518,485 | 46,240 | 595,266 | 4,751 | 1,200,711 | 1,704,286 | 5,186,919 |
| Total liabilities, deferred inflows of resources and fund balance | \$ 120,349 | \$ 1,565,403 | \$ 46,240 | \$ 595,266 | \$ 4,751 | \$ 1,892,278 | \$ 1,713,539 | \$ 5,937,826 |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

| | Special Revenue Funds | | | | | | Total non-major governmental funds | |
|--|-----------------------|---------------------|-----------------------------|---------------------------|--------------------------------|--------------------------------|---|-------------------------|
| | Streetlight Fund | Highway Aid Fund | Road Improvement Fund | LAP Recreation Fund | Friends of Fun Fort Fund | Capital Improvement Fund | | Debt Service Fund |
| Revenues: | | | | | | | | |
| Real estate taxes | \$ 143,715 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 773,694 | \$ 917,409 |
| Investment earnings | 1,984 | 21,499 | 628 | 7,324 | 65 | 25,715 | 18,181 | 75,396 |
| Rents | - | - | - | - | - | 16,824 | - | 16,824 |
| Intergovernmental revenue | - | 547,310 | - | - | - | 237,928 | - | 785,238 |
| Charges for services | 1,705 | 53,829 | - | - | - | - | - | 55,534 |
| Miscellaneous revenues | - | 639 | - | 191,032 | - | - | - | 191,671 |
| Total revenues | 147,404 | 623,277 | 628 | 198,356 | 65 | 280,467 | 791,875 | 2,042,072 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | - | - | 1,461 | 1,105 | 2,566 |
| Public works | 118,218 | 211,002 | - | - | - | - | - | 329,220 |
| Parks and recreation | - | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | 50,270 | - | 50,270 |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | 1,185,317 | 1,185,317 |
| Interest and fiscal charges | - | - | - | - | - | - | 85,893 | 85,893 |
| Total expenditures | 118,218 | 211,002 | - | - | - | 51,731 | 1,272,315 | 1,653,266 |
| Excess (deficiency) of revenues over (under) expenditures | 29,186 | 412,275 | 628 | 198,356 | 65 | 228,736 | (480,440) | 388,806 |
| Other financing sources, transfers in | - | - | - | - | - | 4,970 | 859,710 | 864,680 |
| Net change in fund balance | 29,186 | 412,275 | 628 | 198,356 | 65 | 233,706 | 379,270 | 1,253,486 |
| Fund balance: | | | | | | | | |
| Beginning of year | 87,994 | 1,106,210 | 45,612 | 396,910 | 4,686 | 967,005 | 1,325,016 | 3,933,433 |
| End of year | \$ 117,180 | \$ 1,518,485 | \$ 46,240 | \$ 595,266 | \$ 4,751 | \$ 1,200,711 | \$ 1,704,286 | \$ 5,186,919 |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE –
BUDGET AND ACTUAL – BUDGETARY (NON-GAAP) BASIS
NON-MAJOR GOVERNMENTAL FUND – STREETLIGHT FUND
YEAR ENDED DECEMBER 31, 2022

| | Budget | | Actual amounts | Variance of actual with final budget positive (negative) |
|-----------------------------------|---------------------|------------------|-------------------|---|
| | Original amounts | Final amounts | | |
| Revenues: | | | | |
| Real estate taxes | \$ 140,000 | \$ 140,000 | \$ 143,715 | \$ 3,715 |
| Investment earnings | 450 | 450 | 1,984 | 1,534 |
| Charges for services | - | - | 1,705 | 1,705 |
| Total revenues | 140,450 | 140,450 | 147,404 | 6,954 |
| Expenditures, public works | 134,180 | 134,180 | 118,218 | 15,962 |
| Net change in fund balance | \$ 6,270 | \$ 6,270 | 29,186 | \$ 22,916 |
| Fund balance: | | | | |
| Beginning of year | | | 87,994 | |
| End of year | | | \$ 117,180 | |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE –
BUDGET AND ACTUAL – BUDGETARY (NON-GAAP) BASIS
NON-MAJOR GOVERNMENTAL FUND – HIGHWAY AID FUND
YEAR ENDED DECEMBER 31, 2022

