

**NORTH LEBANON TOWNSHIP  
MUNICIPAL AUTHORITY**

**YEAR ENDED DECEMBER 31, 2021**



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

YEAR ENDED DECEMBER 31, 2021

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## Independent Auditor's Report

Members of the Authority Board  
North Lebanon Township Municipal Authority  
Lebanon, Pennsylvania

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

#### *Opinions*

We have audited the accompanying financial statements of each major fund of North Lebanon Township Municipal Authority (the Authority), a component unit 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 Authority'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 financial position of each major fund of North Lebanon Township Municipal Authority as of December 31, 2021, and the changes in financial position and 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 Municipal Authority 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 Municipal Authority'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 Municipal Authority'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 Municipal Authority'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 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 Municipal Authority'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 Municipal Authority. 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 Steidman & Fritz*

Camp Hill, Pennsylvania  
April 20, 2022

# ***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

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

The discussion and analysis is designed to provide an analysis of the Authority's financial condition and operating results in total and for the individual funds. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the Independent Auditor's Report and audited financial statements.

North Lebanon Township Municipal Authority is a municipal authority existing under the Pennsylvania Municipality Authorities Act of 1945, P. L. 382, as amended. The Authority was incorporated pursuant to appropriate action of the governing action of the Township of North Lebanon, Lebanon County, Pennsylvania. The Authority is a component unit of North Lebanon Township.

The Authority reports on two funds, each of which is considered a separate accounting entity. They are the Water Operating Fund and the Sewer Operating Fund (including the Capital Reserve Fund). These two funds are reported in compliance with accounting principles generally accepted in the United States of America (GAAP). The Sewer Operating and Capital Reserve Funds are combined in these financial statements to report sewer operating activities.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2021 are as follows:

- The assets and deferred outflows of resources of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$13,440,902. Of this amount, \$7,597,717 is unrestricted and available to meet the Authority's ongoing obligations.
- The Authority's cash increased by \$541,077 during 2021.
- At the end of the current fiscal year, the Authority's outstanding debt was \$4,873,389 a decrease of \$1,002,286 from the previous year. Long-term debt is discussed in Note 2.
- The Authority continues to have a user fee that encompasses all expenses and debt for the collection system and all administrative and personnel costs.
- The user fee for 2021 remained the same as 2020 at \$78/quarter/Equivalent Dwelling Unit (EDU).
- The public water project's current debt payment stayed the same in 2021 at \$60/quarter/EDU.

### **REQUIRED FINANCIAL STATEMENTS**

The financial statements of the Authority report information about the Authority's use of accounting methods, which are similar to those used by private sector companies. These statements offer an unmodified opinion from the Authority's independent auditor.

The statement of net position includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investment of assets and obligations to Authority creditors (liabilities). It also provides the basis for evaluation of the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

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

**REQUIRED FINANCIAL STATEMENTS (CONTINUED)**

All of the reporting year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its sewer rental rates and other fees. The Authority's rates are based on rate studies which are updated as needed.

The primary purpose of the statement of cash flows is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net change in cash resulting from operations, investing, noncapital financing and capital and related financing activities and the change in cash during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balance and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

**NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY**

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

**FINANCIAL ANALYSIS - STATEMENTS OF NET POSITION**

The analysis below focuses on the Authority's net position as of December 31:

	<u>2021</u>	<u>2020</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 4,986,559	\$ 4,445,482
Cash, escrow	68,672	34,344
Certificates of deposit	2,494,699	2,494,696
Certificate of deposit, escrow	12,702	12,440
Accounts and interest receivable	129,263	155,649
Due from other funds	1,350,747	1,350,747
Prepaid expenses		250
Property, plant and equipment, net of accumulated depreciation	<u>9,779,474</u>	<u>10,231,945</u>
<b>Total assets</b>	<b>18,822,116</b>	<b>18,725,553</b>
Deferred outflows of resources, deferred charge on refunding	<u>937,100</u>	<u>1,064,559</u>
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 19,759,216</u></b>	<b><u>\$ 19,790,112</u></b>
<b>Liabilities:</b>		
Due to other funds	\$ 1,350,747	\$ 1,350,747
Accrued interest payable		41,329
Accounts payable and accrued expenses	12,804	16,915
Escrow payable	81,374	46,785
Current portion of sewer and water revenue notes and loans	757,441	691,250
Sewer and water revenue notes and loans, net of current portion and discount	<u>4,115,948</u>	<u>5,184,425</u>
<b>Total liabilities</b>	<b>6,318,314</b>	<b>7,331,451</b>
<b>Net position</b>	<b><u>13,440,902</u></b>	<b><u>12,458,661</u></b>
<b>Total liabilities and net position</b>	<b><u>\$ 19,759,216</u></b>	<b><u>\$ 19,790,112</u></b>

