



**YEAR ENDED DECEMBER 31, 2021**



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

# ***NORTH LEBANON TOWNSHIP***

YEAR ENDED DECEMBER 31, 2021

## TABLE OF CONTENTS

	Page
Independent auditor's report	1-3
Required supplementary information - management's discussion and analysis (unaudited)	4-16
Basic financial statements:	
Government-wide financial statements:	
Statement of net position	17-18
Statement of activities	19-20
Fund financial statements and reconciliations:	
Balance sheet - governmental funds	21
Reconciliation of total governmental fund balances to net position of governmental activities	22
Statement of revenues, expenditures and changes in fund balances - governmental funds	23-24
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	25
Statement of net position - proprietary funds	26-27
Statement of revenues, expenses and changes in net position - proprietary funds	28
Statement of cash flows - proprietary funds	29-30
Statement of fiduciary net position	31
Statement of changes in fiduciary net position	32

***NORTH LEBANON TOWNSHIP***

YEAR ENDED DECEMBER 31, 2021

TABLE OF CONTENTS (CONTINUED)

	Page
Basic financial statements:	
Notes to financial statements	33-79
Required supplementary information (unaudited):	
Schedule of changes in net pension (asset) liability and related percentages – police pension plan	80
Schedule of changes in net pension (asset) liability and related percentages – nonuniformed pension plan	81
Schedule of investment returns – last ten calendar years	82
Schedule of employer contributions – police pension plan	83
Schedule of employer contributions – nonuniformed pension plan	84
Schedule of actuarial assumptions – pension plans	85
Schedule of changes in net OPEB liability and related percentages – other postemployment benefits	86
Schedule of contributions – other postemployment benefits	87
Schedule of actuarial assumptions – other postemployment benefits	88
Schedule of revenues, expenditures and changes in fund balance - budget compared to actual - general fund	89
Notes to required supplementary information - budget	90
Other supplementary information:	
Combining fund financial statements:	
Nonmajor governmental funds - combining balance sheet	91

***NORTH LEBANON TOWNSHIP***

YEAR ENDED DECEMBER 31, 2021

TABLE OF CONTENTS (CONTINUED)

	Page
Other supplementary information:	
Combining fund financial statements:	
Nonmajor governmental funds - combining statement of revenues, expenditures and changes in fund balances	92
Combining statement of net position – sewer operating funds	93-94
Combining statement of revenues, expenditures and changes in net position – sewer operating funds	95
Combining statement of cash flows – sewer operating funds	96-97

## Independent Auditor's Report

Board of Supervisors  
North Lebanon Township  
725 Kimmerlings Road  
Lebanon, Pennsylvania

### **Report on the Audit of the Financial Statements**

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Lebanon Township (the Township) as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component unit, each major fund and the aggregate remaining fund information of North Lebanon Township as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Lebanon Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 North Lebanon 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, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of historical pension information and other postemployment benefit be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical

context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Lebanon Township's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of North Lebanon Township. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Brown Schultz Steindam's Fritz*

Camp Hill, Pennsylvania  
June 10, 2022

## ***NORTH LEBANON TOWNSHIP***

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

North Lebanon Township (the Township) provides this Management's Discussion and Analysis (MD&A), as prescribed by the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). This narrative overview and analysis of North Lebanon Township's financial activities is for the fiscal year ended December 31, 2021. Please consider this information in conjunction with the accompanying financial statements.

#### **FINANCIAL HIGHLIGHTS**

Financial highlights of the year include the following:

- The net position of North Lebanon Township's governmental activities at December 31, 2021 is \$13,557,519. Of this amount, unrestricted net position of \$3,923,366 may be used to meet the government's ongoing obligations to citizens and creditors.
- The net position of the Township's business-type activities at December 31, 2021 is \$14,147,453. Of this amount, unrestricted net position of \$8,088,682 may be used to meet ongoing expenses of the business activities.
- During the year, the Township's General Fund revenues were \$439,264 over the anticipated revenues of \$4,402,304.
- During the year, the Township's General Fund expenses were \$129,976 less than anticipated budgeted expenses of \$4,315,109.
- As of the close of the current fiscal year, North Lebanon Township's governmental funds reported combined ending fund balances of \$5,447,468 , an increase of \$696,451 over 2020.

#### **FINANCIAL STATEMENTS**

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

#### **Basic financial statements**

The government-wide financial statements present the financial picture of the Township from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the Township (including infrastructure), as well as all deferred outflows and inflows of resources and liabilities (including long-term debt). Additionally, certain eliminations have been made regarding interfund activity, payables and receivables.

# **NORTH LEBANON TOWNSHIP**

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

### **FINANCIAL STATEMENTS (CONTINUED)**

#### **Basic financial statements**

The fund financial statements include statements for three categories of activities – governmental, proprietary and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Proprietary and fiduciary funds use the accrual basis of accounting.

#### **Government-wide financial statements**

The statement of net position and the statement of activities report information about the Township as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Township using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the Township's net position and changes in them. You can think of the Township's net position – the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the Township's financial health or financial position. Over time, *increases* or *decreases* in the Township's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Township's property tax base and the condition of the Township's roads, to assess the *overall health* of the Township.

In the statement of net position and the statement of activities, we divide the Township into two kinds of activities:

- Governmental activities – Most of the Township's basic services are reported here, including the police, fire, public works and parks departments and general administration. Property taxes, Act 511 taxes, fines, state and federal grants, fees in lieu of taxes and departmental/service fees finance most of these activities.
- Business-type activities – The Municipal Authority, a blended component unit, charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Authority's sewer system and water system are reported here. The Township's Stormwater Fund is used to account for stormwater initiatives, including, but not limited to, engineering and professional fees. This fund also accounts for the daily operations of the stormwater system and billing and collection of stormwater services fees.

# **NORTH LEBANON TOWNSHIP**

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

### **FINANCIAL STATEMENTS (CONTINUED)**

#### **Reporting the Township's most significant funds**

Our analysis of the Township's major funds begins with the presentation of the fund financial statements. The fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by state law and by bond covenants. However, the Board of Supervisors establishes many other funds to help it control and manage money for purposes (like the fees in lieu of money from developers) or to show that it is setting aside money for larger capital improvement projects. The Township has three kinds of funds – governmental, proprietary and fiduciary – using different accounting approaches.

- *Governmental funds* – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations following the fund financial statements.
- *Proprietary funds* – When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that their activities are reported in the government-wide statement of net position and the statement of activities.
- *Fiduciary funds* - The Township is the fiduciary for its employees' defined benefit pension plans. All of the Township's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position as listed in the table of contents. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **NORTH LEBANON TOWNSHIP**

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

#### **THE TOWNSHIP AS A WHOLE**

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's governmental and business-type activities.

Table 1  
Net Position

	2021 Governmental activities	2021 Business-type activities	2021 Total primary government	2020 Total primary government
Current and other assets	\$ 6,388,868	\$ 8,190,360	\$ 14,579,228	\$ 12,718,129
Noncurrent assets	9,320,403	9,995,060	19,315,463	18,880,984
Total assets	15,709,271	18,185,420	33,894,691	31,599,113
Deferred outflows of resources	290,759	937,100	1,227,859	1,849,010
Total assets and deferred outflows of resources	<u>\$ 16,000,030</u>	<u>\$ 19,122,520</u>	<u>\$ 35,122,550</u>	<u>\$ 33,448,123</u>
Current liabilities	\$ 863,915	\$ 859,119	\$ 1,723,034	\$ 931,875
Long-term liabilities	245,988	4,115,948	4,361,936	5,460,189
Total liabilities	1,109,903	4,975,067	6,084,970	6,392,064
Deferred inflows of resources	1,332,608		1,332,608	1,468,317
Net position:				
Net investment in capital assets	8,253,105	6,058,771	14,311,876	13,863,687
Restricted	1,381,048		1,381,048	1,163,557
Unrestricted	3,923,366	8,088,682	12,012,048	10,560,498
Total net position	13,557,519	14,147,453	27,704,972	25,587,742
Total liabilities, deferred inflows of resources and net position	<u>\$ 16,000,030</u>	<u>\$ 19,122,520</u>	<u>\$ 35,122,550</u>	<u>\$ 33,448,123</u>

## **NORTH LEBANON TOWNSHIP**

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

#### **THE TOWNSHIP AS A WHOLE (CONTINUED)**

The net position of the governmental activities is \$13,557,519. Unrestricted net position – the part of the net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – is \$3,923,366.

The net position of the business-type activities is \$14,147,453. Unrestricted net position – the part of the net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – is \$8,088,682.

Table 2  
Changes in Net Position

	2021 Governmental activities	2021 Business-type activities	2021 Total primary government	2020 Total primary government
Revenues:				
Program revenues:				
Charges for services	\$ 455,840	\$ 4,105,818	\$ 4,561,658	\$ 4,726,795
Operating grants and contributions	644,748	32,655	677,403	726,698
Capital grants and contributions	171,076		171,076	35,624
General revenues:				
Taxes and assessments:				
Real estate	1,839,688		1,839,688	1,770,765
Real estate transfer	451,007		451,007	363,706
Earned income	1,458,604		1,458,604	1,375,527
Local services	173,652		173,652	160,393
Public utility tax	3,639		3,639	3,484
Cable TV franchise tax	199,714		199,714	197,313
Investment earnings	6,770	7,757	14,527	123,700
Rentals	49,062		49,062	50,864
Gain on sale of assets	38,023		38,023	10,843
Miscellaneous	92,377	53,043	145,420	316,357
Total revenues	5,584,200	4,199,273	9,783,473	9,862,069

**NORTH LEBANON TOWNSHIP**

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

**THE TOWNSHIP AS A WHOLE (CONTINUED)**

Table 2  
Changes in Net Position (continued)

	2021 Governmental activities	2021 Business-type activities	2021 Total primary government	2020 Total primary government
Expenses:				
General government	\$ 491,144		\$ 491,144	\$ 523,582
Public safety	2,544,855		2,544,855	2,725,122
Public works	130,320	\$ 302,897	433,217	488,858
Highways	1,074,125		1,074,125	970,783
Culture, recreation	324,184		324,184	263,009
Municipal Authority		2,798,718	2,798,718	3,201,205
Total expenses	<u>4,564,628</u>	<u>3,101,615</u>	<u>7,666,243</u>	<u>8,172,559</u>
Change in net position	1,019,572	1,097,658	2,117,230	1,689,510
Net position:				
Beginning	<u>12,537,947</u>	<u>13,049,795</u>	<u>25,587,742</u>	<u>23,898,232</u>
Ending	<u><u>\$ 13,557,519</u></u>	<u><u>\$ 14,147,453</u></u>	<u><u>\$ 27,704,972</u></u>	<u><u>\$ 25,587,742</u></u>

The total cost of the Township's governmental programs is \$4,564,628.

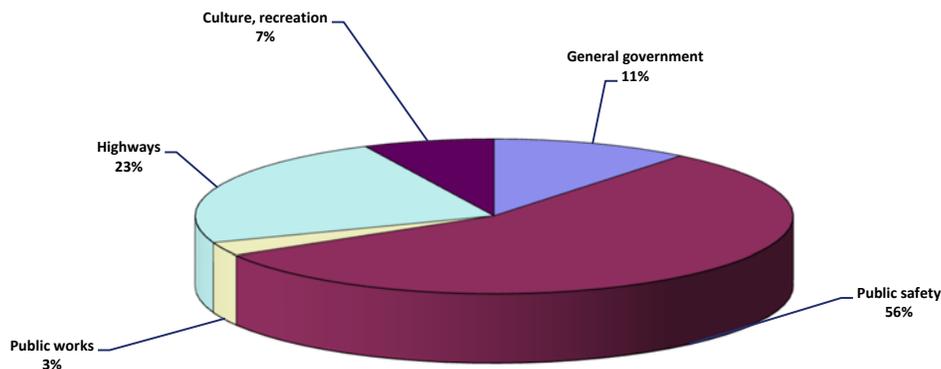
## **NORTH LEBANON TOWNSHIP**

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

#### **THE TOWNSHIP AS A WHOLE (CONTINUED)**

The following chart represents the distribution of all Township governmental expenses:

**2021 EXPENSES BY DEPARTMENT**



#### **THE TOWNSHIP'S FUNDS**

The Township's General Fund reported an increase in the fund balance of \$383,629 in 2021, providing for a balance going into the new year of \$2,163,324. The increase in the fund balance for the General Fund was the result of an upturn in real estate transfers tax revenue due to the booming housing market seeing much higher resale values for properties. Also, the earned income tax revenue, which was conservatively budgeted because we continue with the COVID-19 pandemic, realized a higher revenue than anticipated.

The Liquid Fuels Fund saw a decrease in the fund balance of \$22,635 for a balance of \$448,631. This decrease in the Liquid Fuels Fund's fund balance was due to paving project expenses outweighing the state aid revenue in 2021.

The Street Light Fund saw an increase in the fund balance of \$9,222 for a balance of \$111,760. This increase in the Street Light Fund's fund balance was due to tax revenues received outweighing expenses in 2021. The lower expenses were mostly attributed to the recent conversion of all streetlights in the Township to LED lights and experiencing lower maintenance costs for 2021.

The Capital Improvement Fund reported a decrease in the fund balance of \$32,535 for a balance of \$1,649,840. This decrease in the Capital Improvement Fund's fund balance was due to several minor building upgrades, low interest rates and no transfers from the General Fund in 2021.

## **NORTH LEBANON TOWNSHIP**

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

#### **THE TOWNSHIP'S FUNDS (CONTINUED)**

The Capital Reserve Fund saw an increase of \$159,822 in the fund balance for a balance of \$264,910. This increase in the Capital Reserve Fund's fund balance was from the General Fund transfer of \$160,000 outweighing the expenditure associated with the purchase of a police SUV.

The Fire Protection Fund saw a decrease of \$31,995 in the fund balance for a balance of \$8,813. This decrease in the Fire Protection Fund's fund balance was due to transfers to the local fire departments in 2021 for equipment purchases, and loan payments on recently purchased equipment, as approved by the Board of Supervisors.

The Special Projects Fund saw an increase of \$204,708 in the fund balance for a balance of \$498,261. This increase in the Special Projects Fund's fund balance was due to the Pennsylvania Department of Environmental Protection grant reimbursement of previously purchased equipment (leaf box) in 2020.

The Parks and Recreation Fund saw an increase in the fund balance of \$26,194 for a balance of \$301,888. This increase in the Parks and Recreation Fund's fund balance was the result of "fees in lieu of" developer contributions and other donations received in 2021.

The American Rescue Plan Act of 2021 (ARPA) provided funding to the Township in the amount of \$637,750, which was received in June of 2021. No expenditures were made from this fund in 2021, so the \$637,750 is recorded as unearned revenue. The remaining balance of the ARPA funding (\$637,750) is expected to be received in June of 2022.

The Stormwater Fund saw an increase in the net position of \$115,417 for a balance of \$706,551. This increase in the Stormwater Fund's net position was due to service charges received outweighing the expenditures in 2021.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no revisions made mid-year to the Township's original budget. The Township's original budget and final budget are detailed in the required supplementary information section along with a comparison to actual activity for the year ended December 31, 2021.

##### *Revenues*

The Township's General Fund revenues were \$439,264 over the projected budgetary amount of \$4,402,304.

- The increase in revenue was primarily due to higher than anticipated taxes and fees including department earnings, miscellaneous and refuse benefit fees.

## **NORTH LEBANON TOWNSHIP**

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

#### **GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)**

##### *Expenses and transfers*

The Township's General Fund expenditures were \$129,976 under the projected budgetary amount of \$4,315,109 (does not include interfund transfer).

- Keeping expenditures within the approved budget is constantly monitored by the Manager and Board of Supervisors. Quarterly reports are provided to each department head to analyze their expenses. The Board is provided with financial reports monthly. Department heads must obtain approval from the Township Manager and Board of Supervisors (Police Department) before going over budgeted line items for controllable expenditures. In 2020, this was especially important with the unknown effects on the budget due to the COVID-19 pandemic.

#### **CAPITAL ASSETS**

As of December 31, 2021, the Township had \$44,835,746 invested in a variety of capital assets, as reflected in the following schedule of cost before depreciation.

