



YEAR ENDED DECEMBER 31, 2022



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

NORTH LEBANON TOWNSHIP

YEAR ENDED DECEMBER 31, 2022

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Lebanon Township as of December 31, 2022, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Steindler & Fritz

Camp Hill, Pennsylvania
June 26, 2023

NORTH LEBANON TOWNSHIP

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

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, 2022. 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, 2022 is \$14,158,941. Of this amount, unrestricted net position of \$4,602,040 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, 2022 is \$15,424,303. Of this amount, unrestricted net position of \$7,460,280 may be used to meet ongoing expenses of the business activities.
- During the year, the Township's General Fund revenues were \$707,317 over the anticipated revenues of \$4,507,208.
- During the year, the Township's General Fund expenses were \$195,659 less than anticipated budgeted expenses of \$4,314,932.
- As of the close of the current fiscal year, North Lebanon Township's governmental funds reported combined ending fund balances of \$6,744,939, an increase of \$1,297,471 over 2021.
- Effective January 1, 2022, the Township adopted GASB Statement No. 87, *Leases*, using the retrospective method. The Township recorded a lease receivable and related deferred inflows of resources of \$335,252 as of January 1, 2022, all of which was recorded in the governmental activities on the statement of net position. See Note 5 for further analysis.

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.

NORTH LEBANON TOWNSHIP

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

FINANCIAL STATEMENTS (CONTINUED)

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.

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.

NORTH LEBANON TOWNSHIP

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

FINANCIAL STATEMENTS (CONTINUED)

Government-wide financial statements

- 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 fund and water fund 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.

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.

NORTH LEBANON TOWNSHIP

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

FINANCIAL STATEMENTS (CONTINUED)

Reporting the Township's most significant funds

- *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, 2022

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

	2022 Governmental activities	2022 Business-type activities	2022 Total primary government	2021 Total primary government
Current and other assets	\$ 8,276,362	\$ 7,561,183	\$ 15,837,545	\$ 14,579,228
Noncurrent assets	<u>8,130,688</u>	<u>9,787,484</u>	<u>17,918,172</u>	<u>19,315,463</u>
Total assets	16,407,050	17,348,667	33,755,717	33,894,691
Deferred outflows of resources	<u>1,600,912</u>	<u>811,728</u>	<u>2,412,640</u>	<u>1,227,859</u>
Total assets and deferred outflows of resources	<u><u>\$ 18,007,962</u></u>	<u><u>\$ 18,160,395</u></u>	<u><u>\$ 36,168,357</u></u>	<u><u>\$ 35,122,550</u></u>
Current liabilities	\$ 1,441,431	\$ 873,510	\$ 2,314,941	\$ 1,723,034
Long-term liabilities	<u>1,627,518</u>	<u>1,862,582</u>	<u>3,490,100</u>	<u>4,361,936</u>
Total liabilities	<u>3,068,949</u>	<u>2,736,092</u>	<u>5,805,041</u>	<u>6,084,970</u>
Deferred inflows of resources	<u>780,072</u>		<u>780,072</u>	<u>1,332,608</u>
Net position:				
Net investment in capital assets	7,817,138	7,964,024	15,781,162	14,311,876
Restricted	1,739,763		1,739,763	1,381,048
Unrestricted	<u>4,602,040</u>	<u>7,460,279</u>	<u>12,062,319</u>	<u>12,012,048</u>
Total net position	<u>14,158,941</u>	<u>15,424,303</u>	<u>29,583,244</u>	<u>27,704,972</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 18,007,962</u></u>	<u><u>\$ 18,160,395</u></u>	<u><u>\$ 36,168,357</u></u>	<u><u>\$ 35,122,550</u></u>

NORTH LEBANON TOWNSHIP

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

THE TOWNSHIP AS A WHOLE (CONTINUED)

The net position of the governmental activities is \$14,158,941. 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 \$4,602,040.

The net position of the business-type activities is \$15,424,303. 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 \$7,460,280.

Table 2
Changes in Net Position

	2022 Governmental activities	2022 Business-type activities	2022 Total primary government	2021 Total primary government
Revenues:				
Program revenues:				
Charges for services	\$ 450,314	\$ 4,269,681	\$ 4,719,995	\$ 4,561,658
Operating grants and contributions	675,704	33,022	708,726	677,403
Capital grants and contributions	35,461		35,461	171,076
General revenues:				
Taxes and assessments:				
Real estate	1,902,838		1,902,838	1,839,688
Real estate transfer	366,588		366,588	451,007
Earned income	1,600,919		1,600,919	1,458,604
Local services	200,360		200,360	173,652
Public utility tax	3,815		3,815	3,639
Cable TV franchise tax	206,718		206,718	199,714
Investment earnings	69,319	193,875	263,194	14,527
Rentals	70,981		70,981	49,062
Gain on sale of assets	24,366		24,366	38,023
Miscellaneous	372,450	112,013	484,463	145,420
Total revenues	5,979,833	4,608,591	10,588,424	9,783,473

NORTH LEBANON TOWNSHIP

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

THE TOWNSHIP AS A WHOLE (CONTINUED)

Table 2
Changes in Net Position (continued)

	2022 Governmental activities	2022 Business-type activities	2022 Total primary government	2021 Total primary government
Expenses:				
General government	\$ 657,982		\$ 657,982	\$ 491,144
Public safety	2,893,801		2,893,801	2,544,855
Public works	152,731	\$ 315,254	467,985	433,217
Highways	1,279,069		1,279,069	1,074,125
Culture, recreation	394,828		394,828	324,184
Municipal Authority		3,016,487	3,016,487	2,798,718
Total expenses	5,378,411	3,331,741	8,710,152	7,666,243
Changes in net position	601,422	1,276,850	1,878,272	2,117,230
Net position:				
Beginning	13,557,519	14,147,453	27,704,972	25,587,742
Ending	\$ 14,158,941	\$ 15,424,303	\$ 29,583,244	\$ 27,704,972

The total cost of the Township's governmental programs is \$5,378,411.

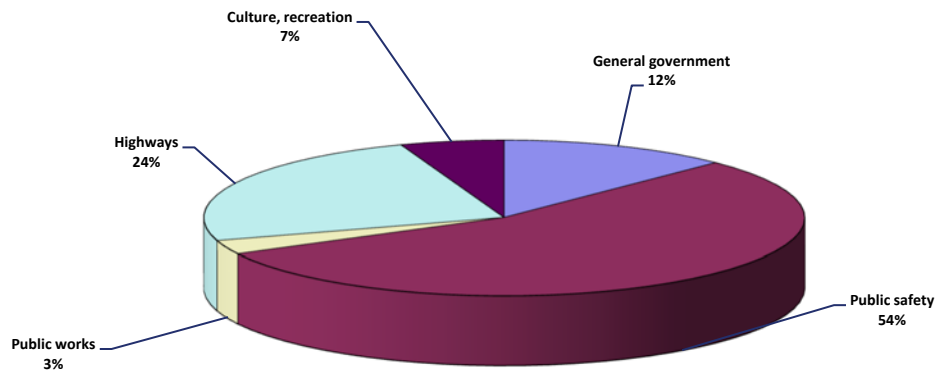
NORTH LEBANON TOWNSHIP

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

THE TOWNSHIP AS A WHOLE (CONTINUED)

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

2022 EXPENSES BY DEPARTMENT



THE TOWNSHIP'S FUNDS

The Township's General Fund reported an increase in the fund balance of \$792,393 in 2022, providing for a balance going into the new year of \$2,955,717. 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 an increase in the fund balance of \$293,223 for a balance of \$741,854. This increase in the Liquid Fuels Fund's fund balance was due to paving project being canceled because of the higher-than-normal bids in 2022.

The Capital Reserve Fund saw an increase of \$129,510 in the fund balance for a balance of \$394,420. This increase in the Capital Reserve Fund's fund balance is due to the delay in the delivery of a new replacement highway vehicle.