| | Budget | | Actual amounts | Variance of actual with final budget positive |
|-----------------------------------|---------------------------|---------------------------|----------------------------|--|
| | Original amounts | Final amounts | | |
| Revenues: | | | | |
| Investment earnings | \$ 3,000 | \$ 3,000 | \$ 21,499 | \$ 18,499 |
| Intergovernmental revenue | 554,490 | 554,490 | 547,310 | (7,180) |
| Charges for services | 55,000 | 55,000 | 53,829 | (1,171) |
| Miscellaneous revenues | - | - | 639 | 639 |
| Total revenues | 612,490 | 612,490 | 623,277 | 10,787 |
| Expenditures, public works | 989,230 | 989,230 | 211,002 | 778,228 |
| Net change in fund balance | <u>\$(376,740)</u> | <u>\$(376,740)</u> | 412,275 | <u>\$ 789,015</u> |
| Fund balance: | | | | |
| Beginning of year | | | 1,106,210 | |
| End of year | | | <u>\$ 1,518,485</u> | |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE –
BUDGET AND ACTUAL – BUDGETARY (NON-GAAP) BASIS
NON-MAJOR GOVERNMENTAL FUND – DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2022

| | Budget | | Actual amounts | Variance of actual with final budget positive (negative) |
|--|---------------------|------------------|---------------------|---|
| | Original amounts | Final amounts | | |
| Revenues: | | | | |
| Real estate taxes | \$ 742,600 | \$ 742,600 | \$ 773,694 | \$ 31,094 |
| Investment earnings | 3,000 | 3,000 | 18,181 | 15,181 |
| Total revenues | 745,600 | 745,600 | 791,875 | 46,275 |
| Expenditures: | | | | |
| General government | 1,500 | 1,500 | 1,105 | 395 |
| Debt service: | | | | |
| Principal | 1,185,320 | 1,185,320 | 1,185,317 | 3 |
| Interest and fiscal charges | 336,460 | 336,460 | 85,893 | 250,567 |
| Total expenditures | 1,523,280 | 1,523,280 | 1,272,315 | 250,965 |
| Deficiency of revenues under expenditures | (777,680) | (777,680) | (480,440) | 297,240 |
| Other financing sources (uses): | | | | |
| Transfers in | 833,170 | 833,170 | 859,710 | 26,540 |
| Transfers out | (55,490) | (55,490) | - | 55,490 |
| Total other financing sources (uses) | 777,680 | 777,680 | 859,710 | 82,030 |
| Net change in fund balance | \$ - | \$ - | 379,270 | \$ 379,270 |
| Fund balance: | | | | |
| Beginning of year | | | 1,325,016 | |
| End of year | | | \$ 1,704,286 | |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE –
BUDGET AND ACTUAL – BUDGETARY (NON-GAAP) BASIS
NON-MAJOR GOVERNMENTAL FUND – CAPITAL IMPROVEMENT FUND
YEAR ENDED DECEMBER 31, 2022

| | Budget | | Actual amounts | Variance of actual with final budget positive (negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original amounts | Final amounts | | |
| Revenues: | | | | |
| Investment earnings | \$ 5,200 | \$ 5,200 | \$ 25,715 | \$ 20,515 |
| Rents | - | - | 16,824 | 16,824 |
| Intergovernmental revenue | - | - | 237,928 | 237,928 |
| Total revenues | 5,200 | 5,200 | 280,467 | 275,267 |
| Expenditures: | | | | |
| General government | 2,410 | 2,410 | 1,461 | 949 |
| Capital outlay | - | - | 50,270 | (50,270) |
| Total expenditures | 2,410 | 2,410 | 51,731 | (49,321) |
| Excess of revenues over expenditures | 2,790 | 2,790 | 228,736 | 225,946 |
| Other financing sources (uses): | | | | |
| Transfers in | 2,410 | 2,410 | 4,970 | 2,560 |
| Transfers out | (450,000) | (450,000) | - | 450,000 |
| Total other financing sources (uses) | (447,590) | (447,590) | 4,970 | 452,560 |
| Net change in fund balance | \$ (444,800) | \$ (444,800) | 233,706 | \$ 678,506 |
| Fund balance: | | | | |
| Beginning of year | | | 967,005 | |
| End of year | | | \$ 1,200,711 | |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