Business-type activities	\$ 22,149,671
Land	798,121
Buildings and improvements	4,244,853
Automotive equipment	1,339,458
Machinery and equipment	2,170,489
Bridges	1,029,736
Roads	<u>13,103,418</u>
Total	<u><u>\$ 44,835,746</u></u>

See Notes 1, 2 and 3 for additional information.

## **NORTH LEBANON TOWNSHIP**

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

#### **DEBT ADMINISTRATION**

##### Outstanding debt, at year-end

---

Guaranteed Sewer Revenue Note of 2015A	\$ 3,601,379
Guaranteed Water Revenue Note of 2015B	1,100,367
Pennvest loan	291,896

During 2013, the Authority withdrew loan proceeds of \$486,958 from Pennvest to finance the construction of the Rockwood sewer project. In 2015, the Authority received additional loan proceeds from Pennvest of \$79,268. During 2016, the Authority paid off its share of the Pennvest loan. The remaining loan is due solely by the Swatara Township Board of Supervisors, as outlined in an Inter-municipal Agreement. The loan remains in the name of the North Lebanon Township Municipal Authority because it is the owner of the infrastructure. Swatara Township makes advance payments to the Authority for these loan payments. The loan payments continue through October 1, 2031.

In June 2016, the Authority issued Series A of 2015 Guaranteed Sewer Revenue Note in the aggregate principal balance of \$8,818,000. The proceeds of the note were used to: (1) currently refund the remaining portion of the Series A of 2009 Guaranteed Sewer Revenue Bonds and (2) pay the costs and expenses of issuing the Series A of 2015 note.

In June 2016, the Authority issued Series B of 2015 Guaranteed Water Revenue Note in the aggregate principal balance of \$2,196,000. The proceeds of the note were used to: (1) currently refund the remaining portion of the Series B of 2009 Guaranteed Water Revenue Bonds and (2) pay the costs and expenses of issuing the Series B of 2015 note.

Further information on the Township's and the Authority's outstanding debt can be found in the notes to the financial statements.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Township's elected and appointed officials consider many factors when determining tax rates and fees that will be charged for the business-type activities. For 2022 and 2021, the tax rate was 2.01 mils.

The Township has a contract to provide 24/7/52 police services to neighboring West Lebanon Township, and this contract was renewed for 2022 in the amount of \$82,800. The population of West Lebanon Township is approximately 850.

The 2022 Township budget reflects no decreases in services.

## **NORTH LEBANON TOWNSHIP**

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)**

At the end of 2021, the Board of Supervisors promoted within the department to fill the position of Chief of Police following the retirement of our current Chief of Police. Our police force consists of the Chief of Police, two sergeants, plus nine full-time police officers that enforce the motor vehicle and crimes code, as well as local codes adopted by the Board of Supervisors. The Board also contracts with West Lebanon Township to provide enforcement of the International Property Maintenance Code, under the guidance of the Chief of Police. There is one full-time secretary in the police department. The Police Department maintains a Facebook page for communication with our residents in addition to the website maintained by the administrative staff.

The Public Works Department (the Department) is under the direction of the Roadmaster and consists of ten full-time maintenance employees (including Roadmaster) and one part-time seasonal (park and recreation) employee. The Department maintains 63.23 miles of roads and is responsible for sewer-related maintenance to the 65+ miles of collector lines and seven pump stations in North Lebanon Township. Additional information regarding sewer-related activities is available through the North Lebanon Township Municipal Authority's financial statements. The Department is also responsible for maintaining numerous parks as outlined below and servicing our ever-growing fleet of vehicles.

The Department inspects all improvements during installation by developers for compliance with approved plans and Township and Municipal Authority regulations. The Department also maintains the yard waste facility located at the municipal building where residents can drop off grass clippings, leaves and tree branches. The Township continues to receive positive comments regarding the yard waste facility from residents. The fee for the yard waste access card will remain at \$45/year in 2022. The Township will continue the curbside spring and fall yard waste collection service to residents and the curbside collection of leaves in the fall. The facility also has containers for the collection of recyclable material that includes office paper, magazines, newspaper and corrugated cardboard. No access card is required for residents to drop off these materials for recycling.

The Township's Park and Recreational facilities are maintained from April to October. Lion's Lake Park consists of 30 acres. The lake is approximately seven acres in size and home to a DEP approved dam that is annually stocked with trout. There are picnic facilities, bathrooms, playground areas, a volleyball court, walking paths, and athletic fields at the Lion's Lake Park. The Township has been awarded a DCNR grant for upgrades to Lion's Lake, and a shoreline restoration project to reduce the sediment load. At our Long Lane property, there are also numerous athletic fields, bathrooms and a concession stand used by the athletic associations. The Community Park, which is contiguous with our municipal building property, consists of a picnic area with kitchen facilities and pavilion, walking paths, playground area, tennis, pickle ball and basketball courts and athletic fields.

Our newest park, Lenni Lenape Park, off Narrows Drive consists of approximately 30 acres. We continue to construct improvements included in Master Site Plan, as funded with grants or other funding sources. Currently the park consists of playground equipment, an 18-hole disc golf course, half-mile macadam walking paths with benches sporadically placed along the path, wooded area trails and a pavilion with bathrooms and picnic tables.

## **NORTH LEBANON TOWNSHIP**

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)**

We have one full-time mechanic under the direction of the Roadmaster to service the ever-growing fleet at North Lebanon Township. From police cars to backhoe/loaders, this individual performs general maintenance on all vehicles to keep them in the best condition possible. This individual helps other departments as necessary.

The Administrative Department includes five full-time employees; Township manager, assistant Township manager, accounting clerk, sewer billing clerk and receptionist.

The administrative staff is the first point of contact for our residents when stopping in to discuss Township-related issues. Communicating with our residents is important to the Board of Supervisors, as well as the administrative staff. The administrative staff will continue to publish a quarterly newsletter and maintain a website to communicate with our residents. We use the Police Department's Facebook page when necessary to get the word out quickly on an issue. We also have an LED message sign located at the front of the municipal building along Kimmerlings Road to provide computerized messages to assist in our communication with the public.

Certain municipalities across Pennsylvania and the United States must comply with the new state and federal clean water regulations to reduce stormwater pollution. To comply with these unfunded mandates, North Lebanon Township must expand its existing Municipal Separate Storm Sewer (MS4) program and construct stormwater management projects designed to reduce stormwater pollution discharges (sediment) to our local waterways by 10% over the next five years. The cost of the stormwater management program and associated projects is expected to cost North Lebanon Township over \$1,000,000 over the next five years. The Township has joined the Lebanon County Stormwater Consortium, which consists of six municipalities. (Annville Township, City of Lebanon, Cleona Borough Authority, North Cornwall, North Lebanon and South Lebanon Townships.)

In Pennsylvania, the Second-Class Township Code authorizes assessment of reasonable and uniform fees to construct, operate and maintain stormwater management facilities, systems and management plans. A fee is necessary for North Lebanon Township to fund its stormwater management program because tax revenues are not enough to cover the considerable costs brought about by the new regulations. The stormwater fee applies to all developed properties in the Township regardless of a property's tax status for the payment of real estate taxes. In 2022, all single-family residential (SFR) parcels will receive an annual bill of approximately \$40. There has been no increase in this fee from the original adoption in 2018. All non-SFRs will be charged a fee pursuant to a specific formula which accounts for the total impervious cover on the property. In general, the more impervious cover on a non-SFR property, the higher the fee. The fee will be billed quarterly to non-SFRs that are assigned an ERU of six or higher.

The Township continues to place 100% or more of the required Minimum Municipal Obligation in the two defined benefit pension plans. As of the latest Actuarial Valuation Report dated January 1, 2021, the Police Pension Plan is 104.3% funded and the Non-Uniformed Employee Pension Plan is 104.3% funded.

## ***NORTH LEBANON TOWNSHIP***

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

### **REQUEST FOR FINANCIAL INFORMATION**

This financial report is designed to provide a general overview of the North Lebanon Township's finances for all North Lebanon's residents, taxpayers, investors and creditors. This financial report seeks to demonstrate the Township's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Cheri Grumbine - Township Manager, 725 Kimmerlings Road, Lebanon, PA 17046.

## ***NORTH LEBANON TOWNSHIP***

### STATEMENT OF NET POSITION – DECEMBER 31, 2021

#### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Primary government		
	Governmental activities	Business-type activities	Total
<b>Current assets:</b>			
Cash and cash equivalents	\$ 4,653,986	\$ 5,443,607	\$ 10,097,593
Cash, escrow	87,759	76,172	163,931
Certificates of deposit	1,459,218	2,494,699	3,953,917
Certificate of deposit, escrow		12,702	12,702
Taxes receivable	64,215		64,215
Accounts and interest receivable	61,559	163,180	224,739
Inventory	35,537		35,537
Prepaid expenses	26,594		26,594
<b>Total current assets</b>	<b>6,388,868</b>	<b>8,190,360</b>	<b>14,579,228</b>
<b>Noncurrent assets:</b>			
Capital assets, net	8,253,105	9,995,060	18,248,165
Net pension asset	1,067,298		1,067,298
<b>Total noncurrent assets</b>	<b>9,320,403</b>	<b>9,995,060</b>	<b>19,315,463</b>
<b>Total assets</b>	<b>15,709,271</b>	<b>18,185,420</b>	<b>33,894,691</b>
<b>Deferred outflows of resources:</b>			
Deferred charge on refunding		937,100	937,100
Related to:			
Pensions	271,909		271,909
Net other postemployment benefits (other than pensions)	18,850		18,850
<b>Total deferred outflows of resources</b>	<b>290,759</b>	<b>937,100</b>	<b>1,227,859</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 16,000,030</b>	<b>\$ 19,122,520</b>	<b>\$ 35,122,550</b>

See notes to financial statements.

# NORTH LEBANON TOWNSHIP

## STATEMENT OF NET POSITION – DECEMBER 31, 2021

### LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Primary government		
	Governmental activities	Business-type activities	Total
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 133,406	\$ 12,804	\$ 146,210
Escrow payable	87,759	88,874	176,633
Unearned revenue	642,750		642,750
Current portion of Pennvest loan and sewer and water revenue notes		757,441	757,441
<b>Total current liabilities</b>	<b>863,915</b>	<b>859,119</b>	<b>1,723,034</b>
<b>Long-term liabilities:</b>			
Net other postemployment benefits liability (other than pensions)	143,550		143,550
Compensated absences	102,438		102,438
Pennvest loan, net of current portion		263,524	263,524
Sewer and water revenue notes, net of current portion		3,972,677	3,972,677
Note discounts, net of amortization		(120,253)	(120,253)
<b>Total long-term liabilities</b>	<b>245,988</b>	<b>4,115,948</b>	<b>4,361,936</b>
<b>Total liabilities</b>	<b>1,109,903</b>	<b>4,975,067</b>	<b>6,084,970</b>
<b>Deferred inflows of resources:</b>			
Related to:			
Pensions	1,317,535		1,317,535
Net other postemployment benefits (other than pensions)	15,073		15,073
<b>Total deferred inflows of resources</b>	<b>1,332,608</b>		<b>1,332,608</b>
<b>Net position:</b>			
Net investment in capital assets	8,253,105	6,058,771	14,311,876
Restricted for:			
Liquid fuels	448,631		448,631
Parks and recreation	301,888		301,888
Street light	111,760		111,760
Special projects	498,261		498,261
Traffic signal - Route 422	20,508		20,508
Unrestricted	3,923,366	8,088,682	12,012,048
<b>Total net position</b>	<b>13,557,519</b>	<b>14,147,453</b>	<b>27,704,972</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 16,000,030</b>	<b>\$ 19,122,520</b>	<b>\$ 35,122,550</b>

See notes to financial statements.

**NORTH LEBANON TOWNSHIP**

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021

Functions/programs	Expenses	Program revenues			Net (expenses) revenue and change in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		Total
					Governmental activities	Business-type activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 491,144	\$ 4,140	\$ 28,784		\$ (458,220)		\$ (458,220)
Public safety	2,544,855	231,661	174,940		(2,138,254)		(2,138,254)
Public works	130,320	215,474		\$ 146,076	231,230		231,230
Highways	1,074,125	1,240	441,024		(631,861)		(631,861)
Culture, recreation	324,184	3,325		25,000	(295,859)		(295,859)
<b>Total governmental activities</b>	<b>4,564,628</b>	<b>455,840</b>	<b>644,748</b>	<b>171,076</b>	<b>(3,292,964)</b>		<b>(3,292,964)</b>
Business-type activities,							
North Lebanon Township							
Municipal Authority	2,798,718	3,687,717	32,655			\$ 921,654	921,654
Stormwater fund	302,897	418,101				115,204	115,204
<b>Total business-type activities</b>	<b>3,101,615</b>	<b>4,105,818</b>	<b>32,655</b>			<b>1,036,858</b>	<b>1,036,858</b>
<b>Total primary government</b>	<b>\$ 7,666,243</b>	<b>\$ 4,561,658</b>	<b>\$ 677,403</b>	<b>\$ 171,076</b>	<b>(3,292,964)</b>	<b>1,036,858</b>	<b>(2,256,106)</b>

(continued)

***NORTH LEBANON TOWNSHIP***

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

Functions/programs	Net (expenses) revenue and change in net position		
	Primary government		
	Governmental activities	Business-type activities	Total
Net income (expenses) for total primary government	\$ (3,292,964)	\$ 1,036,858	\$ (2,256,106)
<b>General revenues:</b>			
Taxes and assessments:			
Real estate	1,839,688		1,839,688
Real estate transfer	451,007		451,007
Earned income	1,458,604		1,458,604
Local services	173,652		173,652
Public utility tax	3,639		3,639
Cable TV franchise tax	199,714		199,714
Investment earnings	6,770	7,757	14,527
Rentals	49,062		49,062
Gain on sale of assets	38,023		38,023
Miscellaneous	92,377	53,043	145,420
<b>Total general revenues</b>	<b>4,312,536</b>	<b>60,800</b>	<b>4,373,336</b>
<b>Change in net position</b>	<b>1,019,572</b>	<b>1,097,658</b>	<b>2,117,230</b>
<b>Net position:</b>			
Beginning	12,537,947	13,049,795	25,587,742
<b>Ending</b>	<b>\$ 13,557,519</b>	<b>\$ 14,147,453</b>	<b>\$ 27,704,972</b>

See notes to financial statements.

***NORTH LEBANON TOWNSHIP***

BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2021

	General Fund	Capital improvements	ARPA	Nonmajor other governmental funds	Total
ASSETS					
Cash and cash equivalents	\$ 1,163,412	\$ 1,184,111	\$ 637,791	\$ 1,668,672	\$ 4,653,986
Cash, escrow	87,759				87,759
Certificates of deposit	1,000,172	459,046			1,459,218
Taxes receivable	51,289			895	52,184
Accounts and interest receivable	54,490	7,069			61,559
Prepaid expenses	26,594				26,594
Due from other funds	277				277
<b>Total assets</b>	<b>\$ 2,383,993</b>	<b>\$ 1,650,226</b>	<b>\$ 637,791</b>	<b>\$ 1,669,567</b>	<b>\$ 6,341,577</b>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Accounts payable and accrued expenses	\$ 103,468	\$ 386		\$ 29,552	\$ 133,406
Escrow payable	87,759				87,759
Unearned revenue			\$ 637,750	5,000	642,750
Due to other funds				277	277
<b>Total liabilities</b>	<b>191,227</b>	<b>386</b>	<b>637,750</b>	<b>34,829</b>	<b>864,192</b>
Deferred inflows of resources, unavailable tax revenues	29,442			475	29,917
<b>Fund balances:</b>					
Nonspendable	26,594				26,594
Restricted:					
Liquid fuels fund				448,631	448,631
Parks and recreation fund				301,888	301,888
Street light fund				111,760	111,760
Special projects fund				498,261	498,261
Traffic signal - Route 422	20,508				20,508
Committed for fire protection				8,813	8,813
Assigned:					
Capital improvement fund		1,649,840			1,649,840
Capital reserve fund				264,910	264,910
ARPA			41		41
Unassigned	2,116,222				2,116,222
<b>Total fund balances</b>	<b>2,163,324</b>	<b>1,649,840</b>	<b>41</b>	<b>1,634,263</b>	<b>5,447,468</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,383,993</b>	<b>\$ 1,650,226</b>	<b>\$ 637,791</b>	<b>\$ 1,669,567</b>	<b>\$ 6,341,577</b>

See notes to financial statements.