During 2022, the Township received the second round of American Rescue Plan Act of 2021 (ARPA) funding in the amount of \$641,782. The Township expended \$35,461 from this fund in 2022, so the \$1,244,071 is recorded as unearned revenue. The remaining balance is projected to be incumbered by the deadline date of December 31, 2026.

The Stormwater Fund saw an increase in the net position of \$143,082 for a balance of \$849,633. These funds are earmarked for stormwater upgrades in foreseeable future.

NORTH LEBANON TOWNSHIP

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

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, 2022.

Revenues

The Township's General Fund revenues were \$707,317 over the projected budgetary amount of \$4,507,208.

- The increase in revenue was primarily due to higher than anticipated taxes, licenses, permits and fines as well as miscellaneous.

Expenses and transfers

The Township's General Fund expenditures were \$195,659 under the projected budgetary amount of \$4,314,932 (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.

CAPITAL ASSETS

As of December 31, 2022, the Township had \$45,293,520 invested in a variety of capital assets, as reflected in the following schedule of cost before depreciation.

Business-type activities	\$ 22,509,841
Land	798,121
Buildings and improvements	4,244,853
Automotive equipment	1,378,134
Machinery and equipment	2,165,044
Bridges	1,029,736
Roads	13,167,791
	<hr/>
Total	<u><u>\$ 45,293,520</u></u>

See Notes 1, 6 and 7 for additional information.

NORTH LEBANON TOWNSHIP

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

DEBT ADMINISTRATION

Outstanding debt, at year-end

Guaranteed Sewer Revenue Note of 2015A	\$ 1,673,580
Guaranteed Water Revenue Note of 2015B	809,098
Pennvest loan	263,524

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.

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.

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 2023, 2022 and 2021, the tax rate remained the same at 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 2023 in the amount of \$85,698. The population of West Lebanon Township is approximately 850.

NORTH LEBANON TOWNSHIP

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

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

The 2023 Township budget reflects no decreases in services.

Our police force consists of the Chief of Police, two sergeants, one sergeant/detective, plus eight 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 and one part-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 eight full-time maintenance employees (including Roadmaster) and one part-time seasonal (park and recreation) employee. The Department maintains 63.79 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 be \$50/year in 2023. 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.

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.

NORTH LEBANON TOWNSHIP

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

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

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.

Lenni Lenape Park consists of approximately 30 acres. We continue to construct improvements included in the 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, two open-air pavilions, bathroom facilities and picnic tables. The macadam walking path is scheduled to be extended by the end of 2023 to become a three-quarter mile path.

Certain municipalities across Pennsylvania 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 2023, all single-family residential (SFR) parcels will receive an annual bill of \$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 87.8% funded and the Non-Uniformed Employee Pension Plan is 88.3% funded.

NORTH LEBANON TOWNSHIP

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

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, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Primary government		
	Governmental activities	Business-type activities	Total
Current assets:			
Cash and cash equivalents	\$ 2,105,504	\$ 3,953,217	\$ 6,058,721
Cash, escrow	89,577	86,970	176,547
Certificates of deposit	5,887,097	3,413,773	9,300,870
Certificate of deposit, escrow		12,702	12,702
Taxes receivable	66,370		66,370
Accounts and interest receivable	42,042	105,578	147,620
Current portion of lease receivable	11,220		11,220
Inventory	33,042		33,042
Internal balances	11,057	(11,057)	-
Prepaid expenses	30,453		30,453
Total current assets	8,276,362	7,561,183	15,837,545
Noncurrent assets:			
Capital assets, net	7,817,138	9,787,484	17,604,622
Lease receivable, net of current portion	313,550		313,550
Total noncurrent assets	8,130,688	9,787,484	17,918,172
Total assets	16,407,050	17,348,667	33,755,717
Deferred outflows of resources:			
Deferred charge on refunding		811,728	811,728
Related to:			
Pensions	1,587,877		1,587,877
Net other postemployment benefits (other than pensions)	13,035		13,035
Total deferred outflows of resources	1,600,912	811,728	2,412,640
Total assets and deferred outflows of resources	\$ 18,007,962	\$ 18,160,395	\$ 36,168,357

See notes to financial statements.

NORTH LEBANON TOWNSHIP

STATEMENT OF NET POSITION – DECEMBER 31, 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Primary government		
	Governmental activities	Business-type activities	Total
Current liabilities:			
Accounts payable and accrued expenses	\$ 105,403	\$ 1,508	\$ 106,911
Escrow payable	89,577	99,672	189,249
Unearned revenue	1,246,451		1,246,451
Current portion of Pennvest loan and sewer and water revenue notes		772,330	772,330
Total current liabilities	1,441,431	873,510	2,314,941
Long-term liabilities:			
Net other postemployment benefits liability (other than pensions)	152,146		152,146
Net pension liability	1,326,150		1,326,150
Compensated absences	149,222		149,222
Pennvest loan, net of current portion		234,867	234,867
Sewer and water revenue notes, net of current portion		1,739,005	1,739,005
Note discounts, net of amortization		(111,290)	(111,290)
Total long-term liabilities	1,627,518	1,862,582	3,490,100
Total liabilities	3,068,949	2,736,092	5,805,041
Deferred inflows of resources:			
Related to:			
Leases	316,798		316,798
Pensions	449,708		449,708
Net other postemployment benefits (other than pensions)	13,566		13,566
Total deferred inflows of resources	780,072		780,072
Net position:			
Net investment in capital assets	7,817,138	7,964,023	15,781,161
Restricted for:			
Liquid fuels	741,854		741,854
Parks and recreation	324,980		324,980
Street light	128,477		128,477
Special projects	523,648		523,648
Traffic signal - Route 422	20,804		20,804
Unrestricted	4,602,040	7,460,280	12,062,320
Total net position	14,158,941	15,424,303	29,583,244
Total liabilities, deferred inflows of resources and net position	\$ 18,007,962	\$ 18,160,395	\$ 36,168,357

See notes to financial statements.

NORTH LEBANON TOWNSHIP

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Functions/programs	Expenses	Program revenues			Net (expenses) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		
					Governmental activities	Business-type activities	Total
Primary government:							
Governmental activities:							
General government	\$ 657,982	\$ 10,479	\$ 34,377	\$ 30,929	\$ (582,197)		\$ (582,197)
Public safety	2,893,801	220,116	186,663		(2,487,022)		(2,487,022)
Public works	152,731	204,675			51,944		51,944
Highways	1,279,069	9,894	454,664	4,532	(809,979)		(809,979)
Culture, recreation	394,828	5,150			(389,678)		(389,678)
Total governmental activities	5,378,411	450,314	675,704	35,461	(4,216,932)		(4,216,932)
Business-type activities,							
North Lebanon Township							
Municipal Authority	3,016,487	3,823,624	33,022			\$ 840,159	840,159
Stormwater fund	315,254	446,057				130,803	130,803
Total business-type activities	3,331,741	4,269,681	33,022			970,962	970,962
Total primary government	\$ 8,710,152	\$ 4,719,995	\$ 708,726	\$ 35,461	(4,216,932)	970,962	(3,245,970)

(continued)

NORTH LEBANON TOWNSHIP

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

Functions/programs	Net (expenses) revenue and changes in net position		
	Primary government		
	Governmental activities	Business-type activities	Total
Net income (expenses) for total primary government	\$ (4,216,932)	\$ 970,962	\$ (3,245,970)
General revenues:			
Taxes and assessments:			
Real estate	1,902,838		1,902,838
Real estate transfer	366,588		366,588
Earned income	1,600,919		1,600,919
Local services	200,360		200,360
Public utility tax	3,815		3,815
Cable TV franchise tax	206,718		206,718
Investment earnings	69,319	193,875	263,194
Rentals	70,981		70,981
Gain on sale of assets	24,366		24,366
Miscellaneous	372,450	112,013	484,463
Total general revenues	4,818,354	305,888	5,124,242
Changes in net position	601,422	1,276,850	1,878,272
Net position:			
Beginning	13,557,519	14,147,453	27,704,972
Ending	\$ 14,158,941	\$ 15,424,303	\$ 29,583,244

See notes to financial statements.