## ***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

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

#### **FINANCIAL ANALYSIS - STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<u>2021</u>	<u>2020</u>
<b>Revenue:</b>		
Charges:		
Rentals and service	\$ 3,192,592	\$ 3,155,494
Ready to serve charges	495,125	726,060
Miscellaneous revenues	53,043	37,523
Grant revenues	32,655	39,412
Interest earnings	7,544	84,702
	<u>3,780,959</u>	<u>4,043,191</u>
<b>Total revenue</b>	<b>3,780,959</b>	<b>4,043,191</b>
<b>Expenses:</b>		
Sewage disposal and treatment	1,381,564	1,789,758
Administrative	624,701	557,165
Other operating expenses	1,470	3,539
Depreciation and amortization	565,566	561,708
Interest expense	225,417	289,035
	<u>2,798,718</u>	<u>3,201,205</u>
<b>Total expenses</b>	<b>2,798,718</b>	<b>3,201,205</b>
<b>Changes in net position</b>	<b>982,241</b>	<b>841,986</b>
<b>Net position:</b>		
January 1	12,458,661	11,616,675
<b>December 31</b>	<b><u><u>\$ 13,440,902</u></u></b>	<b><u><u>\$ 12,458,661</u></u></b>

#### **GENERAL TRENDS AND SIGNIFICANT EVENTS**

The Authority's current service area is North Lebanon Township, with a small portion of area known as Rockwood in Swatara Township and has a unified billing rate. Development of several areas within the Township will continue to increase the Authority's sewer rental charges moderately over the next several years.

## ***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

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

#### **GENERAL TRENDS AND SIGNIFICANT EVENTS (CONTINUED)**

An extension, known as the Rockwood extension, including a service area in neighboring Swatara Township, was completed in 2013. Connections began in September 2013. Funding was obtained from a variety of funding sources, with the largest grants coming from H2O PA through Commonwealth Financing Authority (CFA) and Pennsylvania Infrastructure Investment Authority (PENNVEST). Agreements were prepared and signed by both entities, and the Swatara Township customers are billed as part of the Authority's unified customer base. Interest payments on the PENNVEST loan began in 2013. All current costs have been paid by the Authority and, as of March 2016, were tallied at the completion of the project. Swatara Township was responsible for 88% of the costs per the agreement. Swatara Township paid 88% of the PENNVEST loan until March 31, 2016. As of February 29, 2016, North Lebanon Township Municipal Authority paid off its portion of the PENNVEST debt in the amount of \$61,315. PENNVEST did not re-amortize the loan, but did shorten the length of the loan to October 1, 2031. Starting April 1, 2016, Swatara Township is now responsible for 100% for the monthly payments on this loan until October 1, 2031, or sooner, if they choose to pay in advance. An escrow account has been set up to deposit Swatara's monthly payments to PENNVEST, as the loan is in the Authority's name, as owner of the system. A separate escrow account has also been established for reimbursement to the Authority for delinquent (uncollectible) sewer bills by residents of Swatara Township. These delinquent accounts will then be turned over to Swatara Township for collection.

The Authority has an agreement with the Township for two maintenance employees and two administrative employees, which include the Sewer Billing Clerk and the Assistant Township Manager. The maintenance personnel are responsible for sewer-related maintenance to the 65 plus miles of collector lines and eight pump stations within North Lebanon Township. They also inspect all connections and newly installed sewer lines that are to be dedicated to the Authority for compliance with approved plans and the Municipal Authority Regulations. The Sewer Billing Clerk is responsible for the monthly and quarterly billing and all aspects associated with collection and issuance of sewer permits, settlements on sold properties and preparation of minutes from Authority meetings. The Assistant Township Manager prepares the monthly agenda for the Authority and works closely with the Authority Engineer and Authority Solicitor in carrying out all Authority directives. The Assistant Township Manager is also responsible for purchasing capacity at the City of Lebanon Authority Wastewater Treatment Plant, tracking and verifying completeness of all planning modules associated with new development, reviewing and issuing Strong Waste Permits and attends all Authority meetings. Preparing the Authority budget is another important role of the Assistant Township Manager.