***NORTH LEBANON TOWNSHIP***

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2021

<b>Total governmental fund balances</b>	<b>\$ 5,447,468</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net pension asset and inventory used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, net	8,253,105
Net pension asset	1,067,298
Inventory	35,537
Other assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds, property taxes	
	41,948
Deferred outflows and deferred inflows of resources are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resourced related to:	
Pensions	271,909
Other postemployment benefits (other than pensions)	18,850
Deferred inflows of resources related to:	
Pensions	(1,317,535)
Other postemployment benefits (other than pensions)	(15,073)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(102,438)
Net other postemployment benefits (other than pensions)	(143,550)
<b>Net position of governmental activities</b>	<b><u><u>\$ 13,557,519</u></u></b>

See notes to financial statements.

***NORTH LEBANON TOWNSHIP***

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

	General Fund	Capital improvements	ARPA	Nonmajor other governmental funds	Total
<b>Revenues:</b>					
Taxes and assessments	\$ 3,887,570			\$ 59,751	\$ 3,947,321
Licenses, permits and fines	311,081				311,081
Intergovernmental revenues	327,576			571,887	899,463
Investment income and rents	47,921	\$ 4,962	\$ 41	2,908	55,832
Departmental earnings	24,124			41,930	66,054
Private sector contributions	10,230				10,230
Public safety	13,516				13,516
Miscellaneous	44,877			47,500	92,377
Refuse benefit fee	174,673				174,673
<b>Total revenues</b>	<b>4,841,568</b>	<b>4,962</b>	<b>41</b>	<b>723,976</b>	<b>5,570,547</b>
<b>Expenditures:</b>					
General government	450,577	19,819		3	470,399
Public safety	2,637,014			197,335	2,834,349
Public works	88,020			16,531	104,551
Highways	721,390			475,738	1,197,128
Parks and recreation	288,132	17,678		47,315	353,125
<b>Total expenditures</b>	<b>4,185,133</b>	<b>37,497</b>		<b>736,922</b>	<b>4,959,552</b>

(continued)

***NORTH LEBANON TOWNSHIP***

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

	General Fund	Capital improvements	ARPA	Nonmajor other governmental funds	Total
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	\$ 656,435	\$ (32,535)	\$ 41	\$ (12,946)	\$ 610,995
<b>Other financing sources (uses):</b>					
Operating transfers:					
In				280,000	280,000
Out	(280,000)				(280,000)
Proceeds from sale of assets	7,194			78,262	85,456
<b>Other financing sources (uses)</b>	<b>(272,806)</b>			<b>358,262</b>	<b>85,456</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	383,629	(32,535)	41	345,316	696,451
<b>Fund balances:</b>					
January 1, 2021	1,779,695	1,682,375		1,288,947	4,751,017
<b>December 31, 2021</b>	<b>\$ 2,163,324</b>	<b>\$ 1,649,840</b>	<b>\$ 41</b>	<b>\$ 1,634,263</b>	<b>\$ 5,447,468</b>

See notes to financial statements.

## ***NORTH LEBANON TOWNSHIP***

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2021

<b>Net change in fund balances, total government funds</b>	<b>\$ 696,451</b>
 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:	
Capital outlays, net of disposals	372,691
Depreciation expense	(562,444)
 Governmental funds report inventory consumption as expenditures. However, in the statement of activities, the cost of inventories is capitalized and reported as expenses as consumed.	
	4,334
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	(24,370)
 The change in the value of the net pension asset and liability and net other postemployment benefits liability are not reported in government funds:	
Net pension asset	861,117
Net other postemployment benefits liability	(5,894)
 The change in the deferred outflows and inflows related to pensions and net other postemployment benefits are not reported in governmental funds:	
Deferred outflows related to pensions	(495,488)
Deferred inflows related to pensions	145,717
Deferred outflows related to net other postemployment benefits	1,796
Deferred inflows related to net other postemployment benefits	(10,008)
 Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds, compensated absences	
	35,670
<b>Change in net position of governmental activities</b>	<b>\$ 1,019,572</b>

See notes to financial statements.

***NORTH LEBANON TOWNSHIP***

STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
DECEMBER 31, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Water operating fund	Sewer operating funds	Nonmajor - Stormwater fund	Eliminations	Total
<b>Current assets:</b>					
Cash and cash equivalents	\$ 157,334	\$ 4,829,225	\$ 457,048		\$ 5,443,607
Cash, escrow		68,672	7,500		76,172
Certificates of deposit		2,494,699			2,494,699
Certificate of deposit, escrow		12,702			12,702
Accounts and interest receivable		129,263	33,917		163,180
Due from other funds		1,350,747		\$ (1,350,747)	-
<b>Total current assets</b>	<b>157,334</b>	<b>8,885,308</b>	<b>498,465</b>	<b>(1,350,747)</b>	<b>8,190,360</b>
Property, plant and equipment	2,848,944	19,082,412	218,315		22,149,671
Less accumulated depreciation	1,175,189	10,976,693	2,729		12,154,611
<b>Total property, plant and equipment, net</b>	<b>1,673,755</b>	<b>8,105,719</b>	<b>215,586</b>		<b>9,995,060</b>
<b>Total assets</b>	<b>1,831,089</b>	<b>16,991,027</b>	<b>714,051</b>	<b>(1,350,747)</b>	<b>18,185,420</b>
Deferred outflows of resources, deferred charge on refunding		937,100			937,100
<b>Total assets and deferred outflows of resources</b>	<b>\$ 1,831,089</b>	<b>\$ 17,928,127</b>	<b>\$ 714,051</b>	<b>\$ (1,350,747)</b>	<b>\$ 19,122,520</b>

See notes to financial statements.

***NORTH LEBANON TOWNSHIP***

STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
DECEMBER 31, 2021

LIABILITIES AND NET POSITION

	Water operating fund	Sewer operating funds	Nonmajor - Stormwater fund	Eliminations	Total
<b>Current liabilities:</b>					
Due to other funds	\$ 1,350,747			\$ (1,350,747)	\$ -
Accounts payable and accrued expenses		\$ 12,804			12,804
Escrow payable		81,374	\$ 7,500		88,874
Current maturities of revenue notes and loan		757,441			757,441
<b>Total current liabilities</b>	<b>1,350,747</b>	<b>851,619</b>	<b>7,500</b>	<b>(1,350,747)</b>	<b>859,119</b>
<b>Long-term liabilities:</b>					
Guaranteed Sewer Revenue Note of 2015A, net of current portion		2,963,580			2,963,580
Guaranteed Water Revenue Note of 2015B, net of current portion		1,009,097			1,009,097
Pennvest loan, net of current portion		263,524			263,524
Note discounts, net of accumulated amortization		(120,253)			(120,253)
<b>Total long-term liabilities</b>		<b>4,115,948</b>			<b>4,115,948</b>
<b>Total liabilities</b>	<b>1,350,747</b>	<b>4,967,567</b>	<b>7,500</b>	<b>(1,350,747)</b>	<b>4,975,067</b>
<b>Net position:</b>					
Net investment in capital assets	323,008	5,520,177	215,586		6,058,771
Unrestricted	157,334	7,440,383	490,965		8,088,682
<b>Total net position</b>	<b>480,342</b>	<b>12,960,560</b>	<b>706,551</b>		<b>14,147,453</b>
<b>Total liabilities and net position</b>	<b>\$ 1,831,089</b>	<b>\$ 17,928,127</b>	<b>\$ 714,051</b>	<b>\$ (1,350,747)</b>	<b>\$ 19,122,520</b>

See notes to financial statements.

***NORTH LEBANON TOWNSHIP***

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

	Water operating fund	Sewer operating funds	Nonmajor - Stormwater fund	Total
<b>Operating revenues:</b>				
Rentals and service charges	\$ 185,442	\$ 3,007,150	\$ 418,101	\$ 3,610,693
Ready to serve charges	83,300	411,825		495,125
Miscellaneous fees		53,043		53,043
<b>Total operating revenues</b>	<b>268,742</b>	<b>3,472,018</b>	<b>418,101</b>	<b>4,158,861</b>
<b>Operating expenses:</b>				
Sewage disposal and treatment		1,381,564		1,381,564
Administrative	9,220	615,481	10,868	635,569
Legal and engineering fees			23,299	23,299
Stormwater consortium fees			266,001	266,001
Other operating expenses		1,470		1,470
<b>Total operating expenses</b>	<b>9,220</b>	<b>1,998,515</b>	<b>300,168</b>	<b>2,307,903</b>
Net operating income before depreciation and amortization	259,522	1,473,503	117,933	1,850,958
Less:				
Depreciation	71,222	485,382	2,729	559,333
Amortization		8,962		8,962
<b>Net operating income</b>	<b>188,300</b>	<b>979,159</b>	<b>115,204</b>	<b>1,282,663</b>
<b>Nonoperating income (expenses):</b>				
Grant revenues		32,655		32,655
Interest earnings	76	7,468	213	7,757
Interest expense		(225,417)		(225,417)
<b>Total nonoperating income (expenses)</b>	<b>76</b>	<b>(185,294)</b>	<b>213</b>	<b>(185,005)</b>
<b>Net income</b>	<b>188,376</b>	<b>793,865</b>	<b>115,417</b>	<b>1,097,658</b>
Other financing sources (uses), transfers in (out)	(187,427)	187,427		-
<b>Change in net position</b>	<b>949</b>	<b>981,292</b>	<b>115,417</b>	<b>1,097,658</b>
<b>Net position:</b>				
January 1, 2021	479,393	11,979,268	591,134	13,049,795
<b>December 31, 2021</b>	<b>\$ 480,342</b>	<b>\$ 12,960,560</b>	<b>\$ 706,551</b>	<b>\$ 14,147,453</b>

See notes to financial statements.

***NORTH LEBANON TOWNSHIP***

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

	Water operating fund	Sewer operating funds	Nonmajor - Stormwater fund	Total
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 268,742	\$ 3,450,622	\$ 406,662	\$ 4,126,026
Cash payments to:				
Suppliers for goods and services	(9,220)	(1,536,199)	(301,865)	(1,847,284)
Employees for salaries and benefits		(464,708)		(464,708)
Other operating:				
Revenues		53,043		53,043
Expenses		(1,470)		(1,470)
<b>Net cash provided by operating activities</b>	<b>259,522</b>	<b>1,501,288</b>	<b>104,797</b>	<b>1,865,607</b>
<b>Cash flows from noncapital financing activities:</b>				
Grant revenues		32,655		32,655
Transfers from (to) other funds, net	(187,427)	187,427		-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(187,427)</b>	<b>220,082</b>		<b>32,655</b>
<b>Cash flows from capital and related financing activities:</b>				
Capital expenditures		(104,133)	(218,315)	(322,448)
Paid on notes and loan:				
Principal		(1,011,248)		(1,011,248)
Interest		(139,287)		(139,287)
<b>Net cash used in capital and related financing activities</b>		<b>(1,254,668)</b>	<b>(218,315)</b>	<b>(1,472,983)</b>
<b>Cash flows from investing activities:</b>				
Purchase of certificates of deposit		(12,694)		(12,694)
Redemption of certificates of deposit		12,694		12,694
Interest earnings	76	2,204	213	2,493
<b>Net cash provided by investing activities</b>	<b>76</b>	<b>2,204</b>	<b>213</b>	<b>2,493</b>

(continued)

***NORTH LEBANON TOWNSHIP***

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

	Water operating fund	Sewer operating funds	Nonmajor - Stormwater fund	Total
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 72,171</b>	<b>\$ 468,906</b>	<b>\$ (113,305)</b>	<b>\$ 427,772</b>
<b>Cash and cash equivalents:</b>				
Beginning of year	85,163	4,360,319	570,353	5,015,835
<b>End of year</b>	<b>\$ 157,334</b>	<b>\$ 4,829,225</b>	<b>\$ 457,048</b>	<b>\$ 5,443,607</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Net operating income	<b>\$ 188,300</b>	<b>\$ 979,159</b>	<b>\$ 115,204</b>	<b>\$ 1,282,663</b>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	71,222	485,382	2,729	559,333
Amortization		8,962		8,962
(Increase) decrease in assets:				
Accounts receivable		31,646	(11,439)	20,207
Prepaid expenses		250		250
(Decrease) in liabilities, accounts payable and accrued expenses		(4,111)	(1,697)	(5,808)
<b>Total adjustments</b>	<b>71,222</b>	<b>522,129</b>	<b>(10,407)</b>	<b>582,944</b>
<b>Net cash provided by operating activities</b>	<b>\$ 259,522</b>	<b>\$ 1,501,288</b>	<b>\$ 104,797</b>	<b>\$ 1,865,607</b>

See notes to financial statements.

***NORTH LEBANON TOWNSHIP***

STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2021

	<u>Police Pension fund</u>	<u>Nonuniformed Pension fund</u>	<u>Total</u>
Assets, investments	<u>\$ 6,197,544</u>	<u>\$ 5,113,051</u>	<u>\$ 11,310,595</u>
Net position restricted for pensions	<u>\$ 6,197,544</u>	<u>\$ 5,113,051</u>	<u>\$ 11,310,595</u>

See notes to financial statements.

***NORTH LEBANON TOWNSHIP***

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

	Police Pension fund	Nonuniformed Pension fund	Total
<b>Additions:</b>			
Contributions:			
State aid and Township Employees	\$ 232,989 59,309	\$ 193,540	\$ 426,529 59,309
<b>Total contributions</b>	<b>292,298</b>	<b>193,540</b>	<b>485,838</b>
Net investment income	635,676	527,869	1,163,545
<b>Total additions</b>	<b>927,974</b>	<b>721,409</b>	<b>1,649,383</b>
<b>Deductions:</b>			
Benefit payments	241,389	84,670	326,059
Administrative expenses	9,400	6,500	15,900
<b>Total deductions</b>	<b>250,789</b>	<b>91,170</b>	<b>341,959</b>
<b>Net increase</b>	<b>677,185</b>	<b>630,239</b>	<b>1,307,424</b>
<b>Net position restricted for pensions:</b>			
Beginning of year	5,520,359	4,482,812	10,003,171
<b>End of year</b>	<b>\$ 6,197,544</b>	<b>\$ 5,113,051</b>	<b>\$ 11,310,595</b>

See notes to financial statements.

## ***NORTH LEBANON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

#### **1. Nature of organization and summary of significant accounting policies:**

North Lebanon Township (the Township) is located in Lebanon County, Pennsylvania. It is a Township of the second class and operates under an elected five-member Board of Supervisors. The Township provides services in many areas to its residents, including building regulation, maintenance of roadways, community enrichment programs, various general government services and supports the operations of fire companies.

The financial statements of North Lebanon Township have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of North Lebanon Township are described below.

#### *Reporting entity:*

The Township defines its reporting entity based upon the criteria established by GASB. The Township includes in its reporting entity organizations for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of reporting entity is based primarily on the notion of financial accountability. The Township is financially accountable for an organization if it appoints a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Township. The Township would include any organization fiscally dependent on it.

Based upon the criteria above, the only organization the Township has included in its reporting entity is the North Lebanon Township Municipal Authority (the Municipal Authority or the Authority). The Township appoints the Authority's board, has guaranteed the Authority's outstanding debt and manages the Authority's systems. The Township has blended the financial statements of the Authority as a proprietary fund type. There were no other organizations which met the reporting entity criteria as defined by GASB.

#### *Basis of presentation:*

Government-wide financial statements - The statement of net position and statement of activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

## ***NORTH LEBANON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

##### *Basis of presentation:*

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 or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from services or privileges provided by a given function or segment and 2) grants that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported as general revenues.

Fund financial statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary category. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- a. Total assets (including deferred outflows of resources), liabilities (including deferred inflows of resources), revenues or expenditures/expenses of that individual fund are at least 10% of the corresponding element total for all funds of that category or type; and
- b. The same element that met the 10% criterion in (a) is at least 5% of the corresponding element total for all funds combined.