NORTH LEBANON TOWNSHIP

BALANCE SHEET – GOVERNMENTAL FUNDS DECEMBER 31, 2022

	General fund	Capital improvements fund	ARPA fund	Nonmajor other governmental funds	Total
ASSETS					
Cash and cash equivalents	\$ 1,185,015	\$ 194,112	\$ 148,031	\$ 578,346	\$ 2,105,504
Cash, escrow	89,577				89,577
Certificates of deposit	1,757,813	1,473,988	1,100,000	1,555,296	5,887,097
Taxes receivable	52,588			1,139	53,727
Accounts and interest receivable	40,662	1,380			42,042
Prepaid expenses	30,453				30,453
Due from other funds	11,334				11,334
Total assets	\$ 3,167,442	\$ 1,669,480	\$ 1,248,031	\$ 2,134,781	\$ 8,219,734
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Accounts payable and accrued expenses	\$ 89,743	\$ 1,710		\$ 13,950	\$ 105,403
Escrow payable	89,577				89,577
Unearned revenue		1,380	\$ 1,244,071	1,000	1,246,451
Due to other funds				277	277
Total liabilities	179,320	3,090	1,244,071	15,227	1,441,708
Deferred inflows of resources, unavailable tax revenues	32,405			682	33,087
Fund balances:					
Nonspendable	30,453				30,453
Restricted:					
Liquid fuels fund				741,854	741,854
Parks and recreation fund				324,980	324,980
Street light fund				128,477	128,477
Special projects fund				523,648	523,648
Traffic signal - Route 422	20,804				20,804
Committed for fire protection				5,493	5,493
Assigned:					
Capital improvement fund		1,666,390			1,666,390
Capital reserve fund				394,420	394,420
ARPA			3,960		3,960
Unassigned	2,904,460				2,904,460
Total fund balances	2,955,717	1,666,390	3,960	2,118,872	6,744,939
Total liabilities, deferred inflows of resources and fund balances	\$ 3,167,442	\$ 1,669,480	\$ 1,248,031	\$ 2,134,781	\$ 8,219,734

See notes to financial statements.

NORTH LEBANON TOWNSHIP

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2022

Total governmental fund balances	\$ 6,744,939
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, lease receivable and inventory used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, net	7,817,138
Lease receivable	324,770
Inventory	33,042
Other assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds, taxes revenues, including outstanding delinquent taxes	
	45,730
Deferred outflows and deferred inflows of resources are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to:	
Pensions	1,587,877
Other postemployment benefits (other than pensions)	13,035
Deferred inflows of resources related to:	
Leases	(316,798)
Pensions	(449,708)
Other postemployment benefits (other than pensions)	(13,566)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(149,222)
Net pension liability	(1,326,150)
Net other postemployment benefits (other than pensions)	(152,146)
Net position of governmental activities	<u><u>\$ 14,158,941</u></u>

See notes to financial statements.

NORTH LEBANON TOWNSHIP

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

	General fund	Capital improvements fund	ARPA fund	Nonmajor other governmental funds	Total
Revenues:					
Taxes and assessments	\$ 4,007,320			\$ 59,603	\$ 4,066,923
Licenses, permits and fines	315,314				315,314
Intergovernmental revenues	353,460		\$ 35,461	408,858	797,779
Investment income and rents	93,848	\$ 11,509	3,919	23,052	132,328
Departmental earnings	34,599			44,666	79,265
Private sector contributions	5,950				5,950
Public safety	10,046				10,046
Miscellaneous	230,330			142,120	372,450
Refuse benefit fee	163,658				163,658
Total revenues	5,214,525	11,509	39,380	678,299	5,943,713
Expenditures:					
General government	512,102	11,076	30,929	188	554,295
Public safety	2,542,957			177,684	2,720,641
Public works	89,210			21,473	110,683
Highways	717,141		4,532	169,032	890,705
Parks and recreation	257,863	11,158		125,263	394,284
Total expenditures	4,119,273	22,234	35,461	493,640	4,670,608

(continued)

NORTH LEBANON TOWNSHIP

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

	General fund	Capital improvements fund	ARPA fund	Nonmajor other governmental funds	Total
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	\$ 1,095,252	\$ (10,725)	\$ 3,919	\$ 184,659	\$ 1,273,105
Other financing sources (uses):					
Operating transfers:					
In		27,275		285,000	312,275
Out	(312,275)				(312,275)
Proceeds from sale of assets	9,416			14,950	24,366
Other financing sources (uses)	(302,859)	27,275		299,950	24,366
Excess of revenues and other financing over expenditures and other funding uses	792,393	16,550	3,919	484,609	1,297,471
Fund balances:					
January 1, 2022	2,163,324	1,649,840	41	1,634,263	5,447,468
December 31, 2022	\$ 2,955,717	\$ 1,666,390	\$ 3,960	\$ 2,118,872	\$ 6,744,939

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, 2022

Net changes in fund balances, total government funds **\$ 1,297,471**

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	113,423
Depreciation expense	(549,390)

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. (2,495)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

11,754

The changes in the values of the net pension asset and liability and net other postemployment benefits liability are not reported in government funds:

Net pension asset	(1,067,298)
Net pension liability	(1,326,150)
Net other postemployment benefits liability	(8,596)

The changes 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	1,315,968
Deferred inflows related to pensions	867,827
Deferred outflows related to net other postemployment benefits	(5,815)
Deferred inflows related to net other postemployment benefits	1,507

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

(46,784)

Changes in net position of governmental activities **\$ 601,422**

See notes to financial statements.

NORTH LEBANON TOWNSHIP

STATEMENT OF NET POSITION – PROPRIETARY FUNDS DECEMBER 31, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Sewer fund	Nonmajor Water fund	Stormwater fund	Total
Current assets:				
Cash and cash equivalents	\$ 3,732,358	\$ 79,224	\$ 141,635	\$ 3,953,217
Cash, escrow	86,970			86,970
Certificates of deposit	3,262,864		150,909	3,413,773
Certificate of deposit, escrow	12,702			12,702
Accounts and interest receivable	81,741		23,837	105,578
Total current assets	7,176,635	79,224	316,381	7,572,240
Property, plant and equipment	19,115,805	2,848,944	545,092	22,509,841
Less accumulated depreciation	11,465,715	1,246,413	10,229	12,722,357
Total property, plant and equipment, net	7,650,090	1,602,531	534,863	9,787,484
Total assets	14,826,725	1,681,755	851,244	17,359,724
Deferred outflows of resources, deferred charge on refunding	811,728			811,728
Total assets and deferred outflows of resources	\$ 15,638,453	\$ 1,681,755	\$ 851,244	\$ 18,171,452

See notes to financial statements.

NORTH LEBANON TOWNSHIP

STATEMENT OF NET POSITION – PROPRIETARY FUNDS DECEMBER 31, 2022

LIABILITIES AND NET POSITION

	Sewer fund	Nonmajor Water fund	Stormwater fund	Total
Current liabilities:				
Accounts payable and accrued expenses	\$ 174		\$ 1,334	\$ 1,508
Due to other funds	10,780		277	11,057
Escrow payable	99,672			99,672
Current maturities of revenue notes and loan	772,330			772,330
Total current liabilities	882,956		1,611	884,567
Long-term liabilities:				
Guaranteed Sewer Revenue Note of 2015A, net of current portion	1,022,648			1,022,648
Guaranteed Water Revenue Note of 2015B, net of current portion	716,357			716,357
Pennvest loan, net of current portion	234,867			234,867
Note discounts, net of accumulated amortization	(111,290)			(111,290)
Total long-term liabilities	1,862,582			1,862,582
Total liabilities	2,745,538		1,611	2,747,149
Net position:				
Net investment in capital assets	5,826,906	\$ 1,602,531	534,586	7,964,023
Unrestricted	7,066,009	79,224	315,047	7,460,280
Total net position	12,892,915	1,681,755	849,633	15,424,303
Total liabilities and net position	\$ 15,638,453	\$ 1,681,755	\$ 851,244	\$ 18,171,452

See notes to financial statements.