SCHEDULE OF CASH FLOWS - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

Cash flows from operating activities:

| | |
|--|---------------|
| Receipts from citizens and other users | \$ 20,700,840 |
| Payments to: | |
| Suppliers | (7,436,180) |
| Employees | (7,089,104) |
| Maintenance expenditures | (1,029,247) |
| Capital outlay | (50,270) |
| Other operating revenue received | 315,766 |

Net cash provided by operating activities 5,411,805

Cash flows from noncapital financing activities:

| | |
|--|---------|
| Net contributions from: | |
| Lower Allen Township Stormwater Authority | 948,346 |
| Lower Allen Township Development Authority | 673,655 |

Net cash provided by noncapital financing activities 1,622,001

Cash flows from capital and related financing activities:

| | |
|--------------------------------------|-------------|
| Proceeds from sale of capital assets | 174,480 |
| Interest and fiscal charges | (121,718) |
| Payments on debt | (1,438,317) |

Net cash used in capital and related financing activities (1,385,555)

Cash flows from investing activities:

| | |
|-------------------------------------|-------------|
| Purchase of certificates of deposit | (4,625,000) |
| Sale of certificates of deposit | 1,551,000 |
| Income on investments | 308,430 |

Net cash used in investing activities (2,765,570)

Net increase in cash and cash equivalents **2,882,681**

Cash and cash equivalents:

| | |
|--------------------|------------------------------------|
| Beginning of year | <u>15,728,069</u> |
| End of year | <u><u>\$ 18,610,750</u></u> |

Supplemental disclosure of noncash investing activities:

| | |
|--------------------------------|-------------|
| Unrealized loss on investments | \$ (13,537) |
|--------------------------------|-------------|

(continued)

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

SCHEDULE OF CASH FLOWS - GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

Reconciliation to net cash provided by operating activities:

| | |
|---|----------------------------|
| Excess of revenues over expenditures | \$ 3,484,363 |
| Adjustments: | |
| Debt service | 1,560,035 |
| Income on investments | (294,893) |
| Changes in assets, liabilities and deferred inflows of resources: | |
| Accounts receivable | 403,089 |
| Taxes receivable | (176,973) |
| Sanitation fees receivable | (34,401) |
| Inventory | (17,981) |
| Other assets | (5,233) |
| Payroll taxes and withholding | 4,129 |
| Vouchers payable | (98,988) |
| Accrued wages payable | 29,958 |
| Other payables | (251) |
| Unearned and unavailable revenue | <u>558,951</u> |
| Net cash provided by operating activities | <u>\$ 5,411,805</u> |
| | (concluded) |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

TRUST FUNDS – DESCRIPTION OF FUNDS
DECEMBER 31, 2022

Non-Uniformed Pension Trust Fund

This fund is used to account for the accumulation of resources for pension benefit payments and the withdrawals of qualified distributions of Township personnel.

Police Pension Trust Fund

This fund is used to account for the accumulation of resources for pension benefit payments and the withdrawals of qualified distributions of police personnel.

Volunteer Firefighter's Service Award Program

This fund is used to account for the accumulation of resources for pension benefit payments and the withdrawals of qualified distributions of Township firefighters.