##### *Fund balance classifications:*

Government-wide statements - Fund balance is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position - Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other assets that do not meet the definition of "restricted" or "net investment in capital assets."

## ***NORTH LEBANON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

##### *Fund balance classifications:*

Fund statements - The Township follows GASB standards, which report the nature and extent of the constraints placed on the Township's fund balances. The following classifications describe the relative strength of the spending constraints.

- a. Restricted fund balances – Resources constrained by external parties such as creditors, grantors, contributors or laws or regulations of other governments, or imposed by law through enabling legislation.
- b. Committed fund balance – Resources constrained to specific purposes by the Township itself, using its 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 action to remove or change the constraint. This formal action is a Township Board approved resolution.
- c. Nonspendable fund balance – Resources that are not in spendable form and include items such as prepaid expenditures.
- d. Assigned fund balances – Resources constrained by the Township's intent to use them for specific purposes such as capital improvement projects. There have been no formal actions taken by the Township supervisors to commit these funds for any specific purpose.
- e. Unassigned fund balance – Resources that have not been restricted, committed or assigned for specific purposes. Accounts for funds not reported in other funds.

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.

## ***NORTH LEBANON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

##### *Fund balance classifications:*

Proprietary fund net position is classified the same as in the government-wide statements.

The following paragraphs describe the fund accounting structure of the Township:

Governmental fund types - Governmental funds are those through which most governmental functions of the Township are financed. Following are descriptions of the Township's governmental fund types:

General Fund - The principal fund of the Township which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the Township are financed through revenues of the General Fund.

Special revenue funds - Accounts for the proceeds of specific revenue sources (other than capital projects and debt service) that are restricted for specified purposes.

Capital projects funds - Accounts for restricted, committed or assigned financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary fund types, trust funds - fiduciary funds are used to account for assets held by the Township in a trustee capacity or as a custodian. Trust funds of North Lebanon Township consist of pension trust funds. The other postemployment medical benefits fund has an asset and net position balance of zero as of December 31, 2021.

Proprietary fund types - Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. Following is the Township's proprietary fund type:

Enterprise fund - Enterprise funds are used to account for the Township's operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost of providing goods or services to the residents on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans. The following funds are used to account for those financial activities:

North Lebanon Township Municipal Authority - This component unit is used to account for the revenues and other costs and expenses of providing sewer and water service to residents, commercial and industrial entities.

# ***NORTH LEBANON TOWNSHIP***

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

#### *Fund balance classifications:*

Stormwater fund – Is used to account for stormwater initiatives including, but not limited to, engineering, professional fees and stormwater consortium fees. This fund also accounts for the daily operations of the stormwater system and billing and collection of stormwater service fees.

Major and nonmajor funds - The funds are further classified as major or nonmajor as follows:

#### Major funds

General Fund - The principal fund of the Township which accounts for all financial transactions not accounted for in other funds.

Capital improvement fund - Accounts for resources assigned by the Board of Supervisors for anticipated capital expenditures and debt service.

American Rescue Plan Act of 2021 (ARPA) fund - A fund established by the Township's management to maintain the ARPA funds received by the Township. In accordance with the standard allowance section of the American Rescue Plan Act of 2021; the revenues received by the Township are to be utilized for provisions of governmental services, caused by the reduction in the growth of Township revenues subsequently resulting from the COVID-19 pandemic (see Note 15). The funds have been assigned by the Township's management for ongoing and future provisions of governmental services related to various capital projects.

#### **Authority:**

Water operating fund - Township Authority fund that accounts for maintenance and construction of water lines throughout the Township. Financing is provided by water rentals collected from Township water customers.

Sewer operating fund - Township Authority fund that accounts for maintenance and construction of the sewer system throughout the Township. Financing is provided by sewer rentals collected from Township sewer system customers.

Capital reserve fund – The Authority fund that accounts for resources for anticipated operating and capital expenditures and debt service. Financing is provided by the Authority's collection of ready-to-serve charges. This fund is combined with the sewer operating fund to present total sewer operating activities.

# ***NORTH LEBANON TOWNSHIP***

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

*Fund balance classifications:*

#### Nonmajor funds

##### **Special revenue funds:**

Special projects fund - Accounts for intergovernmental grants and recycling income restricted for recycling equipment, education and facilities.

Street light fund - Accounts for resources restricted to maintain street lights within the Township. Financing is provided by a front footage assessment of properties located within 250 feet of a street light. The current assessment rate is \$.51 per foot.

Liquid fuels fund - Accounts for funds restricted for maintenance and construction of Township highways, traffic signals and bridges. Financing is provided by the Township's share of the state liquid fuels tax.

Parks and recreation fund - Accounts for fees in lieu of taxes provided and restricted by developers to the Township for recreational park improvements.

##### **Capital projects fund:**

Capital reserve fund - Accounts for refuse benefit fees transferred from the General Fund and assigned by the Board of Supervisors for anticipated capital expenditures.

Fire protection fund - Accounts for resources committed by the Board of Supervisors for anticipated capital expenditures related to fire protection.

##### **Enterprise fund:**

Stormwater fund - Is used to account for stormwater initiatives including, but not limited to, engineering, professional fees and stormwater consortium fees. This fund also accounts for the daily operations of the stormwater system and billing and collection of stormwater service fees.

## ***NORTH LEBANON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

##### *Basis of accounting:*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources generally are included on the balance sheet in the funds' statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net position and statement of activities and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, all liabilities and deferred inflows of resources associated with the operation of these activities are either included on the statement of net position or on the statement of fiduciary net position.

The statement of net position, statement of activities and fiduciary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the governmental funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. The material modifications of the modified accrual method from the accrual method are as follows:

- a. Revenues are recognized in the accounting period in which they become susceptible to accrual; that is when they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or within 60 days after year end.

Real estate transfer taxes, licenses, permits and fines, rental income and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Intergovernmental revenues and investment income are recorded when earned since they are measurable and available. Real estate taxes, which are uncollected or delinquent, are recorded as receivables, net of the allowance for doubtful accounts. Current levies of taxes which are not available to finance current expenditures are recorded as deferred inflows of resources as unavailable tax revenues. Taxpayer assessed revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period.

## ***NORTH LEBANON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

*Basis of accounting:*

- b. Inventory is recognized.
- c. Principal and interest on long-term debt are recognized when due.
- d. Accumulated unpaid vacation pay and sick pay amounts which are expected to be paid with expendable available financial resources are recorded in the respective fund financial statements in accordance with criteria prescribed in GASB standards. Accrued costs include payroll related expenditures such as the employer's share of Social Security taxes. As of December 31, 2021, no such costs have been recorded in the fund financial statements.
- e. All budgets have been adopted on the modified-accrual basis of accounting for all governmental fund types.

The Authority and the stormwater fund use the accrual basis of accounting as required by generally accepted accounting principles for proprietary fund types.

*Cash, cash equivalents and certificates of deposits:*

The Township and Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and external investment pool held by Pennsylvania Local Government Investment Trust (PLGIT) with original maturities of three months or less. 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 on hand and demand deposits are reported at carrying amounts which reasonably approximate fair value.

For purposes of the statement of cash flows, the management of the Township and Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Escrow deposits are excluded from cash equivalents.

*Receivables:*

Accounts receivable and taxes receivable determined as being uncollectible are written off. As of December 31, 2021, the Township believes all accounts and taxes receivable are 100% collectible.

# ***NORTH LEBANON TOWNSHIP***

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

#### *Inventory:*

Inventory consists of expendable supplies held for consumption. Inventories are presented at the lower of cost or net realizable value on a first-in, first-out basis and expensed when used for the government-wide statements.

#### *Prepaid items:*

Payments for expenses reflect costs applicable to future accounting periods and are recorded as prepaid expenses on the statement of net position and balance sheet.

#### *Capital assets:*

General capital assets are capital assets which are associated with and generally arise from governmental and business-type activities. They generally result from expenditures in the governmental and proprietary funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the governmental fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are reported at their acquisition value as of the date received. 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 Township's infrastructure consists of roads, bridges, traffic signals and stormwater systems. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated, except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Township's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated lives</u>
Buildings and improvements	40 years
Machinery and equipment	10 years
Vehicles	7 years
Infrastructure	25 - 50 years

## ***NORTH LEBANON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

##### *Deferred outflows/inflows of resources:*

The statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods, and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has three items that qualify for reporting in this category. One is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other deferred outflows are for the following: (a) changes in assumptions related to the pensions, and (b) changes in assumptions related to the net other postemployment medical benefits. All are presented on the Township's statement of net position.

The statement of net position and balance sheet – governmental funds reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Township has three types of items, unavailable tax revenues, which arise only under a modified accrual basis of accounting on the balance sheet – governmental funds. The other deferred inflows are for the following: (a) difference between projected and actual investment earnings on pension investments, (b) differences between expected and actual pension experience and (c) changes in assumptions related to the net other postemployment medical benefits. All are presented on the Township's statement of net position.

##### *Long-term debt:*

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and a loan payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as expenditures.

##### *Compensated absences:*

The Township's policies regarding sick and vacation time permit employees to accumulate earned but unused sick and vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources that have matured as a result of resignations and retirement.

## ***NORTH LEBANON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

##### *Fiduciary funds:*

The Township has two single-employer pension plans that cover police and nonuniformed employees. These funds are maintained in accordance with Act 205 established by the Commonwealth in 1984. Investments within the funds are stated at fair values. The other postemployment medical benefits plan has an asset and net position balance of zero as of December 31, 2021.

##### *Pension plans and other postemployment medical benefits:*

The government-wide financial statements report pension obligations and other postemployment medical benefits as earned using actuarial calculations which allocate expected costs over employees' service periods. Fund financial statements report employer contributions to the pension plans and other postemployment medical benefits as expenditures as they are made.

##### *Use of estimates:*

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

##### *Reclassifications:*

Certain prior year amounts in the notes to the financial statements have been reclassified to conform with current year presentation.

##### *Municipal Authority:*

The practices and policies specific to the Municipal Authority are as follows:

Basis of presentation - The Authority accounts for all funds existing under its jurisdiction, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses.

Project costs - All costs incurred in constructing the various sewer and water systems, either fully completed or under construction as of the year end, have been capitalized during the construction period. As the systems become operational to their intended users, the Authority recognizes depreciation on the construction costs using the straight-line method over 40 years.

## ***NORTH LEBANON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

##### *New accounting pronouncements adopted:*

For the year ended December 31, 2021, the Township implemented the following:

GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*.

These standards did not have a significant effect on the Township's financial statements.

##### *Pending GASB statements:*

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions of GASB Statement No. 87 are effective for the Township's December 31, 2022 financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. The provisions of GASB Statement No. 91 are effective for the Township's December 31, 2022 financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions of GASB Statement No. 92 are effective for the Township's December 31, 2022 financial statements.

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

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The provisions of GASB Statement No. 92 are effective for the Township's December 31, 2023 financial statements.

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

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**2. Capital assets:**

A summary of the activity in the general fixed assets was as follows:

*Governmental activities:*

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
Capital assets not being depreciated, land	\$ 798,121			\$ 798,121
Capital assets being depreciated:				
Buildings and improvements	4,223,742	\$ 27,485	\$ 6,374	4,244,853
Automotive equipment	2,138,880	44,244	843,666	1,339,458
Machinery and equipment	2,679,800	14,728	524,039	2,170,489
Bridges	1,029,736			1,029,736
Roads	12,769,751	333,667		13,103,418
Total capital assets being depreciated	22,841,909	420,124	1,374,079	21,887,954
Less accumulated depreciation:				
Buildings and improvements	1,968,576	108,037	3,904	2,072,709
Automotive equipment	1,400,362	123,543	798,703	725,202
Machinery and equipment	1,857,647	154,349	524,039	1,487,957
Bridges	1,029,736			1,029,736
Roads	8,940,851	176,515		9,117,366
Total accumulated depreciation	15,197,172	562,444	1,326,646	14,432,970
Total capital assets being depreciated, net	7,644,737	(142,320)	47,433	7,454,984
Governmental activities, capital assets, net	\$ 8,442,858	\$ (142,320)	\$ 47,433	\$ 8,253,105

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**2. Capital assets (continued):**

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 72,584
Public safety	55,253
Public works	36,392
Highway	348,086
Culture, recreation	<u>50,129</u>
 Total depreciation expense	 <u><u>\$ 562,444</u></u>

**3. Property, plant and equipment:**

*Business-type activities:*

	Balance January 1, 2021	<u>Additions</u>	<u>Deletions</u>	Balance December 31, 2021
Capital assets:				
Systems:				
Water	\$ 2,848,944			\$ 2,848,944
Sewer	18,260,795	\$ 104,133	\$ 8,738	18,356,190
Equipment	1,001,565		275,343	726,222
Stormwater infrastructure		<u>218,315</u>		<u>218,315</u>
 Total capital assets	 <u>22,111,304</u>	 <u>322,448</u>	 <u>284,081</u>	 <u>22,149,671</u>
 Less accumulated depreciation:				
Systems:				
Water	1,103,967	71,222		1,175,189
Sewer	9,889,446	454,734	8,738	10,335,442
Equipment	885,946	30,648	275,343	641,251
Stormwater infrastructure		<u>2,729</u>		<u>2,729</u>
 Total accumulated depreciation	 <u>11,879,359</u>	 <u>559,333</u>	 <u>284,081</u>	 <u>12,154,611</u>
 Capital assets, net	 <u><u>\$ 10,231,945</u></u>	 <u><u>\$ (236,885)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 9,995,060</u></u>

## ***NORTH LEBANON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

#### **4. Rockwood sewer project:**

The Authority has entered into an inter-municipal agreement with Swatara Township, Lebanon County, to provide and receive sanitary sewer service to the residents within the Rockwood area of Swatara and North Lebanon Townships (the Townships).

The Townships received, through North Lebanon Township Municipal Authority, an H<sub>2</sub>O grant of \$912,000; a Community Development Block Grant of \$50,000; a Pennvest grant of \$1,645,892 and a 1% loan award from Pennvest in the amount of \$566,226 towards the construction of the project. North Lebanon Township Municipal Authority provided a matching fund requirement of approximately \$70,600 to complete the project. The project was completed at the end of 2013.

The Community Development Block Grant of \$50,000 was given directly to the Rockwood residents for their personal connection expenses to the new sanitary sewer system. Swatara Township is responsible for 88% of the Pennvest loan, and the Authority was responsible for the remaining 12%. The Authority paid off its portion of the loan in 2016 (see Note 6).

#### **5. Cash escrow:**

Represents funds held in escrow by the Township and Authority until such time as the developer or customer completes construction of a specified project.

#### **6. Long-term debt:**

##### *Pennvest loan:*

During 2013, the Authority withdrew loan proceeds of \$486,958 from Pennvest to finance the construction of the Rockwood sewer project. In 2015, the Authority received additional loan proceeds from Pennvest of \$79,268. The loan required interest only payments through February 2014. Starting March 1, 2014, the Authority made monthly interest and principal payments of \$2,597 at an interest rate of 1.0%. The loan payments continue through October 1, 2031. The Authority paid off its portion of the loan in 2016, and the remaining loan balance is the responsibility of Swatara Township (see Note 4).

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**6. Long-term debt (continued):**

*Pennvest loan:*

Loan payments to maturity are scheduled as follows at December 31, 2021:

	<u>Principal</u>	<u>Interest</u>	<u>Debt service</u>
2022	\$ 28,372	\$ 2,789	\$ 31,161
2023	28,657	2,504	31,161
2024	28,945	2,216	31,161
2025	29,236	1,925	31,161
2026	29,530	1,631	31,161
2027-2031	<u>147,156</u>	<u>3,651</u>	<u>150,807</u>
Total	<u><u>\$ 291,896</u></u>	<u><u>\$ 14,716</u></u>	<u><u>\$ 306,612</u></u>

*Guaranteed Sewer Revenue Note, Series of 2015A:*

In June 2016, the Authority issued Series A of 2015 Guaranteed Sewer Revenue Note in the aggregate principal balance of \$8,818,000. The proceeds of the note were used to: (1) currently refund the remaining portion of the Series A of 2009 Guaranteed Sewer Revenue Bonds and (2) pay the costs and expenses of issuing the Series A of 2015 note. The note was amended on January 15, 2021 to obtain better interest rates, while changing the payments to be remitted monthly. The schedules on the following page reflect the changes as a result of the amendment.