NORTH LEBANON TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2022

	Sewer fund	Nonmajor Water fund	Stormwater fund	Total
Operating revenues:				
Rentals and service charges	\$ 3,081,267	\$ 180,591	\$ 446,057	\$ 3,707,915
Ready to serve charges	512,566	49,200		561,766
Miscellaneous fees	104,548		7,465	112,013
Total operating revenues	3,698,381	229,791	453,522	4,381,694
Operating expenses:				
Sewage disposal and treatment	1,648,424			1,648,424
Administrative	587,979	1,796	9,209	598,984
Legal and engineering fees			32,544	32,544
Stormwater consortium fees			266,001	266,001
Other operating expenses	837			837
Total operating expenses	2,237,240	1,796	307,754	2,546,790
Net operating income before depreciation and amortization	1,461,141	227,995	145,768	1,834,904
Less:				
Depreciation	492,372	71,224	7,500	571,096
Amortization	8,962			8,962
Net operating income	959,807	156,771	138,268	1,254,846
Nonoperating income (expenses):				
Grant revenues	33,022			33,022
Interest earnings	188,624	437	4,814	193,875
Interest expense	(204,893)			(204,893)
Total nonoperating income (expenses)	16,753	437	4,814	22,004
Net income	976,560	157,208	143,082	1,276,850
Other financing sources (uses), transfers in (out)	306,542	(306,542)		-
Change in net position	1,283,102	(149,334)	143,082	1,276,850
Net position:				
January 1, 2022, as restated	11,609,813	1,831,089	706,551	14,147,453
December 31, 2022	\$ 12,892,915	\$ 1,681,755	\$ 849,633	\$ 15,424,303

See notes to financial statements.

NORTH LEBANON TOWNSHIP

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2022

	Sewer fund	Nonmajor Water fund	Stormwater fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ 3,584,467	\$ 229,791	\$ 456,137	\$ 4,270,395
Cash payments to:				
Suppliers for goods and services	(1,801,443)	(1,796)	(306,420)	(2,109,659)
Employees for salaries and benefits	(436,809)			(436,809)
Other operating:				
Revenues	104,548		7,465	112,013
Expenses	(837)			(837)
Net cash provided by operating activities	1,449,926	227,995	157,182	1,835,103
Cash flows from noncapital financing activities:				
Grant revenues	33,022			33,022
Transfers from (to) other funds, net	306,542	(306,542)	277	277
Net cash provided by (used in) noncapital financing activities	339,564	(306,542)	277	33,299
Cash flows from capital and related financing activities:				
Capital expenditures	(36,743)		(326,777)	(363,520)
Paid on notes and loan:				
Principal	(2,247,441)			(2,247,441)
Interest	(79,520)			(79,520)
Net cash used in capital and related financing activities	(2,363,704)		(326,777)	(2,690,481)
Cash flows from investing activities:				
Purchase of certificates of deposit	(5,112,863)		(300,909)	(5,413,772)
Redemption of certificates of deposit	4,344,698		150,000	4,494,698
Interest earnings	245,512	437	4,814	250,763
Net cash provided by (used in) investing activities	(522,653)	437	(146,095)	(668,311)

(continued)

NORTH LEBANON TOWNSHIP

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

	Sewer operating funds	Water operating fund	Nonmajor - Stormwater fund	Total
Net decrease in cash and cash equivalents	\$ (1,096,867)	\$ (78,110)	\$ (315,413)	\$ (1,490,390)
Cash and cash equivalents:				
Beginning of year	4,829,225	157,334	457,048	5,443,607
End of year	\$ 3,732,358	\$ 79,224	\$ 141,635	\$ 3,953,217
Reconciliation of operating income to net cash provided by operating activities:				
Net operating income	\$ 959,807	\$ 156,771	\$ 138,268	\$ 1,254,846
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	492,372	71,224	7,500	571,096
Amortization	8,962			8,962
(Increase) decrease in accounts and interest receivable	(9,366)		10,080	714
Increase (decrease) in liabilities, accounts payable and accrued expenses	(1,849)		1,334	(515)
Total adjustments	490,119	71,224	18,914	580,257
Net cash provided by operating activities	\$ 1,449,926	\$ 227,995	\$ 157,182	\$ 1,835,103

See notes to financial statements.

NORTH LEBANON TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2022

	Police Pension fund	Nonuniformed Pension fund	Total
Assets, investments	<u>\$ 5,373,683</u>	<u>\$ 4,338,029</u>	<u>\$ 9,711,712</u>
Net position restricted for pensions	<u>\$ 5,373,683</u>	<u>\$ 4,338,029</u>	<u>\$ 9,711,712</u>

See notes to financial statements.

NORTH LEBANON TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2022

	Police Pension fund	Nonuniformed Pension fund	Total
Additions:			
Contributions:			
State aid and Township	\$ 160,289	\$ 112,613	\$ 272,902
Employees	54,511		54,511
Total contributions	214,800	112,613	327,413
Net investment losses	(888,130)	(737,428)	(1,625,558)
Total additions	(673,330)	(624,815)	(1,298,145)
Deductions:			
Benefit payments	147,431	146,107	293,538
Administrative expenses	3,100	4,100	7,200
Total deductions	150,531	150,207	300,738
Net decrease	(823,861)	(775,022)	(1,598,883)
Net position restricted for pensions:			
Beginning of year	6,197,544	5,113,051	11,310,595
End of year	\$ 5,373,683	\$ 4,338,029	\$ 9,711,712

See notes to financial statements.

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

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, 2022

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, 2022

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, 2022

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, 2022.

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, 2022

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 18). The funds have been assigned by the Township's management for ongoing and future provisions of governmental services related to various capital projects.

Authority:

Sewer fund - The Authority fund that accounts for maintenance and construction of the sewer system throughout the Township. The fund also accounts for resources for anticipated operating and capital expenditures and debt service. Financing is provided by sewer rentals collected from the Township's sewer system customers and by the Authority's collection of ready-to-serve charges.

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

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 funds:

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.

Authority:

Water 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.

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

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, 2022

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, 2022, 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, 2022, the Township believes all accounts and taxes receivable are 100% collectible.

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

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, 2022

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, (b) difference between projected and actual investment earnings on pension investments and (c) 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 four types of items, unavailable tax revenues, which arise only under a modified accrual basis of accounting on the balance sheet – governmental funds. The Township's statement of net position also reported an inflow of resources related to its leases, which arises from future cash flows from the Townships communication tower lease agreement. The other deferred inflows are for the following: (a) 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, 2022

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, 2022.

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, 2022

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

Pending GASB statements:

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

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

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

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

2. Adoption of new accounting pronouncement:

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

Effective January 1, 2022, the Township adopted GASB Statement No. 87, *Leases*, using the retrospective method. The Township recorded a lease receivable and related deferred inflows of resources of \$335,252 as of January 1, 2022, all of which was recorded in the governmental activities on the statement of net position. See Note 5 for further analysis.

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

3. 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.

4. 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.

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

4. Cash and investments (continued):

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.