Other Post-Employment Benefit Trust Fund

This fund is used to account for the accumulation of resources for certain post-employment healthcare benefits for police retirees.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION –
PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS
DECEMBER 31, 2022

| | Non-Uniformed Pension Plan Trust Fund | Police Pension Plan Trust Fund | Volunteer Firefighter's Service Award Program | Other Post- Employment Benefit Trust Fund | Total pension and OPEB trust funds |
|---|---|--------------------------------------|--|--|---|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 332,299 | \$ 550,171 | \$ 1 | \$ 5 | \$ 882,476 |
| Investments: | | | | | |
| Fixed income | 2,314,810 | 3,523,869 | - | - | 5,838,679 |
| Common stock | 3,999,110 | 6,092,320 | - | - | 10,091,430 |
| Mutual funds | 842,775 | 1,284,852 | 236,574 | 974,690 | 3,338,891 |
| Total investments | 7,156,695 | 10,901,041 | 236,574 | 974,690 | 19,269,000 |
| Total assets | \$ 7,488,994 | \$ 11,451,212 | \$ 236,575 | \$ 974,695 | \$ 20,151,476 |
| Liabilities, accounts payable | \$ - | \$ - | \$ - | \$ 269,774 | \$ 269,774 |
| Net position: | | | | | |
| Restricted for: | | | | | |
| Pension | 7,488,994 | 11,451,212 | 236,575 | - | 19,176,781 |
| Other post-employment benefits | - | - | - | 704,921 | 704,921 |
| Total net position | 7,488,994 | 11,451,212 | 236,575 | 704,921 | 19,881,702 |
| Total liabilities and net position | \$ 7,488,994 | \$ 11,451,212 | \$ 236,575 | \$ 974,695 | \$ 20,151,476 |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS
YEAR ENDED DECEMBER 31, 2022

| | Non-Uniformed Pension Plan Trust Fund | Police Pension Plan Trust Fund | Volunteer Firefighter's Service Award Program | Other Post- Employment Benefit Trust Fund | Total pension and OPEB trust funds |
|--|---|--------------------------------------|--|--|---|
| Additions: | | | | | |
| Contributions: | | | | | |
| State aid and employer | \$ 255,010 | \$ 339,165 | \$ 9,030 | \$ 174,217 | \$ 777,422 |
| Employee | - | 175,722 | - | - | 175,722 |
| Total contributions | 255,010 | 514,887 | 9,030 | 174,217 | 953,144 |
| Net investment loss: | | | | | |
| Net depreciation in value of investments | (1,402,945) | (2,158,445) | (49,155) | (149,786) | (3,760,331) |
| Add investment expense | (41,599) | (63,388) | (2,198) | (7,967) | (115,152) |
| Net investment loss | (1,444,544) | (2,221,833) | (51,353) | (157,753) | (3,875,483) |
| Total additions, net of investment losses | (1,189,534) | (1,706,946) | (42,323) | 16,464 | (2,922,339) |
| Deductions: | | | | | |
| Benefits | 298,329 | 556,960 | 17,211 | 103,642 | 976,142 |
| Administrative expenses | 12,894 | 9,689 | 4,214 | 9,229 | 36,026 |
| Total deductions | 311,223 | 566,649 | 21,425 | 112,871 | 1,012,168 |
| Decrease in plan's net position | (1,500,757) | (2,273,595) | (63,748) | (96,407) | (3,934,507) |
| Net position: | | | | | |
| Beginning of year | 8,989,751 | 13,724,807 | 300,323 | 801,328 | 23,816,209 |
| End of year | \$ 7,488,994 | \$ 11,451,212 | \$ 236,575 | \$ 704,921 | \$ 19,881,702 |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

COMPONENT UNIT – DESCRIPTION
DECEMBER 31, 2022

Lower Allen Township Development Authority

Provides educational outreach to business leaders in the community, assists economic development initiatives and purchases and markets properties for redevelopment.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF FUND NET POSITION – COMPONENT UNIT –
LOWER ALLEN TOWNSHIP DEVELOPMENT AUTHORITY
DECEMBER 31, 2022

ASSETS

| | |
|--|-----------------------------------|
| Total current assets, cash and cash equivalents | <u><u>\$ 2,324,307</u></u> |
|--|-----------------------------------|

LIABILITIES AND NET POSITION

Liabilities:

Current liabilities:

| | |
|------------------|---------------|
| Vouchers payable | \$ 19,064 |
| Unearned revenue | <u>49,461</u> |

| | |
|----------------------------------|---------------|
| Total current liabilities | 68,525 |
|----------------------------------|---------------|

| | |
|--|----------------|
| Total long-term liabilities, Guaranteed Project Note, Series of 2019 | <u>149,847</u> |
|--|----------------|

| | |
|--------------------------|------------------------------|
| Total liabilities | <u><u>218,372</u></u> |
|--------------------------|------------------------------|

Net position:

| | |
|----------------------------------|------------------|
| Net investment in capital assets | (168,911) |
| Unrestricted | <u>2,274,846</u> |

| | |
|---------------------------|--------------------------------|
| Total net position | <u><u>2,105,935</u></u> |
|---------------------------|--------------------------------|

| | |
|---|-----------------------------------|
| Total liabilities and net position | <u><u>\$ 2,324,307</u></u> |
|---|-----------------------------------|

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
COMPONENT UNIT –
LOWER ALLEN TOWNSHIP DEVELOPMENT AUTHORITY
YEAR ENDED DECEMBER 31, 2022

| | |
|---|----------------------------|
| Operating revenues, rental income | \$ 241,885 |
| Operating expenses, administrative | <u>859,949</u> |
| Operating loss | <u>(618,064)</u> |
| Nonoperating revenues (expenses): | |
| Intergovernmental revenue | 1,199 |
| Utility rebate | 24,714 |
| Gain on sale of capital assets | 2,664,069 |
| Transfer in from Lower Allen Township | 250,000 |
| Interest received on mortgage receivable | 8,179 |
| Interest expense | <u>(271,793)</u> |
| Total nonoperating revenues (expenses) | <u>2,676,368</u> |
| Change in net position | 2,058,304 |
| Net position: | |
| Beginning of year | <u>47,631</u> |
| End of year | <u>\$ 2,105,935</u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF CASH FLOWS – COMPONENT UNIT –
LOWER ALLEN TOWNSHIP DEVELOPMENT AUTHORITY
YEAR ENDED DECEMBER 31, 2022

| | |
|--|----------------------------|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 246,896 |
| Payments to suppliers | <u>(859,949)</u> |
| Net cash used in operating activities | <u>(613,053)</u> |
| Cash flows from noncapital financing activities: | |
| Transfers to Lower Allen Township | (904,591) |
| Transfers in from Lower Allen Township | 250,000 |
| Intergovernmental revenue | 1,199 |
| Utility rebate | <u>24,714</u> |
| Net cash used in noncapital financing activities | <u>(628,678)</u> |
| Cash flows from capital and related financing activities: | |
| Proceeds from: | |
| Sale of capital assets | 11,260,752 |
| Issuance of long-term debt | 1,300,000 |
| Purchase of capital assets | (1,128,211) |
| Principal payments on long-term debt | (8,505,000) |
| Interest paid on long-term debt | <u>(281,465)</u> |
| Net cash provided by capital and related financing activities | <u>2,646,076</u> |
| Net cash provided by investing activities, interest received on mortgage receivable | <u>8,179</u> |
| Net increase in cash and cash equivalents | 1,412,524 |
| Cash and cash equivalents: | |
| Beginning of year | <u>911,783</u> |
| End of year | <u>\$ 2,324,307</u> |
| Reconciliation to net cash provided by operating activities: | |
| Operating loss | \$ (618,064) |
| Adjustments, change in liabilities, unearned revenue | <u>5,011</u> |
| Net cash used in operating activities | <u>\$ (613,053)</u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

COMPONENT UNIT – DESCRIPTION
DECEMBER 31, 2022

Lower Allen Township Authority

The Lower Allen Township Authority is an operating authority responsible for acquiring, holding, constructing, improving, owning and leasing sewer, sewer systems or parts thereof. The Lower Allen Township Authority provides services principally to portions of Lower Allen Township and Shiremanstown Borough. In addition, under operating agreements with Upper Allen Township, PA American Water and the State Correctional Institution at Camp Hill, the Lower Allen Township Authority provides sewage treatment services for those entities.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF FUND NET POSITION - COMPONENT UNIT –
LOWER ALLEN TOWNSHIP AUTHORITY
DECEMBER 31, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Assets:

Current assets:

| | |
|---------------------------------|------------------|
| Cash and cash equivalents | \$ 2,131,363 |
| Investments | 2,890,323 |
| Sanitary sewer rents receivable | 320,782 |
| Prepays | 27,660 |
| | <u>5,370,128</u> |

Total current assets

5,370,128

Noncurrent assets:

| | |
|------------------------|-------------------|
| Capital assets: | |
| Not being depreciated | 736,271 |
| Being depreciated, net | 25,702,749 |
| | <u>26,439,020</u> |

Total noncurrent assets

26,439,020

Total assets

31,809,148

Deferred outflows of resources for pensions

915,083

Total assets and deferred outflows of resources

\$ 32,724,231

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Liabilities:

Current liabilities:

| | |
|--|------------------|
| Payroll taxes and withholding | \$ 7,394 |
| Vouchers payable | 131,878 |
| Accrued: | |
| Wages payable | 132,782 |
| Interest | 12,867 |
| Escrow deposits | 23,422 |
| Current portion of sewer revenue bonds | 724,000 |
| | <u>1,032,343</u> |

Total current liabilities

1,032,343

Long-term liabilities:

| | |
|---|------------------|
| Sewer revenue bonds, net of current portion | 6,298,000 |
| Net pension liability | 288,303 |
| | <u>6,586,303</u> |

Total long-term liabilities

6,586,303

Total liabilities

7,618,646

Deferred inflows of resources for pensions

146,913

Net position:

| | |
|----------------------------------|-------------------|
| Net investment in capital assets | 19,417,020 |
| Unrestricted | 5,541,652 |
| | <u>24,958,672</u> |

Total net position

24,958,672

Total liabilities, deferred inflows of resources and net position

\$ 32,724,231

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
COMPONENT UNIT –
LOWER ALLEN TOWNSHIP AUTHORITY
YEAR ENDED DECEMBER 31, 2022

| | |
|---|----------------------|
| Operating revenues: | |
| Sewer rents | \$ 5,100,630 |
| Miscellaneous charges | 87,995 |
| | <hr/> |
| Total operating revenues | 5,188,625 |
| | <hr/> |
| Operating expenses: | |
| Collection system | 264,643 |
| Disposal system | 2,619,376 |
| Administration | 1,610,760 |
| Depreciation expense | 1,536,281 |
| | <hr/> |
| Total operating expenses | 6,031,060 |
| | <hr/> |
| Operating loss | (842,435) |
| | <hr/> |
| Nonoperating revenues (expenses): | |
| Gain on disposal of assets | 9,000 |
| Unrealized loss on investments | (118,150) |
| Investment income | 61,449 |
| Interest expense | (105,503) |
| Tapping fees | 569,678 |
| | <hr/> |
| Total nonoperating revenues (expenses) | 416,474 |
| | <hr/> |
| Change in net position | (425,961) |
| | <hr/> |
| Net position: | |
| Beginning of year | 25,384,633 |
| | <hr/> |
| End of year | \$ 24,958,672 |
| | <hr/> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF CASH FLOWS – COMPONENT UNIT –
LOWER ALLEN TOWNSHIP AUTHORITY
YEAR ENDED DECEMBER 31, 2022