Currently, based on the Chapter 94 Report, the Authority provides sewer service to 5,222 equivalent dwelling units (EDU's). The net increase in 2021 was 23 EDU's, which included 30 new residential connections and a loss of 7 EDU's due to adjustments made to various non-residential accounts based on their actual water usage.

During budget planning, the Authority normally adopts a five-year Capital Plan. In 2009, a rate study was completed, and a ten-year operating plan was developed. In 2021, the Authority updated the plan to reflect the needs over the next ten years. This plan addresses capital purchases and improvements, operating costs, pump station needs and future extension planning. This plan will also be used to determine the need for future rate increases.

# ***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

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

### **GENERAL TRENDS AND SIGNIFICANT EVENTS (CONTINUED)**

North Lebanon Township Municipal Authority completed televising the entire collection system, which has been integrated into its Geographic Information System (GIS) program. This data will enable us to determine when capital repairs are needed throughout the collection system and provide information for each property connected to public sewer.

The only capital improvement in 2021 was the construction of a sewer extension on the property at 1625 Heilmandale Road. This sewer extension will allow for gravity flow from Orange Lane to Elias Avenue. The Municipal Authority worked jointly with the developer to extend this section of public sewer. The Authority constructed a portion of the line, and the developer constructed a portion of the new line which has since been dedicated to the Authority. This extension will also allow for the future demolition and decommission of the Orange Lane Pump Station.

### **FINANCIAL CONDITION**

The Authority's financial condition is sound. During 2016, the Guaranteed Sewer and Water Revenue Notes, Series A and B of 2015, were issued in the aggregate principal amount of \$8,818,000 and \$2,196,000 respectively. The proceeds of the notes were used for: (1) the current refunding of the Authority's Guaranteed Sewer and Water Revenue Bonds, Series A and B of 2009 and (2) to pay the costs and expenses of issuing the Series A and B of 2015 notes. The issuance of the Guaranteed Sewer and Water Revenue Notes resulted in an interest savings of approximately \$4,362,000 and \$1,098,000, respectively. The Series A Note was amended on January 15, 2021, while the Series B Note was amended on December 15, 2020, to obtain better interest rates, while also changing the payments to be remitted monthly.

In summary, the current financial condition, staff capabilities and operating plans, including preventative maintenance and upgrades to meet future wastewater requirements, are well balanced and under control.

### **RESULTS OF OPERATIONS**

The Authority's revenues from operations are obtained from sewer rentals and earned interest. The Authority owns and maintains a collection system where the effluent is sent to the City of Lebanon Authority for sewage treatment. Total operating expenses, including depreciation and amortization, were within budget in 2021.

A public water extension was completed in 2004. The Authority continues to receive tapping fees for new connections to this water extension when development occurs. Ownership of the line is by the Authority, with the City of Lebanon Authority providing maintenance until such time as the debt is paid off. At that time, the Authority will most likely work with the City of Lebanon Authority to own and maintain the system. The residents are making a debt payment of \$60/Quarter per EDU to offset the Authority's bond issue.

## ***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

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

#### **FINAL COMMENTS**

Calendar year 2021 continued a trend of steady financial performances by the Authority. This strength is needed for the Authority to maintain flexibility in future borrowing decisions and to ensure that there are adequate rates and reserves for operating expenses. In addition, we must continue to plan and provide for the effects of time and usage on the significant investment the Authority has in property and equipment.

#### **CONTACTING THE AUTHORITY'S FINANCIAL OFFICES**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives. If you have any questions about this report or need additional information, contact the North Lebanon Township Assistant Township Manager at 725 Kimmerlings Road, Lebanon, PA 17046 or at 717-273-7132.

**NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY**

STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
DECEMBER 31, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Water operating fund	Sewer operating funds	Total
<b>Current assets:</b>			
Cash and cash equivalents	\$ 157,334	\$ 4,829,225	\$ 4,986,559
Cash, escrow		68,672	68,672
Certificates of deposit		2,494,699	2,494,699
Certificate of deposit, escrow		12,702	12,702
Accounts and interest receivable		129,263	129,263
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>9,042,642</b>
Property, plant and equipment	2,848,944	19,082,412	21,931,356
Less accumulated depreciation	1,175,189	10,976,693	12,151,882
<b>Total property, plant and equipment, net</b>	<b>1,673,755</b>	<b>8,105,719</b>	<b>9,779,474</b>
<b>Total assets</b>	<b>1,831,089</b>	<b>16,991,027</b>	<b>18,822,116</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>\$ 19,759,216</b>

See notes to financial statements.

**NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY**

STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
DECEMBER 31, 2021

LIABILITIES AND NET POSITION

	Water operating fund	Sewer operating funds	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<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	81,374
Current maturities of revenue notes and loan		757,441	757,441
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total current liabilities</b>	<b><u>1,350,747</u></b>	<b><u>851,619</u></b>	<b><u>2,202,366</u></b>
<b>Noncurrent liabilities:</b>			
Guaranteed Sewer Revenue Note of 2015A		2,963,580	2,963,580
Guaranteed Water 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)
		<u>                    </u>	<u>                    </u>
<b>Total noncurrent liabilities</b>		<b><u>4,115,948</u></b>	<b><u>4,115,948</u></b>
<b>Total liabilities</b>	<b><u>1,350,747</u></b>	<b><u>4,967,567</u></b>	<b><u>6,318,314</u></b>
<b>Net position:</b>			
Net investment in capital assets	323,008	5,520,177	5,843,185
Unrestricted	157,334	7,440,383	7,597,717
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total net position</b>	<b><u>480,342</u></b>	<b><u>12,960,560</u></b>	<b><u>13,440,902</u></b>
<b>Total liabilities and net position</b>	<b><u>\$ 1,831,089</u></b>	<b><u>\$ 17,928,127</u></b>	<b><u>\$ 19,759,216</u></b>

See notes to financial statements.

**NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY**

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

	Water operating fund	Sewer operating funds	Total
<b>Operating revenues:</b>			
Rentals and service charges	\$ 185,442	\$ 3,007,150	\$ 3,192,592
Ready to serve charges	83,300	411,825	495,125
Miscellaneous revenues		53,043	53,043
<b>Total operating revenues</b>	<b>268,742</b>	<b>3,472,018</b>	<b>3,740,760</b>
<b>Operating expenses:</b>			
Sewage disposal and treatment		1,381,564	1,381,564
Administrative	9,220	615,481	624,701
Other operating expenses		1,470	1,470
<b>Total operating expenses</b>	<b>9,220</b>	<b>1,998,515</b>	<b>2,007,735</b>
Net operating income before depreciation and amortization	259,522	1,473,503	1,733,025
Less:			
Depreciation	71,222	485,382	556,604
Amortization		8,962	8,962
<b>Net operating income</b>	<b>188,300</b>	<b>979,159</b>	<b>1,167,459</b>

(continued)

***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

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

	<u>Water operating fund</u>	<u>Sewer operating funds</u>	<u>Total</u>
<b>Nonoperating income (expenses):</b>			
Grant revenues		\$ 32,655	\$ 32,655
Interest:			
Earnings	\$ 76	7,468	7,544
Expense		(225,417)	(225,417)
	<u>76</u>	<u>(185,294)</u>	<u>(185,218)</u>
<b>Total nonoperating income (expenses)</b>	<b>76</b>	<b>(185,294)</b>	<b>(185,218)</b>
<b>Net income</b>	<b>188,376</b>	<b>793,865</b>	<b>982,241</b>
Other financing sources (uses), transfers in (out)	<u>(187,427)</u>	<u>187,427</u>	<u>-</u>
<b>Changes in net position</b>	<b>949</b>	<b>981,292</b>	<b>982,241</b>
<b>Net position:</b>			
January 1, 2021	<u>479,393</u>	<u>11,979,268</u>	<u>12,458,661</u>
<b>December 31, 2021</b>	<b><u>\$ 480,342</u></b>	<b><u>\$ 12,960,560</u></b>	<b><u>\$ 13,440,902</u></b>

See notes to financial statements.

**NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY**

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

	Water operating fund	Sewer operating funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 268,742	\$ 3,450,622	\$ 3,719,364
Cash payments to:			
Suppliers for goods and services	(9,220)	(1,536,199)	(1,545,419)
Employees for salaries and benefits		(464,708)	(464,708)
Other operating:			
Revenues		53,043	53,043
Expenses		(1,470)	(1,470)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash provided by operating activities</b>	<b><u>259,522</u></b>	<b><u>1,501,288</u></b>	<b><u>1,760,810</u></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	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>(187,427)</u></b>	<b><u>220,082</u></b>	<b><u>32,655</u></b>
<b>Cash flows from capital and related financing activities:</b>			
Capital expenditures		(104,133)	(104,133)
Paid on notes and loan:			
Principal		(1,011,248)	(1,011,248)
Interest		(139,287)	(139,287)
		<u>          </u>	<u>          </u>
<b>Net cash used in capital and related financing activities</b>		<b><u>(1,254,668)</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	76	2,204	2,280
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash provided by investing activities</b>	<b><u>76</u></b>	<b><u>2,204</u></b>	<b><u>2,280</u></b>

(continued)

**NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY**

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

	Water operating fund	Sewer operating funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net increase in cash and cash equivalents</b>	<b>\$ 72,171</b>	<b>\$ 468,906</b>	<b>\$ 541,077</b>
<b>Cash and cash equivalents:</b>			
Beginning of year	85,163	4,360,319	4,445,482
	<u>          </u>	<u>          </u>	<u>          </u>
<b>End of year</b>	<b>\$ 157,334</b>	<b>\$ 4,829,225</b>	<b>\$ 4,986,559</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Net operating income	\$ 188,300	\$ 979,159	\$ 1,167,459
	<u>          </u>	<u>          </u>	<u>          </u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	71,222	485,382	556,604
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>          </u>	<u>          </u>	<u>          </u>
Total adjustments	71,222	522,129	593,351
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash provided by operating activities</b>	<b>\$ 259,522</b>	<b>\$ 1,501,288</b>	<b>\$ 1,760,810</b>
	<u>          </u>	<u>          </u>	<u>          </u>

See notes to financial statements.

# ***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

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

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

#### *Reporting entity:*

North Lebanon Township Municipal Authority was incorporated on November 1, 1982 under the Municipality Authorities Act of 1945, P. L. 382, as amended, pursuant to a resolution by the Board of Supervisors of North Lebanon Township. The Authority was established to acquire or to construct certain sanitary sewage collection, transmission and disposal system facilities, including all related and necessary facilities required for rendering sanitary sewer service in and for North Lebanon Township, Lebanon County, Pennsylvania. On October 17, 1985, the Authority assigned the right to manage the sewer system to North Lebanon Township. On December 15, 1992, the Authority and Township amended and restated this agreement to continue to assign the right to manage the system to the Township. On December 7, 1998, the Township and Authority executed an agreement to transfer the operation and maintenance of all Township sewer systems to the Authority. Effective January 1, 1999, the agreement is effective for one year with subsequent annual renewals. On January 1, 1999, the Township transferred all assets of the Township's sewer system to the Authority. The purpose of the agreement is to unify the operation of the system, including billing rates and the billing function, for the benefit of all sewer customers. The Township will provide all personnel to manage, operate and maintain the sewer systems on a day-to-day basis, for which costs will be reimbursed by the Authority. The Township includes the Authority as a component unit of its reporting entity determined by the criteria established by Governmental Accounting Standards Board (GASB). The Township is financially accountable for the fiscal matters of the Authority. The Authority is fiscally dependent on the Township and has created a financial benefit and burden for the Township, and as such, the Authority is a component unit of North Lebanon Township.

#### *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 of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

The Authority classifies both of the following funds as major funds. The sewer operating fund and capital reserve fund are combined to present the Authority's sewer operations:

#### Major funds

Water operating fund – The 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.