As of December 31, 2022, \$746,597 of the Township and Authority's bank balance of \$1,292,509 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	\$ 746,597
Insured by Federal Deposit Insurance Corporation	545,912
Outstanding checks	(183,002)
Deposits in transit	2,161
Petty cash	959
	<hr/>
Total deposits	1,112,627

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

4. Cash and investments (continued):

Custodial credit risk, deposits and investments:

	<u>Ratings</u>	<u>Fair value</u>
Investments (available upon demand), Pennsylvania Local Government Investment Trust (PLGIT)	AAAm	\$ 14,436,213
Total deposits and investments		<u>\$ 15,548,840</u>
Reconciliation with statement of net position:		
Cash and cash equivalents		\$ 6,058,721
Cash, escrow		176,547
Certificates of deposit		9,300,870
Certificate of deposit, escrow		<u>12,702</u>
		<u>\$ 15,548,840</u>
Pension investments:		
Fair value (Level 1):		
Police pension:		
Principal Financial Group, fixed income funds		\$ 150,909
Charles Schwab:		
Temporary investments and deposits		156,469
Mutual funds		5,013,077
Nonuniformed pension:		
Principal Financial Group, fixed income funds		78,741
Charles Schwab:		
Temporary investments and deposits		127,604
Mutual funds		<u>4,088,275</u>
Total investments at fair value (Level 1)		<u>9,615,075</u>
Fair value (net asset value):		
Police pension,		
Charles Schwab, mutual funds, real estate		53,228
Nonuniformed pension,		
Charles Schwab, mutual funds, real estate		<u>43,409</u>
Total investments at fair value (net asset value)		<u>96,637</u>
Total pension investments at fair value		<u>\$ 9,711,712</u>
Reconciliation with statement of fiduciary net position:		
Police Pension Fund		\$ 5,373,683
Nonuniform Pension Fund		<u>4,338,029</u>
		<u>\$ 9,711,712</u>

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

4. 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, 2022:

<u>Certificates of deposit</u>	
PLGIT:	
Certificates maturing on January 3, 2023, rate 3.73%	\$ 719,450
Certificates maturing on January 30, 2023, rate 2.22%	2,400,000
Certificates maturing on February 3, 2023, rate 4.54%	201,815
Certificates maturing on February 6, 2023, rate 4.06%	1,006,058
Certificates maturing on March 2, 2023, rate 4.03%	750,000
Certificates maturing on March 3, 2023, rate 4.69%	504,538
Certificates maturing on April 3, 2023, rate 4.33%	855,150
Certificates maturing on May 2, 2023, rate 5.04%	1,763,613
Certificates maturing on October 11, 2023, rate 4.33%	600,000
Jonestown bank:	
Certificates maturing on January 25, 2023, rate 0.35%	500,246
Certificate maturing on September 20, 2023, rate 0.25%	<u>12,702</u>
	<u><u>\$ 9,313,572</u></u>
Reconciliation with statement of net position:	
Certificates of deposit	\$ 9,300,870
Certificate of deposit, escrow	<u>12,702</u>
	<u><u>\$ 9,313,572</u></u>

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

4. 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 \$14,436,213 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, 2022, PLGIT carries an AAAM rating and has an average maturity of less than one year. At December 31, 2022, the Township and Authorities PLGIT investments consisted of \$8,800,623 in Certificates of Deposit, \$597,780 in Class Shares and \$5,037,809 in Prime investments.

The Township and Authority have the following recurring amortized cost measurement as of December 31, 2022, 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 ¹	<u>\$ 5,635,589</u>	None	Weekly	5 days

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

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.

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

5. Leases receivable:

The Township has entered into a communication tower lease agreement, with monthly rental payments ranging from approximately \$1,200 to \$2,500. The agreement has various consecutive renewal options at the lessee's discretion, which extend the lease terms to expiring in February 2040. These renewal options have been included in the lease receivable as of December 31, 2022. The current renewal periods expire in February 2025. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2.04%. Lease revenues generated for the year ended December 31, 2022 were \$16,902, all of which were recognized in the General fund.

The following is the schedule of the lease receivable as of December 31, 2022:

2023	\$ 17,710
2024	18,241
2025	18,789
2026	19,352
2027	19,933
Thereafter	<u>296,255</u>
Total	390,280
Present value discount	<u>(65,510)</u>
Lease receivable	<u><u>\$ 324,770</u></u>

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

6. Capital assets:

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

Governmental activities:

	Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets not being depreciated, land	\$ 798,121			\$ 798,121
Capital assets being depreciated:				
Buildings and improvements	4,244,853			4,244,853
Automotive equipment	1,339,458	\$ 49,050	\$ 10,374	1,378,134
Machinery and equipment	2,170,489		5,445	2,165,044
Bridges	1,029,736			1,029,736
Roads	13,103,418	64,373		13,167,791
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets being depreciated	21,887,954	113,423	15,819	21,985,558
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Less accumulated depreciation:				
Buildings and improvements	2,072,709	108,795		2,181,504
Automotive equipment	725,202	117,010	10,374	831,838
Machinery and equipment	1,487,957	149,131	5,445	1,631,643
Bridges	1,029,736			1,029,736
Roads	9,117,366	174,454		9,291,820
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total accumulated depreciation	14,432,970	549,390	15,819	14,966,541
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets being depreciated, net	7,454,984	(435,967)	-	7,019,017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities, capital assets, net	\$ 8,253,105	\$(435,967)	\$ -	\$ 7,817,138
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

6. Capital assets (continued):

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 72,424
Public safety	57,260
Public works	36,392
Highway	337,504
Culture, recreation	<u>45,810</u>
Total depreciation expense	<u><u>\$ 549,390</u></u>

7. Property, plant and equipment:

Business-type activities:

	Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022
Capital assets:				
Systems:				
Water	\$ 2,848,944			\$ 2,848,944
Sewer	18,356,190			18,356,190
Equipment	726,222	\$ 36,743	\$ 3,350	759,615
Stormwater infrastructure	218,315	326,777		<u>545,092</u>
Total capital assets	<u>22,149,671</u>	<u>363,520</u>	<u>3,350</u>	<u>22,509,841</u>
Less accumulated depreciation:				
Systems:				
Water	1,175,189	71,224		1,246,413
Sewer	10,335,442	458,324		10,793,766
Equipment	641,251	34,048	3,350	671,949
Stormwater infrastructure	2,729	7,500		<u>10,229</u>
Total accumulated depreciation	<u>12,154,611</u>	<u>571,096</u>	<u>3,350</u>	<u>12,722,357</u>
Capital assets, net	<u><u>\$ 9,995,060</u></u>	<u><u>\$(207,576)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,787,484</u></u>

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

8. 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 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 (see Note 10).

9. 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.

10. 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 8).

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

10. Long-term debt (continued):

Pennvest loan:

Loan payments to maturity are scheduled as follows at December 31, 2022:

	<u>Principal</u>	<u>Interest</u>	<u>Debt service</u>
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	29,826	1,335	31,161
2028-2031	<u>117,330</u>	<u>2,314</u>	<u>119,644</u>
Total	<u>\$ 263,524</u>	<u>\$ 11,925</u>	<u>\$ 275,449</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, 2022

10. Long-term debt (continued):

Guaranteed Sewer Revenue Note, Series of 2015A:

Sewer revenue note outstanding at December 31, 2022 was as follows:

<u>Principal amount</u>	<u>Maturity date</u>	<u>Interest rate</u>
\$ 650,932	2023	2.04 %
664,336	2024	2.04
<u>358,312</u>	2025	2.04
<u><u>\$ 1,673,580</u></u>		

Sewer revenue note debt service requirements for the next five years and thereafter, including interest of \$137,989, are as follows:

	<u>Debt service</u>
2023	\$ 710,424
2024	710,424
2027	<u>390,721</u>
Total	<u><u>\$ 1,811,569</u></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, 2022

10. 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, 2022 was as follows:

<u>Principal amount</u>	<u>Maturity date</u>	<u>Interest rate</u>
\$ 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
23,942	2031	2.75-4.25
<u>\$ 809,098</u>		

NORTH LEBANON TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

10. 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 \$139,978, are as follows:

	<u>Debt service</u>
2023	\$ 109,328
2024	109,328
2025	109,328
2026	109,328
2027	113,414
2028-2031	<u>398,350</u>
Total	<u><u>\$ 949,076</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, 2022:

	<u>Balance January 1</u>	<u>Payments</u>	<u>Balance December 31</u>	<u>Due within one year</u>
Series of 2015A note	\$ 3,601,379	\$ 1,927,799	\$ 1,673,580	\$ 650,932
Series of 2015B note	<u>1,100,368</u>	<u>291,270</u>	<u>809,098</u>	<u>92,741</u>
	<u><u>\$ 4,701,747</u></u>	<u><u>\$ 2,219,069</u></u>	<u><u>\$ 2,482,678</u></u>	<u><u>\$ 743,673</u></u>

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

10. 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, 2022:

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 2022	<u>(2,082,263)</u>
Loss on refunding, net of amortization	<u>\$ 811,728</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 2022 was \$125,372.