The North Lebanon Township Municipal Authority had assigned and pledged to the trustee the revenues and receipts from the Authority's system, and under certain circumstances, from money to be made available to the trustee pursuant to a guaranty agreement with North Lebanon Township, as guarantor, the Authority and the trustee. In the guaranty agreement, the Township unconditionally covenants to pay the principal and interest on the note if the situation warrants, and is entitled to reimbursement by the Authority under a separate reimbursement agreement.

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**6. Long-term debt (continued):**

*Guaranteed Sewer Revenue Note, Series of 2015A:*

Sewer revenue note outstanding at December 31, 2021 was as follows:

<u>Principal amount</u>	<u>Maturity date</u>	<u>Interest rate</u>
\$ 637,799	2022	2.04 %
650,922	2022	2.04
664,336	2023	2.04
678,016	2024	2.04
691,978	2025	2.04
278,318	2026	2.04
<u>\$ 3,601,369</u>		

Sewer revenue note debt service requirements for the next five years and thereafter, including interest of \$233,574, are as follows:

	<u>Debt service</u>
2022	\$ 710,426
2023	710,426
2024	710,426
2025	710,426
2026	710,426
2027	<u>282,813</u>
Total	<u>\$ 3,834,943</u>

*Guaranteed Water Revenue Note, Series of 2015B:*

In June 2016, the Authority issued Series B of 2015 Guaranteed Water Revenue Note in the aggregate principal balance of \$2,196,000. The proceeds of the note were used to: (1) currently refund the remaining portion of the Series B of 2009 Guaranteed Water Revenue Bonds and (2) pay the costs and expenses of issuing the Series B of 2015 note. The note was amended on December 15, 2020 to obtain better interest rates, while changing the payments to be remitted monthly. The schedules on the following pages reflect the changes as a result of the amendment.

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**6. Long-term debt (continued):**

*Guaranteed Water Revenue Note, Series of 2015B:*

The North Lebanon Township Municipal Authority had assigned and pledged to the trustee the revenues and receipts from the Authority's water system, and under certain circumstances, from money to be made available to the trustee pursuant to a guaranty agreement with North Lebanon Township, as guarantor, the Authority and the trustee. In the guaranty agreement, the Township unconditionally covenants to pay the principal and interest on the note if the situation warrants, and is entitled to reimbursement by the Authority under a separate reimbursement agreement.

Water revenue note outstanding at December 31, 2021 was as follows:

<u>Principal amount</u>	<u>Maturity date</u>	<u>Interest rate</u>
\$ 91,270	2022	1.60 %
92,741	2023	1.60
94,235	2024	1.60
95,754	2025	1.60
97,298	2026	1.60
98,866	2027	1.60
100,460	2028	2.75-4.25
102,078	2029	2.75-4.25
103,724	2030	2.75-4.25
105,395	2031	2.75-4.25
107,095	2032	2.75-4.25
11,451	2033	2.75-4.25
<u>\$ 1,100,367</u>		

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**6. Long-term debt (continued):**

*Guaranteed Water Revenue Note, Series of 2015B:*

Water revenue note debt service requirements for the next five years and thereafter, including interest of \$165,414, are as follows:

	Debt service
2022	\$ 109,328
2023	109,328
2024	109,328
2025	109,328
2026	109,328
2027-2031	593,217
2032-2033	125,924
Total	\$ 1,265,781

The following is a summary of changes in the Authority's Guaranteed Sewer Revenue Note and Water Revenue Note for the year ended December 31, 2021:

	Balance January 1	Payments	Balance December 31	Due within one year
Series of 2015A note	\$ 4,424,717	\$ 823,338	\$ 3,601,379	\$ 637,799
Series of 2015B note	1,260,188	159,821	1,100,367	91,270
	\$ 5,684,905	\$ 983,159	\$ 4,701,746	\$ 729,069

**NORTH LEBANON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**6. Long-term debt (continued):**

*Loss on refunding:*

The refunding of the 1993A and 1993B bond issues by the 1997 bond issue and the refunding of a portion of the 1997 bonds by the 2002 and 2005 bond issue and the refunding of the 2002 and 2005 bonds by the Series 2009A and 2009B bonds, resulted in a loss on the refunding of these issues which consists of the following at December 31, 2021:

Loss on refunding:	
Series of 1997	\$ 250,312
Series of 2002 and 2005	1,232,879
Swap termination fee on refunding of 2002 and 2005 bond issues	1,410,800
Amortization of losses through 2021	<u>(1,956,891)</u>
Loss on refunding, net of amortization	<u>\$ 937,100</u>

In 2009, the Authority paid \$1,410,800 in SWAP termination fees for interest rate management plans on the 2002 and 2005 bonds upon the issuance of the Series 2009A and 2009B bonds in 2009. The termination fee loss has been included in the costs for the loss on refunding. The termination fee, as well as the unamortized bond issuance costs of the 2002 and 2005 refunded bond issues, are being amortized over the shorter life of the 2002 and 2005 bonds of 23 years using the straight-line method.

Loss on refunding is deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt. The deferred amount is reported as a deferred outflow of resources. The amortization for 2021 was \$127,458.

**7. Defined benefit pension plans:**

*Plan description:*

North Lebanon Township employees are covered under one of two defined benefit pension plans administered by the Township as a single-employer public employee retirement system (PERS). The employees are covered according to their occupation in either the Nonuniformed or Police Pension Plans. The plans are controlled by the provisions of Township ordinances and Collective Bargaining Agreements adopted pursuant to Act 600 as enacted by the Pennsylvania legislature in 1988. The Township has delegated the authority to manage plan assets to Charles Schwab and Principal Financial Group as trustees of the plan assets. The respective plan assets may be used only for the payment of benefits to members and expenses of the plans, in accordance with the terms of the plans. The plans provide retirement, disability and death benefits to plan members and their beneficiaries.

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**7. Defined benefit pension plans (continued):**

*Plan description:*

The plans are administered by a four-person pension board that consists of the Township Board of Supervisor's President, the Township Manager, the Assistant Township Manager and the Police Chief. The pension board is appointed by the Township Board of Supervisors.

*Plan membership:*

As of December 31, 2021, participation in the respective plans is as follows:

<u>Police Pension Plan</u>	
Membership:	
Active employees	12
Retirees and beneficiaries currently receiving benefits	6
Terminated employees entitled to benefits	<u>1</u>
Total	<u>19</u>
<u>Nonuniformed Pension Plan</u>	
Membership:	
Active employees	16
Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to benefits	<u>1</u>
Total	<u>26</u>

*Funding policy:*

Plan members are currently not required to contribute to the Nonuniformed Pension Plan. Members of the Police Pension Plan are required to contribute 5% of compensation. These member requirements are reviewed and approved annually by the Township. The Township is required to fund the plans based upon actuarially determined minimum funding standards. The minimum funding standards were mandated by Act 205 (the Act), enacted by the Pennsylvania legislature on December 18, 1984. The minimum funding requirement includes normal cost and administrative expenses and amortization costs of the unfunded actuarial accrued liability. The Act also provides state aid to assist municipalities in meeting their minimum funding requirements. Any remaining minimum funding obligations are paid from the General Fund of the Township.

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**7. Defined benefit pension plans (continued):**

*Funding policy:*

Funding of the respective plans was provided as follows for 2021:

Description	Police Pension Plan *	Nonuniformed Pension Plan
Annual covered payroll	\$ 1,174,363	\$ 894,820
Employee contribution rate	5.0% of gross wages *	N/A
Employee contributions paid in 2021	59,309	
State aid and Township contributions paid in 2021	232,989	193,540
Total contributions made as a percentage of payroll	24.89%	21.63%

\* Effective January 1, 2015 members contribute 5.0% of compensation.

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**7. Defined benefit pension plans (continued):**

*Summary of plan provisions:*

	Police Pension Plan	Nonuniformed Pension Plan
a. Covered employees	All full-time police	All full-time nonuniformed employees
b. Eligibility for benefits	After age 50 and completion of 25 years of service.	After age 62 and completion of 12 years of service.
c. Monthly pension benefit	Equal to 50% of average monthly pay, plus a service increment equal to 2.50% of average monthly pay per year of service over 25 years, up to a maximum service increment of \$100 per month.  Average monthly pay is based upon the last 36 months of employment.	Equal to 2.00% of average monthly pay times the number of years of service completed. For members hired on or after June 1, 2018, the amount of the monthly pension is equal to 1.50% of the average monthly compensation, times the number of years of service completed.  Average monthly pay is based upon the last 36 months of employment.
d. Vesting	Upon completion of 12 years of service.	Upon completion of 12 years of service.
e. Early retirement	A member who has completed 20 years of vesting service is eligible for early retirement.	A member is eligible for early retirement after attainment of age 55 and completion of 12 years of vesting service.
f. Disability retirement	If an active member is disabled in the line of duty, he/she is eligible for a disability pension. The monthly disability pension is equal to 50% of the member's monthly salary at the time the disability was incurred.	N/A

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**7. Defined benefit pension plans (continued):**

*Summary of plan provisions:*

	<u>Police Pension Plan</u>	<u>Nonuniformed Pension Plan</u>
g. Death benefits	If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his/her surviving spouse, or eligible child, equal to 50% of the monthly benefit the member would have been receiving had he been retired at the time of death.	The preretirement death benefit for a member is payable to his surviving spouse in an amount equal to 50% of the amount that would have been payable to the member if he/she had retired on the day of his death.
h. Deferred retirement option program	An active member who has met the eligibility requirements for normal retirement may elect to participate in the deferred retirement option program for a period of not less than 12 months or more than 60 months. His/her monthly pension shall be calculated as of his date of participation in the deferred retirement option program and shall be accumulated with interest earned on the deferred retirement option program account and distributed in a lump sum at retirement.	N/A

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**7. Defined benefit pension plans (continued):**

*Net pension asset:*

The net pension asset was measured as of December 31, 2021, and the total pension asset was determined by rolling forward the liability from an actuarial valuation as of January 1, 2021. Updated procedures were used to roll forward to the plans' fiscal year ended December 31, 2021. No significant events or changes in assumptions occurred between the valuation date and the year end. The components of the net pension asset of the Township as of December 31, 2021 were as follows:

	Police Pension Plan	Nonuniformed Pension Plan	Total
Total pension liability	\$ 5,619,439	\$ 4,623,858	\$ 10,243,297
Plan fiduciary net position	6,197,544	5,113,051	11,310,595
Net pension asset	(578,105)	(489,193)	(1,067,298)
Plan fiduciary net position as a percentage of the total pension liability	110.29%	110.58%	110.42%

*Actuarial assumptions:*

The total pension liability in the January 1, 2021 actuarial valuations were determined using the following economic assumptions, applied to all periods included in the measurement.

	Police Pension Plan	Nonuniformed Pension Plan
Inflation	3.00%	3.00%
Salary increases	5.00% (average, including inflation)	4.50% (average, including inflation)
Investment rate of return	7.50% (including inflation)	7.50% (including inflation)
Postretirement cost of living increase	0.00%	0.00%
Mortality	PubS-2010 mortality table, including rates for disabled retirees and contingent survivors*	PubG-2010 mortality table, including rates for disabled retirees and contingent survivors*

\* Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.

**NORTH LEBANON TOWNSHIP**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**7. Defined benefit pension plans (continued):**

*Actuarial assumptions:*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Police Pension Plan		
Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	41%	5.50% - 7.50%
International equity	15%	4.50% - 6.50%
Fixed income	41%	1.00% - 3.00%
Real estate	3%	4.50% - 6.50%
	100%	

Nonuniformed Pension Plan		
Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	44%	5.50% - 7.50%
International equity	15%	4.50% - 6.50%
Fixed income	38%	1.00% - 3.00%
Real estate	3%	4.50% - 6.50%
	100%	

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**7. Defined benefit pension plans (continued):**

*Actuarial assumptions:*

Discount rate:

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the 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.

*Changes in the police net pension asset:*

The changes in the police net pension asset for the Township for the year ended December 31, 2021 was as follows:

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net position asset (a) - (b)
Balances at January 1, 2021	\$ 5,484,744	\$ 5,520,359	\$ (35,615)
Service cost	166,542		166,542
Interest cost	400,474		400,474
Changes for experience	(190,932)		(190,932)
Contributions:			
Employer		232,989	(232,989)
Members		59,309	(59,309)
Net investment income		635,676	(635,676)
Benefit payments, including refund of member contributions	(241,389)	(241,389)	-
Administrative expense		(9,400)	9,400
Net changes	134,695	677,185	(542,490)
Balances at December 31, 2021	\$ 5,619,439	\$ 6,197,544	\$ (578,105)

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**7. Defined benefit pension plans (continued):**

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

The following presents the net pension (asset) liability of the plan, calculated using the discount rate of 7.50%, as well as what the plan's net pension (asset) liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Plan's net pension (asset) liability	\$ 166,074	\$ (578,105)	\$(1,195,329)

*Changes in the nonuniformed net pension asset:*

The changes in the nonuniformed net pension asset for the Township for the year ended December 31, 2021 was as follows:

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net position asset (a) - (b)
Balances at January 1, 2021	\$ 4,312,246	\$ 4,482,812	\$ (170,566)
Service cost	85,777		85,777
Interest cost	325,548		325,548
Changes for experience	(15,043)		(15,043)
Contributions, employer		193,540	(193,540)
Net investment income		527,869	(527,869)
Benefit payments, including refund of member contributions	(84,670)	(84,670)	-
Administrative expense		(6,500)	6,500
Net changes	311,612	630,239	(318,627)
Balances at December 31, 2021	\$ 4,623,858	\$ 5,113,051	\$ (489,193)

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**7. Defined benefit pension plans (continued):**

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

The following presents the net pension asset of the plan, calculated using the discount rate of 7.50%, as well as what the plan's net pension asset would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Plan's net pension asset	\$ (19,596)	\$ (489,193)	\$ (890,046)

*Police pension expense:*

The police pension expense for the Township for the year ended December 31, 2021 was as follows:

Service cost	\$ 166,542
Interest on the total pension liability	400,474
Differences between expected and actual experience <sup>1</sup>	(97,588)
Changes of assumptions <sup>1</sup>	29,789
Member contributions	(59,309)
Projected earnings on pension plan investments	(415,584)
Difference between projected and actual earnings on investments <sup>2</sup>	(96,150)
Pension plan administrative expense	9,400
Total pension expense	\$ (62,426)

<sup>1</sup> Each year's gain or loss is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are provided pensions through this pension plan.

<sup>2</sup> Each year's gain or loss is recognized over a five-year period.

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**7. Defined benefit pension plans (continued):**

*Police deferred outflows and inflows of resources:*

At December 31, 2021, deferred outflows and inflows of resources related to the pension were from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Net total</u>
Differences between expected and actual experience		\$ 424,554	\$(424,554)
Change of assumptions	\$ 118,679		118,679
Difference between projected and actual investment earnings		<u>387,416</u>	<u>(387,416)</u>
Total	<u>\$ 118,679</u>	<u>\$ 811,970</u>	<u>\$(693,291)</u>

Amounts reported as deferred outflows and inflows of resources related to the pension are included in the pension expense as follows:

2022	\$ (132,570)
2023	(245,076)
2024	(172,743)
2025	(79,822)
2026	(35,803)
thereafter	<u>(27,277)</u>
	<u>\$ (693,291)</u>

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**7. Defined benefit pension plans (continued):**

*Nonuniformed pension expense:*

The nonuniformed pension expense for the Township for the year ended December 31, 2021 was as follows:

Service cost	\$ 85,777
Interest on the total pension liability	325,548
Differences between expected and actual experience <sup>1</sup>	(54,003)
Changes of assumptions <sup>1</sup>	37,428
Projected earnings on pension plan investments	(340,050)
Difference between projected and actual earnings on investments <sup>2</sup>	(83,592)
Pension plan administrative expense	<u>6,500</u>
Total pension expense	<u><u>\$ (22,392)</u></u>

<sup>1</sup> Each year's gain or loss is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are provided pensions through this pension plan.