| | |
|--|----------------------------|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 4,980,250 |
| Payments for goods and services | (1,312,367) |
| Payments to employees and related expenses | <u>(3,127,023)</u> |
| Net cash provided by operating activities | <u>540,860</u> |
| Cash flows from capital and related financing activities: | |
| Proceeds from sale of property, plant and equipment | 9,000 |
| Purchase of property, plant and equipment | (1,085,802) |
| Principal payments on sewer revenue bonds | (680,000) |
| Interest paid on sewer revenue bonds | (106,749) |
| Tapping fees | <u>569,678</u> |
| Net cash flows used in capital and related financing activities | <u>(1,293,873)</u> |
| Net cash provided by investing activities, investment income | <u>61,449</u> |
| Net decrease in cash and cash equivalents | (691,564) |
| Cash and cash equivalents: | |
| Beginning of year | <u>2,822,927</u> |
| End of year | <u>\$ 2,131,363</u> |
| Reconciliation to net cash provided by operating activities: | |
| Operating loss | \$ (842,435) |
| Adjustments: | |
| Depreciation | 1,536,281 |
| Changes in assets and liabilities: | |
| Sanitary sewer rents receivable | (229,397) |
| Prepaid expenses | (27,660) |
| Net pension asset (liability) | 62,949 |
| Vouchers payable | 17,407 |
| Accrued expenses | 2,693 |
| Escrow deposits | <u>21,022</u> |
| Net cash provided by operating activities | <u>\$ 540,860</u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

COMPONENT UNIT – DESCRIPTION
DECEMBER 31, 2022

Lower Allen Township Stormwater Authority (the Stormwater Authority)

The Stormwater Authority was established to acquire, hold, construct, improve, maintain, operate, own and lease certain stormwater collection systems. The Township will provide all personnel to manage the stormwater system on a day-to-day basis, for which costs will be reimbursed by the Stormwater Authority.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF FUND NET POSITION - COMPONENT UNIT –
LOWER ALLEN TOWNSHIP STORMWATER AUTHORITY
DECEMBER 31, 2022

ASSETS

Assets, current assets:

| | |
|---|---------------|
| Cash and cash equivalents | \$ 2,892,056 |
| Stormwater fee receivable, net of allowance for doubtful accounts | <u>50,375</u> |

Total assets **\$ 2,942,431**

LIABILITIES AND NET POSITION

| | |
|--|-----------------------------------|
| Total current liabilities, due to Lower Allen Township | \$ 421,804 |
| Total net position, unrestricted | <u>2,520,627</u> |
| Total liabilities and net position | <u><u>\$ 2,942,431</u></u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
COMPONENT UNIT –
LOWER ALLEN TOWNSHIP STORMWATER AUTHORITY
YEAR ENDED DECEMBER 31, 2022

| | |
|---|----------------------------|
| Operating revenues: | |
| Service charges | \$ 1,310,456 |
| Miscellaneous revenues | <u>250</u> |
| Total operating revenues | 1,310,706 |
| Total operating expenses, administration | <u>113</u> |
| Net operating income | 1,310,593 |
| Total nonoperating income, interest earnings | <u>41,054</u> |
| Net income | 1,351,647 |
| Other financing uses, contributions to Lower Allen Township | <u>(1,370,150)</u> |
| Change in net position | (18,503) |
| Net position: | |
| Beginning of year | <u>2,539,130</u> |
| End of year | <u>\$ 2,520,627</u> |

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

STATEMENT OF CASH FLOWS – COMPONENT UNIT –
LOWER ALLEN TOWNSHIP STORMWATER AUTHORITY
YEAR ENDED DECEMBER 31, 2022

| | |
|---|-----------------------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 1,295,545 |
| Payments for goods and services | (113) |
| Other operating, miscellaneous revenues | <u>250</u> |
| Net cash provided by operating activities | 1,295,682 |
| | |
| Net cash used in noncapital financing activities, contributions to Lower Allen Township | (949,206) |
| | |
| Net cash provided by investing activities, interest earnings | <u>41,054</u> |
| | |
| Net increase in cash and cash equivalents | 387,530 |
| | |
| Cash and cash equivalents: | |
| Beginning of year | <u>2,504,526</u> |
| End of year | <u><u>\$ 2,892,056</u></u> |
| | |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Net operating income | \$ 1,310,593 |
| Total adjustments to reconcile operating income to net cash provided by operating activities, increase in assets, accounts receivable | <u>(14,911)</u> |
| Net cash provided by operating activities | <u><u>\$ 1,295,682</u></u> |