11. 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, 2022

11. 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, 2022, participation in the respective plans is as follows:

Police Pension Plan

Membership:	
Active employees	11
Retirees and beneficiaries currently receiving benefits	7
Terminated employees entitled to benefits	<u>1</u>
Total	<u>19</u>

* Includes 1 member in the DROP.

Nonuniformed Pension Plan

Membership:	
Active employees	16
Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to benefits	<u>1</u>
Total	<u>26</u>

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

11. Defined benefit pension plans (continued):

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.

Funding of the respective plans was provided as follows for 2022:

Description	Police Pension Plan *	Nonuniformed Pension Plan
Annual covered payroll	\$ 1,020,235	\$ 839,034
Employee contribution rate	5.0% of gross wages *	N/A
Employee contributions paid in 2022	54,511	
State aid and Township contributions paid in 2022	160,289	112,613
Total contributions made as a percentage of payroll	21.05%	13.42%

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

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

11. 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.	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.	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, 2022

11. Defined benefit pension plans (continued):

Summary of plan provisions:

	Police Pension Plan	Nonuniformed Pension Plan
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, 2022

11. Defined benefit pension plans (continued):

Net pension liability:

The net pension liability was measured as of December 31, 2022, and the total pension 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 plans' fiscal year ended December 31, 2022. No significant events or changes in assumptions occurred between the valuation date and the year end. The components of the net pension liability of the Township as of December 31, 2022 were as follows:

	Police Pension Plan	Nonuniformed Pension Plan	Total
Total pension liability	\$ 6,122,441	\$ 4,915,421	\$ 11,037,862
Plan fiduciary net position	5,373,683	4,338,029	9,711,712
Net pension liability	748,758	577,392	1,326,150
Plan fiduciary net position as a percentage of the total pension liability	87.77%	88.25%	87.99%

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, 2022**

11. 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, 2022

11. 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) liability:

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

	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net position (asset) liability
	(a)	(b)	(a) - (b)
Balances at January 1, 2022	\$ 5,619,439	\$ 6,197,544	\$ (578,105)
Service cost	174,869		174,869
Interest cost	475,564		475,564
Contributions:			
Employer		160,289	(160,289)
Members		54,511	(54,511)
Net investment loss		(888,130)	888,130
Benefit payments, including refund of member contributions	(147,431)	(147,431)	-
Administrative expense		(3,100)	3,100
Net changes	503,002	(823,861)	1,326,863
Balances at December 31, 2022	\$ 6,122,441	\$ 5,373,683	\$ 748,758

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

11. Defined benefit pension plans (continued):

Sensitivity of the police net pension liability to changes in the discount rate:

The following presents the net pension liability of the plan, calculated using the discount rate of 7.50%, as well as what the plan's net pension 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%)
	<u>\$ 1,532,211</u>	<u>\$ 748,758</u>	<u>\$ 98,296</u>
Plan's net pension liability			

Changes in the nonuniformed net pension (asset) liability:

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

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net position (asset) liability (a) - (b)
Balances at January 1, 2022	<u>\$ 4,623,858</u>	<u>\$ 5,113,051</u>	<u>\$ (489,193)</u>
Service cost	89,637		89,637
Interest cost	348,033		348,033
Contributions, employer		112,613	(112,613)
Net investment loss		(737,428)	737,428
Benefit payments, including refund of member contributions	(146,107)	(146,107)	-
Administrative expense		(4,100)	4,100
Net changes	<u>291,563</u>	<u>(775,022)</u>	<u>1,066,585</u>
Balances at December 31, 2022	<u>\$ 4,915,421</u>	<u>\$ 4,338,029</u>	<u>\$ 577,392</u>

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

11. Defined benefit pension plans (continued):

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

The following presents the net pension liability of the plan, calculated using the discount rate of 7.50%, as well as what the plan's net pension 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 liability	<u>\$ 1,056,541</u>	<u>\$ 577,392</u>	<u>\$ 168,848</u>

Police pension expense:

The police pension expense for the Township for the year ended December 31, 2022 was as follows:

Service cost	\$ 174,869
Interest on the total pension liability	475,564
Differences between expected and actual experience ¹	(97,588)
Changes of assumptions ¹	29,789
Member contributions	(54,511)
Projected earnings on pension plan investments	(467,226)
Difference between projected and actual earnings on investments ²	206,302
Pension plan administrative expense	<u>3,100</u>
Total pension expense	<u>\$ 270,299</u>

¹ 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.

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

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

11. Defined benefit pension plans (continued):

Police deferred outflows and inflows of resources:

At December 31, 2022, 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		\$ 326,966	\$ (326,966)
Change of assumptions	\$ 88,891		88,891
Difference between projected and actual investment earnings	761,639		761,639
Total	<u>\$ 850,530</u>	<u>\$ 326,966</u>	<u>\$ 523,564</u>

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

2023	\$ 25,995
2024	98,328
2025	191,249
2026	235,267
2027	(27,275)
	<u>\$ 523,564</u>

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

11. Defined benefit pension plans (continued):

Nonuniformed pension expense:

The nonuniformed pension expense for the Township for the year ended December 31, 2022 was as follows:

Service cost	\$ 89,637
Interest on the total pension liability	348,033
Differences between expected and actual experience ¹	(54,003)
Changes of assumptions ¹	37,428
Projected earnings on pension plan investments	(382,069)
Difference between projected and actual earnings on investments ²	169,133
Pension plan administrative expense	<u>4,100</u>
Total pension expense	<u><u>\$ 212,259</u></u>

¹ 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.

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

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

11. Defined benefit pension plans (continued):

Nonuniformed deferred outflows and inflows of resources:

At December 31, 2022, 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		\$ 122,742	\$ (122,742)
Change of assumptions	\$ 115,802		115,802
Difference between projected and actual investment earnings	621,545		621,545
Total	<u>\$ 737,347</u>	<u>\$ 122,742</u>	<u>\$ 614,605</u>

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

2023	\$ 56,324
2024	141,288
2025	189,214
2026	226,781
2027	2,878
Thereafter	<u>(1,880)</u>
	<u>\$ 614,605</u>

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

11. 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, 2022, 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	\$ 150,909	\$ 78,741	\$ 229,650
Charles Schwab:			
Temporary investments and deposits	156,469	127,604	284,073
Mutual funds	5,013,077	4,088,275	9,101,352
Total investments at fair value (Level 1)	5,320,455	4,294,620	9,615,075
Net asset value,			
Charles Schwab, mutual funds, real estate	53,228	43,409	96,637
Total pension investments	<u>\$ 5,373,683</u>	<u>\$ 4,338,029</u>	<u>\$ 9,711,712</u>

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, 2022

11. 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 2022.

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	(14.17)%
Nonuniformed pension	(14.35)%

12. 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, 2022, the liability for compensated absences is \$149,222.

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

13. 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, 2022 principal balance of \$2,482,678, as set forth in guaranty agreements between the Township, the Authority and Fulton Bank of Lancaster and ACNB Bank dated November 5, 2015.

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, 2022, 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. An agreement was signed effective January 1, 2020 and expires December 31, 2022. A new agreement was signed effective January 1, 2023 and expires December 31, 2025.

14. 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.

NORTH LEBANON TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

14. Other postemployment medical benefits (continued):

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.

Plan membership:

As of December 31, 2022, 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, 2022, the Township made no contributions to the OPEB plan. OPEB obligations are typically liquidated by the General Fund. Covered payroll as of December 31, 2022 is \$850,168 and contributions as a percentage of covered payroll is 0%.

NORTH LEBANON TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

14. Other postemployment medical benefits (continued):

Net OPEB liability:

The net OPEB liability was measured as of December 31, 2022, 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, 2022. 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, 2022 were as follows:

	<u>OPEB plan</u>
Total OPEB liability	\$ 152,146
Plan fiduciary net position	-
Net OPEB liability	152,146
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, 2022

14. 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	2.25%, based on S&P Municipal Bond 20 Year High Grade Rate Index at January 1, 2022.		
Health Care Cost Trend Rate	6.50% in 2022, decreasing by 0.50% each year until 2024. Rates gradually decrease from 5.50% in 2024-2025 to 3.90% 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, 2022**

14. 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 2.25%. During the prior valuation, the discount rate assumed was 1.93%. The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index at January 1, 2022.