<sup>2</sup> Each year's gain or loss is recognized over a five-year period.

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**7. Defined benefit pension plans (continued):**

*Nonuniformed deferred outflows and inflows of resources:*

At December 31, 2021, deferred outflows and inflows of resources related to the pension were from the following sources:

	Deferred outflows of resources	Deferred inflows of resources	Net total
Differences between expected and actual experience		\$ 176,745	\$ (176,745)
Change of assumptions	\$ 153,230		153,230
Difference between projected and actual investment earnings		328,820	(328,820)
Total	\$ 153,230	\$ 505,565	\$ (352,335)

Amounts reported as deferred outflows and inflows of resources related to the pension are included in the pension expense as follows:

2022	\$ (71,337)
2023	(167,576)
2024	(82,612)
2025	(34,686)
2026	2,879
Thereafter	997
	\$ (352,335)

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**7. Defined benefit pension plans (continued):**

*Pension investments:*

The Township follows GASB Statement No. 72, *Fair Value Application and Measurement*. The Township categorizes the fair value of its pension investments based on the 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 pension investments that are measured using Levels 2 and 3 inputs. Pension investments in real estate are not included in any of the fair value hierarchy levels. Real estate investments are reported at net asset value. Net asset value is the investment's assets less the liabilities.

As of December 31, 2021, pension investments were held as follows:

	Police Pension Plan	Nonuniformed Pension Plan	Total
Pension investments:			
Fair value (Level 1):			
Principal Financial Group, fixed income funds	\$ 198,580	\$ 92,066	\$ 290,646
Charles Schwab:			
Temporary investments and deposits	176,253	150,977	327,230
Mutual funds	5,761,950	4,819,189	10,581,139
Total investments at fair value (Level 1)	6,136,783	5,062,232	11,199,015
Net asset value,			
Charles Schwab, mutual funds, real estate	60,761	50,819	111,580
Total pension investments	\$ 6,197,544	\$ 5,113,051	\$ 11,310,595

There are no investments in loans to or leases with related parties to the pension plans.

*Police and nonuniformed investment policy and objective:*

The pension plans' policy in regards to the allocation of invested assets is established and may be amended by the pension board. 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.

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**7. Defined benefit pension plans (continued):**

*Police and nonuniformed investment policy and objective:*

Principal Financial Group and Charles Schwab will be expected to manage a portion of the total portfolios of the Police and Nonuniformed Pension Plans in accordance with these target allocations. The plans' investment policy establishes the following asset classes with the following target asset allocation:

<u>Asset class</u>	<u>Target allocation</u>
Equities	65 %
Fixed income	35
	<u>100 %</u>

The investment policy remains in effect until revoked or changed by the respective pension boards. There were no changes in policy for 2021.

The following is a summary of the Police and Nonuniformed Pension Plans' dollar-weighted rates of investment return:

Annual dollar-weighted rate of return:	
Police pension	12.17%
Nonuniformed pension	12.21%

**8. Compensated absences:**

The Township allows police employees to accumulate unused sick leave up to a maximum of 210 days. Nonuniformed employees are allowed to accumulate sick leave up to a maximum of 180 days. Nonuniformed and police employees accumulate vested unused vacation time up to a maximum of 10 days and 25 days, respectively. Upon termination, for police employees the vested unused sick and vacation time is paid at stated contract percentages. Sick leave is paid out if the police employee is 50 years of age and has 25 years of service at the Township. Upon termination, for nonuniformed employees only vacation is paid out at stated maximums. At December 31, 2021, the liability for compensated absences is \$102,438.

## ***NORTH LEBANON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

#### **9. Cash and investments:**

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including 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.

The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

Cash is maintained in either demand deposits or highly liquid money market funds and is captioned as cash in the financial statements. These amounts are stated at fair value. The deposits and investments of the fiduciary funds are administered by trustees and are held separately from other municipal funds.

#### *Custodial credit risk, deposits and investments:*

For deposits, custodial credit risk is the risk that, in the event of bank failure, the Township and Authority's deposits may not be returned to it. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township and Authority will not be able to recover the value of its investment or collateral security that is in the possession of an outside party. The Township and Authority have no policy regarding custodial credit risk for deposits and investments.

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**9. Cash and investments (continued):**

*Custodial credit risk, deposits and investments:*

As of December 31, 2021, \$4,139,548 of the Township and Authority's bank balance of \$4,696,411 was not covered by the Federal Deposit Insurance Corporation, but was collateralized in accordance with Act 72. Act 72 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.

Deposits:

Collateral held by the pledging bank under Act 72 but not in the Township's or Authority's name	\$ 4,139,548
Insured by Federal Deposit Insurance Corporation	556,863
Outstanding checks	(115,771)
Deposits in transit	1,236
Petty cash	<u>959</u>
Total deposits	4,582,835

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**9. Cash and investments (continued):**

*Custodial credit risk, deposits and investments:*

	Ratings	Fair value
Investments (available upon demand), Pennsylvania Local Government Investment Trust (PLGIT)	AAAm	\$ 9,645,308
Total deposits and investments		\$ 14,228,143
Reconciliation with statement of net position:		
Cash and cash equivalents		\$ 10,097,593
Cash, escrow		163,931
Certificates of deposit		3,953,917
Certificate of deposit, escrow		12,702
		\$ 14,228,143
Pension investments:		
Fair value (Level 1):		
Police pension:		
Principal Financial Group, fixed income funds		\$ 198,580
Charles Schwab:		
Temporary investments and deposits		176,253
Mutual funds		5,761,950
Nonuniformed pension:		
Principal Financial Group, fixed income funds		92,066
Charles Schwab:		
Temporary investments and deposits		150,977
Mutual funds		4,819,189
Total investments at fair value (Level 1)		11,199,015
Fair value (net asset value):		
Police pension, Charles Schwab, mutual funds, real estate		60,761
Nonuniformed pension, Charles Schwab, mutual funds, real estate		50,819
Total investments at fair value (net asset value)		111,580
Total pension investments at fair value		\$ 11,310,595
Reconciliation with statement of fiduciary net position:		
Police Pension Fund		\$ 6,197,544
Nonuniform Pension Fund		5,113,051
		\$ 11,310,595

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**9. Cash and investments (continued):**

*Certificates of deposit:*

The Township and Authority's certificates of deposit, stated at fair value, consisted of the following as of December 31, 2021:

<u>Certificates of deposit</u>	
Jonestown Bank, rate 2.95%, mature January 15, 2022	\$ 445,956
Jonestown Bank, rate 2.95%, mature January 15, 2022	162,492
Jonestown Bank, rate 2.95%, mature January 15, 2022	161,293
Jonestown Bank, rate 2.95%, mature January 15, 2022	279,002
Jonestown Bank, rate 2.95%, mature January 15, 2022	445,956
Jonestown Bank, rate 0.19%, mature January 24, 2022	250,086
Jonestown Bank, rate 0.19%, mature January 24, 2022	250,086
Jonestown Bank, rate 0.30%, mature April 29, 2022	250,000
Jonestown Bank, rate 0.30%, mature April 29, 2022	250,000
Jonestown Bank, rate 0.95%, mature September 29, 2022	244,062
Jonestown Bank, rate 0.95%, mature September 29, 2022	107,557
Jonestown Bank, rate 0.95%, mature September 29, 2022	107,427
Jonestown Bank, rate 0.95%, mature September 29, 2022	1,000,000
Jonestown Bank, rate 0.25%, mature September 20, 2023	<u>12,702</u>
	<u>\$ 3,966,619</u>
Reconciliation with statement of net position:	
Certificates of deposit	\$ 3,953,917
Certificate of deposit, escrow	<u>12,702</u>
	<u>\$ 3,966,619</u>

## ***NORTH LEBANON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

#### **9. Cash and investments (continued):**

##### *External investment pool:*

The Township and Authority use external investment pools to ensure safety and maximize efficiency, liquidity and yield for Township and Authority funds. The Township and Authority have funds totaling \$9,64,308 invested in PLGIT. PLGIT separately issues audited financial statements that are available to the public via their website. PLGIT's objective is to maintain a stable net asset value of \$1 per share. Net asset value is determined on a weekly basis by PLGIT. The external investment pool is stated at amortized cost, which approximates fair value. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pools. At December 31, 2021, PLGIT carries an AAAM rating and has an average maturity of less than one year.

The Township and Authority have the following recurring amortized cost measurement as of December 31, 2021, including unfunded commitments and redemption terms as follows:

	<u>Amortized cost</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Cash equivalents measured at amortized cost, external investment pool, PLGIT <sup>1</sup>	<u>\$ 9,645,308</u>	None	Weekly	5 days

<sup>1</sup> 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.

##### *Interest-rate risk:*

The Township and Authority do not have formal investment policies that limit investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.

##### *Credit risk:*

The Township and Authority have no investment policies that limit their investment choices other than by statutes.

#### **10. Contingencies/commitments:**

The Township has guaranteed the 2015A Guaranteed Sewer Revenue Note and the 2015B Guaranteed Water Revenue Note issued by the Authority with a current December 31, 2021 principal balance of \$4,701,746, as set forth in guaranty agreements between the Township, the Authority and Fulton Bank of Lancaster and ACNB Bank dated November 5, 2015.

## ***NORTH LEBANON TOWNSHIP***

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

#### **10. Contingencies/commitments (continued):**

The Township has been made aware of several possible legal actions. The Township's insurance carrier has been notified in all cases. As of December 31, 2021, the financial impact to the Township regarding these matters cannot be determined.

The Township has a Collective Bargaining Agreement with its uniformed employees. The agreement was signed effective January 1, 2017 and expired December 31, 2019. A new agreement was signed effective January 1, 2020 and expires December 31, 2022.

#### **11. Other postemployment medical benefits:**

The Township applies GASB standards for the measurement, recognition and reporting of expenditures for other postemployment benefits (OPEB) other than pensions and the related liabilities in the financial reports of state and local governmental employers. OPEB costs are recognized in the government-wide statements when the employee-related services are received by the employer rather than when the benefits are paid.

##### *Plan description:*

North Lebanon Township provides health-related benefits for its police officers through its group health insurance plan. Benefit provisions are established through negotiations between the Township and the Union representing the police officers. The negotiated benefit provisions are detailed in the following paragraph. The plan does not issue a publicly available financial report.

Effective January 1, 2006, upon retirement for service, retiring officers will be provided with postemployment medical benefits (the OPEB plan). The Township will pay 25% of the cost of medical premiums, if the officer stays in the Township's plan. If the officer declines to stay in the Township's plan, the Township will be required to pay \$200 per month to use towards the purchase of medical coverage.

Police officers hired after January 1, 2017, are not eligible for any post-retirement medical coverage through the Township.

##### *Plan description:*

The plan is governed by the Board of Supervisors of the Township, which may amend provisions and which is responsible for management of plan assets.

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**11. Other postemployment medical benefits (continued):**

*Plan membership:*

As of December 31, 2021, participation in the plan is as follows:

Valuation date	January 1, 2021
Active plan members	8
Vested former participants	-
Retired participants	-
Total	<u>8</u>

*Funding policy:*

Eligible employees are not required to contribute to the plan. For the year ended December 31, 2021, the Township made no contributions to the OPEB plan. OPEB obligations are typically liquidated by the General Fund. Covered payroll as of December 31, 2021 is \$850,168 and contributions as a percentage of covered payroll is 0%.

*Net OPEB liability:*

The net OPEB liability was measured as of December 31, 2021, and the total OPEB liability was determined by rolling forward the liability from an actuarial valuation as of January 1, 2021. Updated procedures were used to roll forward to the plan's year ended December 31, 2021. No significant events or changes in assumptions occurred between the valuation date and the year end. The components of the net OPEB liability of the Township as of December 31, 2021 were as follows:

	<u>OPEB plan</u>
Total OPEB liability	\$ 143,550
Plan fiduciary net position	-
Net OPEB liability	143,550
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**11. Other postemployment medical benefits (continued):**

*Actuarial assumptions:*

The total OPEB liability in the January 1, 2021 actual valuation was determined using the following economic assumptions, applied to all periods included in the measurement.

Salary increases	5.00%		
Discount rate	1.93%, based on S&P Municipal Bond 20 Year High Grade Rate Index at January 1, 2021.		
Health Care Cost Trend Rate	5.50% in 2021 through 2023. Rates gradually decrease from 5.40% in 2024 to 4.00% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model		
Retiree contributions	Increase at the same rate as the Health Care Cost Trend Rate.		
Withdrawal rates	Ages	Rate	
	20	5.50%	
	25	5.00%	
	30	4.00%	
	35	2.50%	
	40	1.00%	
	45	0.50%	
	50	0.00%	
	55	0.00%	
	60	0.00%	
Per capita claims cost	Medical, Rx, Dental and Vision		
	Age	Males	Females
	50-54	\$ 14,247	\$ 17,558
	55-59	17,352	18,372
	60-64	22,644	21,105
Retirement	Age 53 with completion of 28 years		
Disability	No disability was assumed		
Mortality	PubS-2010 mortality table, including rates for disabled retirees and contingent survivors		

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**11. Other postemployment medical benefits (continued):**

*Actuarial assumptions:*

Currently, the Township does not have an investment policy statement for the OPEB plan, since the Township does not maintain investments for the OPEB plan. Therefore, the Township's OPEB plan does not have a target allocation or a long-term expected real rate of return for investments.

Discount rate:

The discount rate used to measure the total OPEB liability was 1.93%. During the prior valuation, the discount rate assumed was 3.26%. The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index at January 1, 2021.

*Changes in net OPEB liability:*

The changes in the net OPEB liability for the Township for the year ended December 31, 2021 were as follows:

	Increase (decrease)	
	Total OPEB liability	Plan fiduciary net position
		Net OPEB liability
Balances at January 1, 2021	\$ 137,656	\$ 137,656
Changes for the year:		
Service cost	9,020	9,020
Interest	4,782	4,782
Difference between expected and actual experience	(24,590)	(24,590)
Changes in assumptions	16,682	16,682
Net changes	5,894	5,894
Balances at December 31, 2021	\$ 143,550	\$ 143,550
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**11. Other postemployment medical benefits (continued):**

*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 1.00% lower or 1.00% higher than the current rates:

	1% Decrease 0.93%	Current discount rate 1.93%	1% Increase 2.93%
Total net OPEB liability	\$ 157,317	\$ 143,550	\$ 130,814

*Sensitivity of the net OPEB liability to changes in the Health Care Cost Trend Rate:*

The following presents the net OPEB liability of the plan calculated using the Health Care Cost Trend Rate described above, as well as what the plan's net OPEB liability would be if they were calculated using a Health Care Cost Trend Rate that is 1.00% lower or 1.00% higher than the current rates:

	1% Decrease	Current valuation rates	1% Increase
Total net OPEB liability	\$ 129,420	\$ 143,550	\$ 160,153

*OPEB expense:*

The OPEB expense for the Township for the year ended December 31, 2021 was as follows:

Service cost	\$ 9,020
Interest on the total OPEB liability	4,782
Amortization of deferred:	
Outflows	2,999
Inflows	(2,695)
Total OPEB expense	\$ 14,106

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**11. Other postemployment medical benefits (continued):**

*Deferred outflows and inflows of resources:*

At December 31, 2021, deferred outflows and inflows of resources related to the OPEB plan were from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Net total</u>
Differences between expected and actual experience		\$ 15,073	\$ (15,073)
Changes in assumptions	<u>\$ 18,850</u>		<u>18,850</u>
	<u>\$ 18,850</u>	<u>\$ 15,073</u>	<u>\$ 3,777</u>

Amounts reported as deferred outflows and inflows of resources related to the OPEB plan are included in the OPEB expenses as follows for the year ended December 31:

2022	\$ 304
2023	304
2024	304
2025	304
2026	304
thereafter	<u>2,257</u>
	<u>\$ 3,777</u>

**12. Property tax calendar:**

Property taxes are levied as of January 1 on property values assessed as of that same date. The tax bills are mailed on March 1. They are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending June 30, which is also the date before a 10% penalty is assessed for late payment.