# ***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

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

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

#### *Basis of presentation:*

##### Major funds

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

#### *Basis of accounting:*

The Authority uses the accrual basis of accounting as required by accounting principles generally accepted in the United States of America for proprietary fund types. The financial statements of the Authority have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

#### *Cash, cash equivalents and certificates of deposit:*

The Authority’s cash and cash equivalents are considered to be cash on hand, demand deposits and an 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 Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Authority specifically excludes cash escrow accounts, as described in Note 6, from cash equivalents.

# ***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

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

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

#### *Property, plant and equipment:*

##### Project costs:

All costs incurred in constructing the various systems 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.

##### Equipment costs:

All equipment costs are capitalized and depreciated using the straight-line method for periods ranging from five to ten years.

#### *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) until then. The Authority has one item that qualifies for reporting in this category. 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.

The statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods, and so will not be recognized as an inflow of resources until that time. The Authority has no items that qualify for reporting in this category.

#### *Bad debts:*

The Authority places liens on customer accounts that are significantly in arrears. The Authority recognizes an expense at the time the account is written off. Uncollectible sewer accounts are immaterial as of the year end, and no allowance for such losses has been recorded.

# ***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

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

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

#### *Net position:*

In the financial statements, net position could be classified in the following categories:

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category. Interfund debt that is attributable to the acquisition, construction or improvement of those assets are also included in this component of net position.

Restricted - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

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

#### *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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# ***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

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

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

#### *Pending GASB statements:*

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to increase usefulness of governments' financial statements by requiring a single model for lease accounting, both capital and operating (previously not recognized as assets and liabilities) leases, based on the payment provisions of the contract and the foundational principle that leases are financings of the right to use an underlying asset. The provisions of this Statement are effective for the Authority's December 31, 2022 financial statements, based on an 18-month extension provided by GASB Statement No. 95.

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 Authority's December 31, 2022 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. 96 are effective for the Authority's December 31, 2023 financial statements.

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

### **2. 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 (see Note 8). 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 makes monthly interest and principal payments of \$2,597 at an interest rate of 1.0%. The loan payments continue through October 1, 2031.

**NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

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

*Pennvest loan:*

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

	Principal	Interest	Debt service
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	147,156	3,651	150,807
Total	\$ 291,896	\$ 14,716	\$ 306,612

*Guaranteed Sewer Revenue Note 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 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 MUNICIPAL AUTHORITY***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

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

*Guaranteed Sewer Revenue Note of 2015A:*

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

<u>Principal amount</u>	<u>Year</u>	<u>Interest rate</u>
\$ 637,799	2022	2.04 %
650,922	2023	2.04
664,336	2024	2.04
678,016	2025	2.04
691,978	2026	2.04
278,318	2027	2.04
<u>\$ 3,601,369</u>		

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	282,813
Total	<u>\$ 3,834,943</u>

*Guaranteed Water Revenue Note 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 page reflect the changes as a result of the amendment.

**NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

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

*Guaranteed Water Revenue Note of 2015B:*

The North Lebanon Township Municipal Authority 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 is as follows:

<u>Principal amount</u>	<u>Year</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 MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

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

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

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

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

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:

	<u>Balance January 1, 2021</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31, 2021</u>	<u>Due within one year</u>
Series of 2015A note	\$ 4,424,717		\$ 823,338	\$ 3,601,379	\$ 637,799
Series of 2015B note	<u>1,260,188</u>		<u>159,821</u>	<u>1,100,367</u>	<u>91,270</u>
	<u><u>\$ 5,684,905</u></u>		<u><u>\$ 983,159</u></u>	<u><u>\$ 4,701,746</u></u>	<u><u>\$ 729,069</u></u>

**NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**3. Loss on refunding:**

The refunding of the 1993A and 1993B bond issues by the 1997 bond issue, 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 of 2009A and 2009B bonds resulted in a loss on the refunding of these issues which consisted 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 accumulated 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 of 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.

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

**4. Guaranty agreement:**

The Township has guaranteed the 2015A Guaranteed Sewer Revenue Note and the 2015B Guaranteed Water Revenue Note issued by the Authority with a principal balance of \$11,014,000, as set forth in guaranty agreements between the Township, Authority and Fulton Bank of Lancaster and ACNB Bank dated November 5, 2015.