Changes in net OPEB liability:

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

	Increase (decrease)	
	Total OPEB liability	Plan fiduciary net position
		Net OPEB liability
Balances at January 1, 2022	\$ 143,550	\$ 143,550
Changes for the year:		
Service cost	10,036	10,036
Interest	2,964	2,964
Changes in assumptions	(4,404)	(4,404)
Net changes	8,596	8,596
Balances at December 31, 2022	\$ 152,146	\$ 152,146
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, 2022

14. 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:

	<u>1% Decrease 1.25%</u>	<u>Current discount rate 2.25%</u>	<u>1% Increase 3.25%</u>
Total net OPEB liability	<u>\$ 166,054</u>	<u>\$ 152,146</u>	<u>\$ 139,253</u>

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:

	<u>1% Decrease</u>	<u>Current valuation rates</u>	<u>1% Increase</u>
Total net OPEB liability	<u>\$ 137,247</u>	<u>\$ 152,146</u>	<u>\$ 169,640</u>

OPEB expense:

The OPEB expense for the Township for the year ended December 31, 2022 was as follows:

Service cost	\$ 10,036
Interest on the total OPEB liability	2,964
Amortization of deferred:	
Outflows	2,999
Inflows	<u>(3,095)</u>
Total OPEB expense	<u>\$ 12,904</u>

NORTH LEBANON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

14. Other postemployment medical benefits (continued):

Deferred outflows and inflows of resources:

At December 31, 2022, deferred outflows and inflows of resources related to the OPEB plan were from the following sources:

	Deferred outflows of resources	Deferred inflows of resources	Net total
Differences between expected and actual experience		\$ 13,566	\$ (13,566)
Changes in assumptions	\$ 13,035		13,035
	<u>\$ 13,035</u>	<u>\$ 13,566</u>	<u>\$ (531)</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:

2023	\$ (96)
2024	(96)
2025	(96)
2026	(96)
2027	(96)
Thereafter	<u>(51)</u>
	<u>\$ (531)</u>

15. 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, 2022 is \$1,657,434.

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 a fiduciary fund of the Township.

NORTH LEBANON TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

16. Interfund transfer and due to/from:

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

	<u>Due from</u>	<u>Due to</u>
General fund	\$ 11,334	
Special projects fund		\$ 277
Sewer operating fund (Authority)		10,780
Stormwater fund		277
	<u>\$ 11,334</u>	<u>\$ 11,334</u>

Transfers between funds during the year were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General fund		\$ 312,275
Capital improvements funds	\$ 27,275	
Capital reserve fund (Township)	165,000	
Fire protection fund	120,000	
Capital reserve fund (Authority)		250,000
Sewer operating fund (Authority)	556,542	
Water operating fund (Authority)		306,542
	<u>\$ 868,817</u>	<u>\$ 868,817</u>

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, 2022

17. Intergovernmental service agreement:

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>
2023	\$ 85,698
2024	88,697
2025	91,802
2026	<u>95,015</u>
	<u><u>\$ 361,212</u></u>

18. American Rescue Plan:

On March 11, 2021, the American Rescue Plan Act of 2021 (American Rescue Plan), a \$1.9 trillion coronavirus (COVID-19) relief package, was signed into law. The American Rescue Plan provides additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals and businesses. The American Rescue Plan provides \$130 billion in emergency funding for local governments to enable them to continue to support the public health response and lay the foundation for a strong and equitable economic recovery. The Township was allocated \$1,279,532 in funding from the American Rescue Plan. The Township will have until December 31, 2024 to spend these funds. Any funds not spent by December 31, 2024 are to be turned back over to the federal treasury.

The Township received the first installment of \$637,750 during 2021, none of which was used in 2021. The Township received the second installment of \$641,782 during 2022 and used \$35,461 during 2022. As of December 31, 2022, the unused portion of \$1,244,071 was recorded as unearned revenues.

19. Subsequent events:

The Township has evaluated subsequent events through June 26, 2023, 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, 2022 (See independent auditor's report)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:									
Service cost	\$ 174,869	\$ 166,542	\$ 191,119	\$ 181,089	\$ 171,172	\$ 163,021	\$ 159,181	\$ 151,601	\$ 130,067
Interest cost	475,564	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	(147,431)	(241,389)	(122,684)	(119,636)	(132,064)	(131,627)	(131,627)	(148,989)	(143,962)
Net change in total pension liability	503,002	134,695	487,085	346,086	368,243	50,080	327,489	422,720	234,130
Total pension liability:									
Beginning of year	5,619,439	5,484,744	4,997,659	4,651,573	4,283,330	4,233,250	3,905,761	3,483,041	3,248,911
End of year (a)	\$ 6,122,441	\$ 5,619,439	\$ 5,484,744	\$ 4,997,659	\$ 4,651,573	\$ 4,283,330	\$ 4,233,250	\$ 3,905,761	\$ 3,483,041
Plan fiduciary net position:									
Contributions:									
Employer	\$ 160,289	\$ 232,989	\$ 200,336	\$ 195,980	\$ 185,722	\$ 171,553	\$ 175,530	\$ 149,882	\$ 131,710
Donations									50
Members	54,511	59,309	103,346	58,753	56,998	54,252	49,601	50,762	38,359
Net investment income (loss)	(888,130)	635,676	645,621	676,380	(255,499)	424,688	271,769	(45,684)	154,159
Benefit payments, including refunds of member contributions	(147,431)	(241,389)	(122,684)	(119,636)	(132,064)	(131,627)	(131,627)	(148,989)	(143,962)
Administrative expense	(3,100)	(9,400)	(3,900)	(5,800)	(3,000)	(5,000)	(2,700)	(5,000)	(5,200)
Net change in plan fiduciary net position	(823,861)	677,185	822,719	805,677	(147,843)	513,866	362,573	971	175,116
Total fiduciary net position:									
Beginning of year	6,197,544	5,520,359	4,697,640	3,891,963	4,039,806	3,525,940	3,163,367	3,162,396	2,987,280
End of year (b)	\$ 5,373,683	\$ 6,197,544	\$ 5,520,359	\$ 4,697,640	\$ 3,891,963	\$ 4,039,806	\$ 3,525,940	\$ 3,163,367	\$ 3,162,396
Net pension (asset) liability, end of year (a) - (b)	\$ 748,758	\$ (578,105)	\$ (35,615)	\$ 300,019	\$ 759,610	\$ 243,524	\$ 707,310	\$ 742,394	\$ 320,645
Plan fiduciary net position as a percentage of total pension (asset) liability	87.77%	110.29%	100.65%	94.00%	83.67%	94.31%	83.29%	80.99%	90.79%
Covered payroll	\$ 1,020,235	\$ 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	73.39%	(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, 2022 (See independent auditor's report)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:									
Service cost	\$ 89,637	\$ 85,777	\$ 86,548	\$ 82,821	\$ 87,656	\$ 83,881	\$ 82,419	\$ 78,870	\$ 84,350
Interest cost	348,033	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	(146,107)	(84,670)	(60,421)	(50,606)	(38,863)	(16,098)	(17,698)	(19,525)	(20,439)
Net change in total pension liability	291,563	311,612	329,089	354,709	303,296	164,157	285,873	159,459	254,089
Total pension liability:									
Beginning of year	4,623,858	4,312,246	3,983,157	3,628,448	3,325,152	3,160,995	2,875,122	2,715,663	2,461,574
End of year (a)	\$ 4,915,421	\$ 4,623,858	\$ 4,312,246	\$ 3,983,157	\$ 3,628,448	\$ 3,325,152	\$ 3,160,995	\$ 2,875,122	\$ 2,715,663
Plan fiduciary net position:									
Contributions, employer	\$ 112,613	\$ 193,540	\$ 135,466	\$ 131,307	\$ 123,682	\$ 128,622	\$ 132,808	\$ 163,751	\$ 150,604
Net investment income (loss)	(737,428)	527,869	533,154	572,629	(224,991)	365,888	231,096	(41,309)	116,972
Benefit payments, including refunds of member contributions	(146,107)	(84,670)	(60,421)	(50,606)	(38,863)	(16,098)	(17,698)	(19,525)	(20,439)
Administrative expense	(4,100)	(6,500)	(3,000)	(6,000)	(5,600)	(6,000)	(3,300)	(5,000)	(2,300)
Net change in plan fiduciary net position	(775,022)	630,239	605,199	647,330	(145,772)	472,412	342,906	97,917	244,837
Total fiduciary net position:									
Beginning of year	5,113,051	4,482,812	3,877,613	3,230,283	3,376,055	2,903,643	2,560,737	2,462,820	2,217,983
End of year (b)	\$ 4,338,029	\$ 5,113,051	\$ 4,482,812	\$ 3,877,613	\$ 3,230,283	\$ 3,376,055	\$ 2,903,643	\$ 2,560,737	\$ 2,462,820
Net pension (asset) liability, end of year (a) - (b)	\$ 577,392	\$ (489,193)	\$ (170,566)	\$ 105,544	\$ 398,165	\$ (50,903)	\$ 257,352	\$ 314,385	\$ 252,843
Plan fiduciary net position as a percentage of total pension (asset) liability	88.25%	110.58%	103.96%	97.35%	89.03%	101.53%	91.86%	89.07%	90.69%
Covered payroll	\$ 839,034	\$ 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	68.82%	(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, 2022
(See independent auditor's report)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual dollar-weighted rate of return:										
Police Pension Plan	(14.17)%	12.17%	14.38%	18.20%	(6.58)%	13.10%	9.10%	(1.00)%	5.70%	17.10%
Nonuniformed Pension Plan	(14.35)%	12.21%	14.21%	18.20%	(6.59)%	13.11%	9.50%	(1.20)%	5.80%	17.80%