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**13. Deferred annuities and compensation plans:**

The Township sponsors a deferred compensation plan authorized under Internal Revenue Code Section 457 which is available to its full-time employees. Participation in the plan is voluntary, and it is funded only by employee contributions. The value of the plan's assets as of December 31, 2021 is \$2,010,719.

The Township follows GASB standards in regards to its employee deferred compensation plan. GASB standards were adopted in response to amendments of Internal Revenue Code 457, which now requires that a 457 Deferred Compensation Plan hold all assets and income of the plan for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB standards, the plan is not reported as an agency fund of the Township.

**14. Interfund transfer and due to/from:**

Due to and due from funds at year end were as follows:

	Due from	Due to
General fund	\$ 277	
Special projects fund		\$ 277
Sewer operating fund (Authority)	1,350,747	
Water operating fund (Authority)		1,350,747
	\$ 1,351,024	\$ 1,351,024

Transfers between funds during the year were as follows:

	Transfers in	Transfers out
General fund		\$ 280,000
Capital reserve fund (Township)	\$ 160,000	
Fire protection fund	120,000	
Capital reserve fund (Authority)		250,000
Sewer operating fund (Authority)	437,427	
Water operating fund (Authority)		187,427
	\$ 717,427	\$ 717,427

Transfers and due to/from amounts are indicative of funding for capital projects and reimbursement of expenses. Transfers between governmental funds are netted as part of the reconciliation to the government-wide presentation.

***NORTH LEBANON TOWNSHIP***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**15. Impact of COVID-19 pandemic on financial statements:**

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has caused business disruption to many industries, due to state government-imposed shutdowns of businesses and other results of the illness, such as cancellation of large group events. While the Township and Authority expect this matter may negatively impact its results, the extent of the impact of COVID-19 on the Township's and Authority's operations is highly uncertain and cannot be predicted.

**16. Subsequent events:**

On January 1, 2022, North Lebanon Township took responsibility for police services in West Lebanon Township. The Township of West Lebanon agreed to pay an annual payment to the Township for the police services. Yearly payments from West Lebanon Township to North Lebanon Township are as follows:

	<u>Amount</u>
2022	\$ 82,800
2023	85,698
2024	88,697
2025	91,802
2026	<u>95,015</u>
	<u><u>\$ 444,012</u></u>

The Township has evaluated subsequent events through June 10, 2022, the date which the financial statements were available to be issued.

## NORTH LEBANON TOWNSHIP

### REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) SCHEDULE OF CHANGES IN NET PENSION (ASSET) LIABILITY AND RELATED PERCENTAGES – POLICE PENSION PLAN YEAR ENDED DECEMBER 31, 2021 (See independent auditor's report)

	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability:</b>								
Service cost	\$ 166,542	\$ 191,119	\$ 181,089	\$ 171,172	\$ 163,021	\$ 159,181	\$ 151,601	\$ 130,067
Interest cost	400,474	386,936	352,847	329,135	303,429	299,935	277,692	248,025
Changes of benefit terms		31,714					110,045	
Changes for experience	(190,932)		(185,476)		(405,789)		32,371	
Changes of assumptions			117,262		121,046			
Benefit payments, including refunds of member contributions	(241,389)	(122,684)	(119,636)	(132,064)	(131,627)	(131,627)	(148,989)	(143,962)
<b>Net change in total pension liability</b>	<b>134,695</b>	<b>487,085</b>	<b>346,086</b>	<b>368,243</b>	<b>50,080</b>	<b>327,489</b>	<b>422,720</b>	<b>234,130</b>
<b>Total pension liability:</b>								
Beginning of year	5,484,744	4,997,659	4,651,573	4,283,330	4,233,250	3,905,761	3,483,041	3,248,911
<b>End of year (a)</b>	<b>\$ 5,619,439</b>	<b>\$ 5,484,744</b>	<b>\$ 4,997,659</b>	<b>\$ 4,651,573</b>	<b>\$ 4,283,330</b>	<b>\$ 4,233,250</b>	<b>\$ 3,905,761</b>	<b>\$ 3,483,041</b>
<b>Plan fiduciary net position:</b>								
Contributions:								
Employer	\$ 232,989	\$ 200,336	\$ 195,980	\$ 185,722	\$ 171,553	\$ 175,530	\$ 149,882	\$ 131,710
Donations								50
Members	59,309	103,346	58,753	56,998	54,252	49,601	50,762	38,359
Net investment income (loss)	635,676	645,621	676,380	(255,499)	424,688	271,769	(45,684)	154,159
Benefit payments, including refunds of member contributions	(241,389)	(122,684)	(119,636)	(132,064)	(131,627)	(131,627)	(148,989)	(143,962)
Administrative expense	(9,400)	(3,900)	(5,800)	(3,000)	(5,000)	(2,700)	(5,000)	(5,200)
<b>Net change in plan fiduciary net position</b>	<b>677,185</b>	<b>822,719</b>	<b>805,677</b>	<b>(147,843)</b>	<b>513,866</b>	<b>362,573</b>	<b>971</b>	<b>175,116</b>
<b>Total fiduciary net position:</b>								
Beginning of year	5,520,359	4,697,640	3,891,963	4,039,806	3,525,940	3,163,367	3,162,396	2,987,280
<b>End of year (b)</b>	<b>\$ 6,197,544</b>	<b>\$ 5,520,359</b>	<b>\$ 4,697,640</b>	<b>\$ 3,891,963</b>	<b>\$ 4,039,806</b>	<b>\$ 3,525,940</b>	<b>\$ 3,163,367</b>	<b>\$ 3,162,396</b>
<b>Net pension (asset) liability, end of year (a) - (b)</b>	<b>\$ (578,105)</b>	<b>\$ (35,615)</b>	<b>\$ 300,019</b>	<b>\$ 759,610</b>	<b>\$ 243,524</b>	<b>\$ 707,310</b>	<b>\$ 742,394</b>	<b>\$ 320,645</b>
Plan fiduciary net position as a percentage of total pension (asset) liability	110.29%	100.65%	94.00%	83.67%	94.31%	83.29%	80.99%	90.79%
Covered payroll	\$ 1,174,363	\$ 1,056,631	\$ 1,161,570	\$ 1,130,484	\$ 1,094,782	\$ 991,135	\$ 1,014,593	\$ 958,595
Net pension (asset) liability as a percentage of covered payroll	(49.23)%	(3.37)%	25.83%	67.19%	22.24%	71.36%	73.17%	33.45%

The schedule of changes in net pension (asset) liability and related percentages results for the required ten-year timeframe will be added as available.

**NORTH LEBANON TOWNSHIP**

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 SCHEDULE OF CHANGES IN NET PENSION (ASSET) LIABILITY AND RELATED PERCENTAGES –  
 NONUNIFORMED PENSION PLAN  
 YEAR ENDED DECEMBER 31, 2021  
 (See independent auditor's report)

	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability:</b>								
Service cost	\$ 85,777	\$ 86,548	\$ 82,821	\$ 87,656	\$ 83,881	\$ 82,419	\$ 78,870	\$ 84,350
Interest cost	325,548	302,962	279,660	254,503	232,549	221,152	201,271	190,178
Changes for experience	(15,043)		(133,507)		(261,023)		(101,157)	
Changes of assumptions			176,341		124,848			
Benefit payments, including refunds of member contributions	(84,670)	(60,421)	(50,606)	(38,863)	(16,098)	(17,698)	(19,525)	(20,439)
<b>Net change in total pension liability</b>	<b>311,612</b>	<b>329,089</b>	<b>354,709</b>	<b>303,296</b>	<b>164,157</b>	<b>285,873</b>	<b>159,459</b>	<b>254,089</b>
<b>Total pension liability:</b>								
Beginning of year	4,312,246	3,983,157	3,628,448	3,325,152	3,160,995	2,875,122	2,715,663	2,461,574
<b>End of year (a)</b>	<b>\$ 4,623,858</b>	<b>\$ 4,312,246</b>	<b>\$ 3,983,157</b>	<b>\$ 3,628,448</b>	<b>\$ 3,325,152</b>	<b>\$ 3,160,995</b>	<b>\$ 2,875,122</b>	<b>\$ 2,715,663</b>
<b>Plan fiduciary net position:</b>								
Contributions, employer	\$ 193,540	\$ 135,466	\$ 131,307	\$ 123,682	\$ 128,622	\$ 132,808	\$ 163,751	\$ 150,604
Net investment income (loss)	527,869	533,154	572,629	(224,991)	365,888	231,096	(41,309)	116,972
Benefit payments, including refunds of member contributions	(84,670)	(60,421)	(50,606)	(38,863)	(16,098)	(17,698)	(19,525)	(20,439)
Administrative expense	(6,500)	(3,000)	(6,000)	(5,600)	(6,000)	(3,300)	(5,000)	(2,300)
<b>Net change in plan fiduciary net position</b>	<b>630,239</b>	<b>605,199</b>	<b>647,330</b>	<b>(145,772)</b>	<b>472,412</b>	<b>342,906</b>	<b>97,917</b>	<b>244,837</b>
<b>Total fiduciary net position:</b>								
Beginning of year	4,482,812	3,877,613	3,230,283	3,376,055	2,903,643	2,560,737	2,462,820	2,217,983
<b>End of year (b)</b>	<b>\$ 5,113,051</b>	<b>\$ 4,482,812</b>	<b>\$ 3,877,613</b>	<b>\$ 3,230,283</b>	<b>\$ 3,376,055</b>	<b>\$ 2,903,643</b>	<b>\$ 2,560,737</b>	<b>\$ 2,462,820</b>
<b>Net pension (asset) liability, end of year (a) - (b)</b>	<b>\$ (489,193)</b>	<b>\$ (170,566)</b>	<b>\$ 105,544</b>	<b>\$ 398,165</b>	<b>\$ (50,903)</b>	<b>\$ 257,352</b>	<b>\$ 314,385</b>	<b>\$ 252,843</b>
Plan fiduciary net position as a percentage of total pension (asset) liability	110.58%	103.96%	97.35%	89.03%	101.53%	91.86%	89.07%	90.69%
Covered payroll	\$ 894,820	\$ 866,731	\$ 792,233	\$ 747,653	\$ 733,121	\$ 762,182	\$ 664,425	\$ 729,568
Net pension (asset) liability as a percentage of covered payroll	(54.67)%	(19.68)%	13.32%	53.26%	(6.94)%	33.77%	47.32%	34.66%

The schedule of changes in net pension (asset) liability and related percentages results for the required ten-year timeframe will be added as available.

***NORTH LEBANON TOWNSHIP***

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULE OF INVESTMENT RETURNS –  
LAST TEN CALENDAR YEARS  
YEAR ENDED DECEMBER 31, 2021  
(See independent auditor's report)

	<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>	<u>2012</u>
Annual dollar-weighted rate of return:										
Police Pension Plan	12.17%	14.38%	18.20%	(6.58)%	13.10%	9.10%	(1.00)%	5.70%	17.10%	11.70%
Nonuniformed Pension Plan	12.21%	14.21%	18.20%	(6.59)%	13.11%	9.50%	(1.20)%	5.80%	17.80%	11.80%

***NORTH LEBANON TOWNSHIP***

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS – POLICE PENSION PLAN  
 YEAR ENDED DECEMBER 31, 2021  
 (See independent auditor’s report)

Year	Police Pension Plan				
	Actuarially determined contribution	Contributions from the employer	Contribution deficiency (excess)	Covered payroll	Employer contributions as a percentage of covered payroll
2012	\$ 121,052	\$ 121,052	\$ -		
2013	125,051	145,758	(20,707)		
2014	131,710	131,710	-	\$ 958,595	13.74 %
2015	149,882	149,882	-	1,014,593	14.77
2016	175,530	175,530	-	991,135	17.71
2017	171,553	171,553	-	1,094,782	15.67
2018	185,722	185,722	-	1,130,484	16.43
2019	195,980	195,980	-	1,161,570	16.87
2020	200,336	200,336	-	1,056,631	18.96
2021	232,989	232,989	-	1,174,363	19.84

***NORTH LEBANON TOWNSHIP***

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS – NONUNIFORMED PENSION PLAN  
 YEAR ENDED DECEMBER 31, 2021  
 (See independent auditor’s report)

Year	Nonuniformed Pension Plan				Employer contributions as a percentage of covered payroll
	Actuarially determined contribution	Contributions from the employer	Contribution deficiency (excess)	Covered payroll	
2012	\$ 145,413	\$ 145,413	\$ -		
2013	146,561	146,561	-		
2014	150,604	150,604	-	\$ 729,568	20.64 %
2015	163,751	163,751	-	664,425	24.65
2016	132,808	132,808	-	762,182	17.42
2017	128,622	128,622	-	733,121	17.54
2018	123,682	123,682	-	747,653	16.54
2019	131,307	131,307	-	792,233	16.57
2020	135,463	135,466	(3)	866,731	15.63
2021	193,538	193,540	(2)	894,820	21.63

***NORTH LEBANON TOWNSHIP***

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULE OF ACTUARIAL ASSUMPTIONS – PENSION PLANS  
YEAR ENDED DECEMBER 31, 2021  
(See independent auditor’s report)

Notes to required supplementary information:

	<u>Nonuniformed Pension Plan</u>	<u>Police Pension Plan</u>
Actuarial valuation date	January 1, 2019	January 1, 2019
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	8 years	11 years
Asset valuation method	Market value as determined by the trustee	Market value as determined by the trustee
Actuarial assumptions:		
Inflation	3.00%	3.00%
Investment rate of return	7.50%	7.50%
Salary increases	4.50% increase each year until retirement	5.00% increase each year until retirement
Retirement age	Normal retirement age	All members enter the Deferred Retirement Option Program upon meeting the eligibility requirements for normal retirement
Mortality	PubS-2010 mortality table including rates for disabled retirees and contingent survivors*	PubS-2010 mortality table including rates for disabled retirees and contingent survivors*
Changes in benefit terms:	None since January 1, 2019	Effective 1/1/2020 - an early retirement benefit was added to the plan.

Valuation date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

\* Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

***NORTH LEBANON TOWNSHIP***

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED PERCENTAGES –  
 OTHER POSTEMPLOYMENT BENEFITS  
 YEAR ENDED DECEMBER 31, 2021  
 (See independent auditor’s report)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability:				
Service cost	\$ 9,020	\$ 7,976	\$ 7,822	\$ 6,824
Interest cost	4,782	4,638	3,552	3,568
Differences between expected and actual experience	(24,590)		9,466	
Changes of assumptions	<u>16,682</u>	<u>5,603</u>	<u>(5,985)</u>	<u>4,841</u>
Net change in total OPEB liability	5,894	18,217	14,855	15,233
Total OPEB liability:				
Beginning of year	<u>137,656</u>	<u>119,439</u>	<u>104,584</u>	<u>89,351</u>
End of year (a)	<u>\$ 143,550</u>	<u>\$ 137,656</u>	<u>\$ 119,439</u>	<u>\$ 104,584</u>
Plan fiduciary net position, net change in plan fiduciary net position	\$ -	\$ -	\$ -	\$ -
Total fiduciary net position:				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability, end of year (a) - (b)	<u>\$ 143,550</u>	<u>\$ 137,656</u>	<u>\$ 119,439</u>	<u>\$ 104,584</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 850,168	\$ 973,232	\$ 973,232	\$ 914,929
Net OPEB liability as a percentage of covered payroll	16.88%	14.14%	12.27%	11.43%

The schedule of changes in net OPEB liability and related percentages results for the required ten-year timeframe will be added as available.

Notes to schedule:

*Changes in assumptions:* During 2021, the discount rate changed from 3.26% to 1.93% since the prior measurement. During 2020, the discount rate changed from 3.64% to 3.26% since the prior measurement. During 2019, the discount rate changed from 3.16% to 3.64% since the prior measurement. Also during 2019, the mortality assumption was changed from the IRS 2017 Static Combined Table for Small Plans to the PubS-2010 Mortality Table. During 2018, the discount rate changed from 3.71% to 3.16% since the prior valuation.