**5. Deposits and external investment pool:**

*Custodial credit risk and deposits:*

For deposits, custodial credit risk is the risk that, in the event of bank failure, the 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 Authority will not be able to recover the value of its investment or collateral security that is in the possession of an outside party.

***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**5. Deposits and external investment pool (continued):**

*Custodial credit risk and deposits:*

As of December 31, 2021, \$2,930,230 of the Authority's bank balance of \$3,226,983 was not covered by the Federal Deposit Insurance Corporation, but was collateralized in accordance with Act 72. This Act requires the institution to pool collateral for all its government deposits and to have the collateral held by an approved custodian in the institution's name.

	Ratings	2021 Fair value
Deposits:		
Collateral held by the pledging bank under Act 72, but not in the Authority's name		\$ 2,930,230
Insured by Federal Deposit Insurance Corporation		296,753
Outstanding checks		(7,371)
Deposits in transit		1,236
Petty cash		200
Total deposits		3,221,048
Cash equivalents, PLGIT	AAAm	4,341,584
Total cash, cash equivalents and certificates of deposit		\$ 7,562,632
Reconciliation to the financial statements:		
Cash and cash equivalents		\$ 4,986,559
Cash, escrow		68,672
Certificates of deposit		2,494,699
Certificate of deposit, escrow		12,702
Total		\$ 7,562,632

***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**5. Deposits and external investment pool (continued):**

*Certificates of deposit:*

The 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 0.95%, mature September 29, 2022	1,000,000
Jonestown Bank, rate 0.25%, mature September 20, 2023	<u>12,702</u>
	<u>\$ 2,507,401</u>
Reconciliation to the financial statements:	
Certificates of deposit	\$ 2,494,699
Certificate of deposit, escrow	<u>12,702</u>
Total	<u>\$ 2,507,401</u>

*External investment pool:*

The Authority uses an external investment pool to ensure safety and maximize efficiency, liquidity and yield for Authority funds. The external investment pool is valued at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The fair value of the securities, held by the external investment pool, are evaluated on at least a weekly basis using prices supplied from an independent pricing service. These values are compared to the amortized cost of the securities.

The Authority has funds totaling \$4,341,584 invested in PLGIT. PLGIT separately issues audited financial statements that are available to the public via their website. 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.

***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**5. Deposits and external investment pool (continued):**

*External investment pool:*

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

	Amortized cost	Unfunded commitments	Redemption frequency	Redemption notice period
Cash equivalents measured at amortized cost, external investment pool, PLGIT <sup>1</sup>	\$ 4,341,584	\$ -	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 Authority permits investments as authorized by law and requires that maturities of investments are consistent with cash flow requirements.

*Credit risk:*

The Authority's selection of depository institutions, brokers, custodians, investment advisors, local government investment pools and money market mutual funds are based on legality, performance, quality of service, creditworthiness, reputation and integrity. In addition, the investment companies used by the Authority must be rated in the highest category by a nationally recognized rating agency.

# ***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

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

### **5. Deposits and external investment pool (continued):**

Statutes authorize the Authority to invest in the following:

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

### **6. Cash and certificate of deposit escrows:**

Cash and certificate of deposit escrows represent funds held in escrow by the Authority until such time as the developer or customer completes construction of a specified project.

**NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

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

The following is a summary of property, plant and equipment, at cost, less accumulated depreciation:

	Balance January 1, 2021	Additions	Deletions	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
Total capital assets	22,111,304	104,133	284,081	21,931,356
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
Total accumulated depreciation	11,879,359	556,604	284,081	12,151,882
Capital assets, net	\$ 10,231,945	\$(452,471)	\$ -	\$ 9,779,474

**8. Rockwood sewer project:**

The Authority 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 received, through North Lebanon Township Municipal Authority, an H2O 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.

## ***NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY***

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

#### **9. 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 Authority expects this matter may negatively impact its results, the extent of the impact of COVID-19 on the Authority's operations is highly uncertain and cannot be predicted.

#### **10. Subsequent events:**

Authority management has evaluated subsequent events through April 20, 2022, which is the date the financial statements were available to be issued.

**NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY**

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

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Sewer operating fund	Capital reserve fund	Sewer operating funds 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 MUNICIPAL AUTHORITY***

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

LIABILITIES AND NET POSITION

	Sewer operating fund	Capital reserve fund	Sewer operating funds total
	<u>          </u>	<u>          </u>	<u>          </u>
<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	<u>729,069</u>	<u>28,372</u>	<u>757,441</u>
<b>Total current liabilities</b>	<u><b>816,747</b></u>	<u><b>34,872</b></u>	<u><b>851,619</b></u>
<b>Noncurrent 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	<u>(120,253)</u>		<u>(120,253)</u>
<b>Total noncurrent liabilities</b>	<u><b>3,852,424</b></u>	<u><b>263,524</b></u>	<u><b>4,115,948</b></u>
<b>Total liabilities</b>	<u><b>4,669,171</b></u>	<u><b>298,396</b></u>	<u><b>4,967,567</b></u>
<b>Net position:</b>			
Net investment in capital assets	1,693,555	3,826,622	5,520,177
Unrestricted	<u>3,134,345</u>	<u>4,306,038</u>	<u>7,440,383</u>
<b>Total net position</b>	<u><b>4,827,900</b></u>	<u><b>8,132,660</b></u>	<u><b>12,960,560</b></u>
<b>Total liabilities and net position</b>	<u><b>\$ 9,497,071</b></u>	<u><b>\$ 8,431,056</b></u>	<u><b>\$ 17,928,127</b></u>

See notes to financial statements.

**NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY**

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

	Sewer operating fund	Capital reserve fund	Sewer operating funds total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating revenues:</b>			
Rentals and service charges	\$ 3,007,150		\$ 3,007,150
Ready to serve charges		\$ 411,825	411,825
Miscellaneous revenues	52,779	264	53,043
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total operating revenues</b>	<b>3,059,929</b>	<b>412,089</b>	<b>3,472,018</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<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
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total operating expenses</b>	<b>1,967,745</b>	<b>30,770</b>	<b>1,998,515</b>
	<u>          </u>	<u>          </u>	<u>          </u>
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
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net operating income</b>	<b>774,081</b>	<b>205,078</b>	<b>979,159</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<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)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total nonoperating income (expenses)</b>	<b>(220,954)</b>	<b>35,660</b>	<b>(185,294)</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net income</b>	<b>553,127</b>	<b>240,738</b>	<b>793,865</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Other financing sources, transfers in (out)	437,427	(250,000)	187,427
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Changes in net position</b>	<b>990,554</b>	<b>(9,262)</b>	<b>981,292</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net position:</b>			
January 1, 2021	3,837,346	8,141,922	11,979,268
	<u>          </u>	<u>          </u>	<u>          </u>
<b>December 31, 2021</b>	<b>\$ 4,827,900</b>	<b>\$ 8,132,660</b>	<b>\$ 12,960,560</b>
	<u>          </u>	<u>          </u>	<u>          </u>

See notes to financial statements.

**NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY**

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

	Sewer operating fund	Capital reserve fund	Sewer operating fund total
	<u>          </u>	<u>          </u>	<u>          </u>
<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)
	<u>          </u>	<u>          </u>	<u>          </u>
<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
	<u>          </u>	<u>          </u>	<u>          </u>
<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)
	<u>          </u>	<u>          </u>	<u>          </u>
<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
	<u>          </u>	<u>          </u>	<u>          </u>
<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>

(continued)

**NORTH LEBANON TOWNSHIP MUNICIPAL AUTHORITY**

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

	Sewer operating fund	Capital reserve fund	Sewer operating fund total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net increase in cash and cash equivalents</b>	<b>\$ 418,066</b>	<b>\$ 50,840</b>	<b>\$ 468,906</b>
<b>Cash and cash equivalents:</b>			
Beginning of year	<u>2,656,708</u>	<u>1,703,611</u>	<u>4,360,319</u>
<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>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Net operating income	<u>\$ 774,081</u>	<u>\$ 205,078</u>	<u>\$ 979,159</u>
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	<u>(4,111)</u>		<u>(4,111)</u>
Total adjustments	<u>345,888</u>	<u>176,241</u>	<u>522,129</u>
<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>

See notes to financial statements.