***NORTH LEBANON TOWNSHIP***

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULE OF CONTRIBUTIONS – OTHER POSTEMPLOYMENT BENEFITS  
YEAR ENDED DECEMBER 31, 2021  
(See independent auditor’s report)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution (excess) deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 850,168</u>	<u>\$ 973,232</u>	<u>\$ 973,232</u>	<u>\$ 914,929</u>
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

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.

***NORTH LEBANON TOWNSHIP***

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULE OF ACTUARIAL ASSUMPTIONS – OTHER POSTEMPLOYMENT BENEFITS  
YEAR ENDED DECEMBER 31, 2021  
(See independent auditor’s report)

Notes to required supplementary information:

Valuation date	January 1, 2021
Participant data	Based on census information as of January 1, 2021
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open period
Actuarial value of assets	Market value
Actuarial assumptions:	
Salary increases	5.00%
Discount rate	1.93%, based on S&P Municipal Bond 20 Year High Grade Rate Index at January 1, 2021.
Health Care Cost Trend Rate	5.50% in 2021 through 2023. Rates gradually decrease from 5.40% in 2024 to 4.00% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Retiree contributions	Increase at the same rate as the Health Care Cost Trend Rate.
Retirement	Age 53 with completion of 28 years
Mortality	PubS-2010 mortality table, including rates for disabled retirees and contingent survivors

**NORTH LEBANON TOWNSHIP**

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET COMPARED  
 TO ACTUAL – GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2021  
 (See independent auditor’s report)

	General Fund			Variance over (under)
	Original budget	Revised budget	Actual	
<b>Revenues:</b>				
Taxes	\$ 3,437,143	\$ 3,437,143	\$ 3,887,570	\$ 450,427
Licenses, permits and fines	343,561	343,561	311,081	(32,480)
Investment income and rent	68,329	68,329	47,921	(20,408)
Intergovernmental revenues	344,071	344,071	327,576	(16,495)
Department earnings	16,950	16,950	24,124	7,174
Private sector contributions	16,050	16,050	10,230	(5,820)
Public safety	16,100	16,100	13,516	(2,584)
Miscellaneous	100	100	44,877	44,777
Refuse benefit fee	160,000	160,000	174,673	14,673
<b>Total revenues</b>	<b>4,402,304</b>	<b>4,402,304</b>	<b>4,841,568</b>	<b>439,264</b>
<b>Expenditures:</b>				
General government	497,814	497,814	450,577	(47,237)
Public safety	2,723,467	2,723,467	2,637,014	(86,453)
Public works	91,458	91,458	88,020	(3,438)
Highways	712,248	712,248	721,390	9,142
Parks and recreation	290,122	290,122	288,132	(1,990)
<b>Total expenditures</b>	<b>4,315,109</b>	<b>4,315,109</b>	<b>4,185,133</b>	<b>(129,976)</b>
Excess of revenues over expenditures before other financing sources (uses)	87,195	87,195	656,435	569,240
<b>Other financing sources (uses):</b>				
Operating transfers out	(280,000)	(280,000)	(280,000)	-
Proceeds from sale of assets	2,000	2,000	7,194	5,194
<b>Total other financing sources (uses)</b>	<b>(278,000)</b>	<b>(278,000)</b>	<b>(272,806)</b>	<b>5,194</b>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ (190,805)	\$ (190,805)	383,629	\$ 574,434
<b>Fund balance:</b>				
January 1			1,779,695	
<b>December 31</b>			<b>\$ 2,163,324</b>	

## ***NORTH LEBANON TOWNSHIP***

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGET (UNAUDITED)

YEAR ENDED DECEMBER 31, 2021  
(See independent auditor's report)

#### **1. Budgetary data:**

The budget is prepared by fund, function and activity and includes information on past years, current year estimates and requested appropriations for the next fiscal year. Adoption of the budget by the Board of Supervisors constitutes appropriations for the expenditures for the fiscal year. Any excess appropriations at the end of the fiscal year are not carried forward, but instead lapse.

The budgetary comparison schedules, included in the required supplementary information, present a comparison of budgetary data to actual results of operations for the General Fund for which an annual operating budget is legally adopted. The funds utilize the same basis of accounting for both budgetary purposes and actual results. During 2021, the Board of Supervisors did not approve any additional budgetary expenditure amendments for these funds. During 2021, highway expenditures were over budget by \$9,142. Funds sufficient to provide for the excess expenditures were available from other functions within the fund.

***NORTH LEBANON TOWNSHIP***

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET

YEAR DECEMBER 31, 2021

(See independent auditor’s report)

	Capital reserve	Fire protection	Street light	Special projects	Liquid fuels fund	Parks and recreation fund	Total
ASSETS							
Cash and cash equivalents	\$ 264,910	\$ 34,685	\$ 115,020	\$ 498,538	\$ 448,631	\$ 306,888	\$ 1,668,672
Taxes receivable			895				895
<b>Total assets</b>	<b><u>\$ 264,910</u></b>	<b><u>\$ 34,685</u></b>	<b><u>\$ 115,915</u></b>	<b><u>\$ 498,538</u></b>	<b><u>\$ 448,631</u></b>	<b><u>\$ 306,888</u></b>	<b><u>\$ 1,669,567</u></b>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Accounts payable		\$ 25,872	\$ 3,680				\$ 29,552
Unearned revenue						\$ 5,000	5,000
Due to other funds				\$ 277			277
<b>Total liabilities</b>		<b><u>25,872</u></b>	<b><u>3,680</u></b>	<b><u>277</u></b>		<b><u>5,000</u></b>	<b><u>34,829</u></b>
Deferred inflows of resources, unavailable tax revenues			475				475
Fund balances	\$ 264,910	8,813	111,760	498,261	\$ 448,631	301,888	1,634,263
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$ 264,910</u></b>	<b><u>\$ 34,685</u></b>	<b><u>\$ 115,915</u></b>	<b><u>\$ 498,538</u></b>	<b><u>\$ 448,631</u></b>	<b><u>\$ 306,888</u></b>	<b><u>\$ 1,669,567</u></b>

See notes to financial statements.

**NORTH LEBANON TOWNSHIP**

NONMAJOR GOVERNMENTAL FUNDS – COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2021  
(See independent auditor’s report)

	Capital reserve	Fire protection	Street light	Special projects	Liquid fuels fund	Parks and recreation fund	Total
<b>Revenues:</b>							
Taxes and assessments			\$ 59,751				\$ 59,751
Intergovernmental revenues			624	\$ 146,076	\$ 400,187	\$ 25,000	571,887
Investment income and rents	\$ 2,298	\$ 5	54	162	280	109	2,908
Departmental earnings				40,801	229	900	41,930
Miscellaneous						47,500	47,500
<b>Total revenues</b>	<b>2,298</b>	<b>5</b>	<b>60,429</b>	<b>187,039</b>	<b>400,696</b>	<b>73,509</b>	<b>723,976</b>
<b>Expenditures:</b>							
General government	3						3
Public safety	45,335	152,000					197,335
Public works				16,531			16,531
Highways	1,200		51,207		423,331		475,738
Parks and recreation						47,315	47,315
<b>Total expenditures</b>	<b>46,538</b>	<b>152,000</b>	<b>51,207</b>	<b>16,531</b>	<b>423,331</b>	<b>47,315</b>	<b>736,922</b>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	(44,240)	(151,995)	9,222	170,508	(22,635)	26,194	(12,946)
<b>Other financing sources:</b>							
Proceeds from sale of assets	44,062			34,200			78,262
Operating transfers in	160,000	120,000					280,000
<b>Total other financing sources</b>	<b>204,062</b>	<b>120,000</b>		<b>34,200</b>			<b>358,262</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	159,822	(31,995)	9,222	204,708	(22,635)	26,194	345,316
<b>Fund balances:</b>							
January 1, 2021	105,088	40,808	102,538	293,553	471,266	275,694	1,288,947
<b>December 31, 2021</b>	<b>\$ 264,910</b>	<b>\$ 8,813</b>	<b>\$ 111,760</b>	<b>\$ 498,261</b>	<b>\$ 448,631</b>	<b>\$ 301,888</b>	<b>\$ 1,634,263</b>

See notes to financial statements.

***NORTH LEBANON TOWNSHIP***

COMBINING STATEMENT OF NET POSITION – SEWER OPERATING FUNDS  
 YEAR DECEMBER 31, 2021  
 (See independent auditor’s report)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Sewer operating fund	Capital reserve fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 3,074,774	\$ 1,754,451	\$ 4,829,225
Cash, escrow	62,172	6,500	68,672
Certificates of deposit		2,494,699	2,494,699
Certificate of deposit, escrow	12,702		12,702
Accounts and interest receivable	72,375	56,888	129,263
Due from other funds	1,350,747		1,350,747
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total current assets</b>	<b><u>4,572,770</u></b>	<b><u>4,312,538</u></b>	<b><u>8,885,308</u></b>
Property, plant and equipment	12,890,958	6,191,454	19,082,412
Less accumulated depreciation	8,903,757	2,072,936	10,976,693
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total property, plant and equipment, net</b>	<b><u>3,987,201</u></b>	<b><u>4,118,518</u></b>	<b><u>8,105,719</u></b>
<b>Total assets</b>	<b><u>8,559,971</u></b>	<b><u>8,431,056</u></b>	<b><u>16,991,027</u></b>
Deferred outflows of resources, deferred charge on refunding	937,100		937,100
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 9,497,071</u></b>	<b><u>\$ 8,431,056</u></b>	<b><u>\$ 17,928,127</u></b>

See notes to financial statements.

***NORTH LEBANON TOWNSHIP***

COMBINING STATEMENT OF NET POSITION – SEWER OPERATING FUNDS  
YEAR DECEMBER 31, 2021  
(See independent auditor’s report)

LIABILITIES AND NET POSITION

	Sewer operating fund	Capital reserve fund	Total
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 12,804		\$ 12,804
Escrow payable	74,874	\$ 6,500	81,374
Current maturities of revenue notes and loan	729,069	28,372	757,441
<b>Total current liabilities</b>	<b>816,747</b>	<b>34,872</b>	<b>851,619</b>
<b>Long-term liabilities:</b>			
Guaranteed Sewer Revenue Note of 2015A	2,963,580		2,963,580
Guaranteed Sewer Revenue Note of 2015B	1,009,097		1,009,097
Pennvest loan		263,524	263,524
Note discounts, net of accumulated amortization	(120,253)		(120,253)
<b>Total long-term liabilities</b>	<b>3,852,424</b>	<b>263,524</b>	<b>4,115,948</b>
<b>Total liabilities</b>	<b>4,669,171</b>	<b>298,396</b>	<b>4,967,567</b>
<b>Net position:</b>			
Net investment in capital assets	1,693,555	3,826,622	5,520,177
Unrestricted	3,134,345	4,306,038	7,440,383
<b>Total net position</b>	<b>4,827,900</b>	<b>8,132,660</b>	<b>12,960,560</b>
<b>Total liabilities and net position</b>	<b>\$ 9,497,071</b>	<b>\$ 8,431,056</b>	<b>\$ 17,928,127</b>

See notes to financial statements.

***NORTH LEBANON TOWNSHIP***

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION – SEWER  
OPERATING FUNDS  
YEAR ENDED DECEMBER 31, 2021  
(See independent auditor’s report)

	Sewer operating fund	Capital reserve fund	Total
<b>Operating revenues:</b>			
Rentals and service charges	\$ 3,007,150		\$ 3,007,150
Ready to serve charges		\$ 411,825	411,825
Miscellaneous fees	52,779	264	53,043
<b>Total operating revenues</b>	<b>3,059,929</b>	<b>412,089</b>	<b>3,472,018</b>
<b>Operating expenses:</b>			
Sewage disposal and treatment	1,352,304	29,260	1,381,564
Administrative	615,441	40	615,481
Other operating expenses		1,470	1,470
<b>Total operating expenses</b>	<b>1,967,745</b>	<b>30,770</b>	<b>1,998,515</b>
Net operating income before depreciation and amortization	1,092,184	381,319	1,473,503
Less:			
Depreciation	309,141	176,241	485,382
Amortization	8,962		8,962
<b>Net operating income</b>	<b>774,081</b>	<b>205,078</b>	<b>979,159</b>
<b>Nonoperating income (expenses):</b>			
Grant revenues		32,655	32,655
Interest:			
Earnings	1,392	6,076	7,468
Expense	(222,346)	(3,071)	(225,417)
<b>Total nonoperating income (expenses)</b>	<b>(220,954)</b>	<b>35,660</b>	<b>(185,294)</b>
<b>Net income</b>	<b>553,127</b>	<b>240,738</b>	<b>793,865</b>
Other financing sources (uses), transfers in (out)	437,427	(250,000)	187,427
<b>Change in net position</b>	<b>990,554</b>	<b>(9,262)</b>	<b>981,292</b>
<b>Net position:</b>			
January 1, 2021	3,837,346	8,141,922	11,979,268
<b>December 31, 2021</b>	<b>\$ 4,827,900</b>	<b>\$ 8,132,660</b>	<b>\$ 12,960,560</b>

See notes to financial statements.

***NORTH LEBANON TOWNSHIP***

COMBINING STATEMENT OF CASH FLOWS – SEWER OPERATING FUNDS  
YEAR ENDED DECEMBER 31, 2021  
(See independent auditor’s report)

	Sewer operating fund	Capital reserve fund	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 3,038,797	\$ 411,825	\$ 3,450,622
Cash payments to:			
Suppliers for goods and services	(1,506,899)	(29,300)	(1,536,199)
Employees for salaries and benefits	(464,708)		(464,708)
Other operating:			
Revenues	52,779	264	53,043
Expenses		(1,470)	(1,470)
<b>Net cash provided by operating activities</b>	<b><u>1,119,969</u></b>	<b><u>381,319</u></b>	<b><u>1,501,288</u></b>
<b>Cash flows from noncapital financing activities:</b>			
Grant revenues		32,655	32,655
Transfers from (to) other funds, net	437,427	(250,000)	187,427
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>437,427</u></b>	<b><u>(217,345)</u></b>	<b><u>220,082</u></b>
<b>Cash flows from capital and related financing activities:</b>			
Capital expenditures	(21,347)	(82,786)	(104,133)
Paid on notes and loan:			
Principal	(983,159)	(28,089)	(1,011,248)
Interest	(136,216)	(3,071)	(139,287)
<b>Net cash used in capital and related financing activities</b>	<b><u>(1,140,722)</u></b>	<b><u>(113,946)</u></b>	<b><u>(1,254,668)</u></b>
<b>Cash flows from investing activities:</b>			
Purchase of certificates of deposit	(12,694)		(12,694)
Redemption of certificates of deposit	12,694		12,694
Interest earnings	1,392	812	2,204
<b>Net cash provided by investing activities</b>	<b><u>1,392</u></b>	<b><u>812</u></b>	<b><u>2,204</u></b>
<b>Net increase in cash and cash equivalents</b>	<b><u>418,066</u></b>	<b><u>50,840</u></b>	<b><u>468,906</u></b>
<b>Cash and cash equivalents:</b>			
Beginning of year	2,656,708	1,703,611	4,360,319
<b>End of year</b>	<b><u>\$ 3,074,774</u></b>	<b><u>\$ 1,754,451</u></b>	<b><u>\$ 4,829,225</u></b>

(continued)

***NORTH LEBANON TOWNSHIP***

COMBINING STATEMENT OF CASH FLOWS – SEWER OPERATING FUNDS  
 YEAR ENDED DECEMBER 31, 2021  
 (See independent auditor’s report)

	Sewer operating fund	Capital reserve fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
<b>Net operating income</b>	<b>\$ 774,081</b>	<b>\$ 205,078</b>	<b>\$ 979,159</b>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	309,141	176,241	485,382
Amortization	8,962		8,962
Decrease in assets:			
Accounts and interest receivable	31,646		31,646
Prepaid expenses	250		250
(Decrease) in liabilities, accounts payable and accrued expenses	(4,111)		(4,111)
	<u>345,888</u>	<u>176,241</u>	<u>522,129</u>
Total adjustments			
	<u>\$ 1,119,969</u>	<u>\$ 381,319</u>	<u>\$ 1,501,288</u>

See notes to financial statements.