NORTH LEBANON TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF EMPLOYER CONTRIBUTIONS – POLICE PENSION PLAN
YEAR ENDED DECEMBER 31, 2022
(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
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
2022	137,633	160,289	(22,656)	1,020,235	15.71

NORTH LEBANON TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 SCHEDULE OF EMPLOYER CONTRIBUTIONS – NONUNIFORMED PENSION PLAN
 YEAR ENDED DECEMBER 31, 2022
 (See independent auditor's report)

Year	Nonuniformed Pension Plan				
	Actuarially determined contribution	Contributions from the employer	Contribution deficiency (excess)	Covered payroll	Employer contributions as a percentage of covered payroll
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
2022	94,052	112,613	(18,561)	839,034	13.42

NORTH LEBANON TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF ACTUARIAL ASSUMPTIONS – PENSION PLANS
YEAR ENDED DECEMBER 31, 2022
(See independent auditor's report)

Notes to required supplementary information:

	Nonuniformed Pension Plan	Police Pension Plan
Actuarial valuation date	January 1, 2021	January 1, 2021
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	N/A years	N/A 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	PubG-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, 2021	None since January 1, 2021

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-2020 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, 2022 (See independent auditor's report)

	2022	2021	2020	2019	2018
Total pension liability:					
Service cost	\$ 10,036	\$ 9,020	\$ 7,976	\$ 7,822	\$ 6,824
Interest cost	2,964	4,782	4,638	3,552	3,568
Differences between expected and actual experience		(24,590)		9,466	
Changes of assumptions	(4,404)	16,682	5,603	(5,985)	4,841
Net change in total OPEB liability	8,596	5,894	18,217	14,855	15,233
Total OPEB liability:					
Beginning of year	143,550	137,656	119,439	104,584	89,351
End of year (a)	<u>\$ 152,146</u>	<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	-	-	-	-	-
End of year (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability, end of year (a) - (b)	<u>\$ 152,146</u>	<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%	0.00%
Covered payroll	\$ 850,168	\$ 850,168	\$ 973,232	\$ 973,232	\$ 914,929
Net OPEB liability as a percentage of covered payroll	17.90%	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 2022, the discount rate changed from 1.93% to 2.25% since the prior measurement. Also during 2023, the mortality scale was updated from MP-2020 to MP-2021. 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, 2022
(See independent auditor's report)

	<u>2022</u>	<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>	<u>-</u>
Contribution (excess) deficit	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered payroll	<u><u>\$ 850,168</u></u>	<u><u>\$ 850,168</u></u>	<u><u>\$ 973,232</u></u>	<u><u>\$ 973,232</u></u>	<u><u>\$ 914,929</u></u>
Contributions as a percentage of covered payroll	0.00%	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, 2022
(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	2.25%, based on S&P Municipal Bond 20 Year High Grade Rate Index at January 1, 2022.
Health Care Cost Trend Rate	6.50% in 2022, decreasing by 0.50% each year until 2024. Rates gradually decrease from 5.50% in 2024-2025 to 3.90% 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, 2022 (See independent auditor's report)

	General fund			
	Original budget	Revised budget	Actual	Variance over (under)
Revenues:				
Taxes	\$ 3,528,737	\$ 3,528,737	\$ 4,007,320	\$ 478,583
Licenses, permits and fines	304,444	304,444	315,314	10,870
Investment income and rent	63,094	63,094	93,848	30,754
Intergovernmental revenues	349,763	349,763	353,460	3,697
Department earnings	35,420	35,420	34,599	(821)
Private sector contributions	5,550	5,550	5,950	400
Public safety	13,600	13,600	10,046	(3,554)
Miscellaneous	41,600	41,600	230,330	188,730
Refuse benefit fee	165,000	165,000	163,658	(1,342)
Total revenues	4,507,208	4,507,208	5,214,525	707,317
Expenditures:				
General government	516,555	516,555	512,102	(4,453)
Public safety	2,734,318	2,734,318	2,542,957	(191,361)
Public works	88,020	88,020	89,210	1,190
Highways	703,602	703,602	717,141	13,539
Parks and recreation	272,437	272,437	257,863	(14,574)
Total expenditures	4,314,932	4,314,932	4,119,273	(195,659)
Excess of revenues over expenditures before other financing sources (uses)	192,276	192,276	1,095,252	902,976
Other financing sources (uses):				
Operating transfers in	120,000	120,000		(120,000)
Operating transfers out	(312,065)	(312,065)	(312,275)	(210)
Proceeds from sale of assets	2,000	2,000	9,416	7,416
Total other financing uses	(190,065)	(190,065)	(302,859)	(112,794)
Excess of revenues over expenditures and other financing uses	\$ 2,211	\$ 2,211	792,393	\$ 790,182
Fund balance:				
January 1			2,163,324	
December 31			\$ 2,955,717	

NORTH LEBANON TOWNSHIP

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGET (UNAUDITED)

YEAR ENDED DECEMBER 31, 2022
(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 2022, the Board of Supervisors did not approve any additional budgetary expenditure amendments for these funds. During 2022, highway expenditures were over budget by \$13,539 and public works was over budget by \$1,190. 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

DECEMBER 31, 2022

(See independent auditor's report)

	Capital reserve fund	Fire protection fund	Street light fund	Special projects fund	Liquid fuels fund	Parks and recreation fund	Total
ASSETS							
Cash and cash equivalents	\$ 142,151	\$ 5,493	\$ 39,867	\$ 123,319	\$ 143,351	\$ 124,165	\$ 578,346
Certificates of deposit	252,269		100,000	400,606	600,606	201,815	1,555,296
Taxes receivable			1,139				1,139
Total assets	\$ 394,420	\$ 5,493	\$ 141,006	\$ 523,925	\$ 743,957	\$ 325,980	\$ 2,134,781

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Accounts payable			\$ 11,847		\$ 2,103		\$ 13,950
Unearned revenue						\$ 1,000	1,000
Due to other funds				\$ 277			277
Total liabilities			11,847	277	2,103	1,000	15,227
Deferred inflows of resources, unavailable tax revenues			682				682
Fund balances	\$ 394,420	\$ 5,493	128,477	523,648	\$ 741,854	324,980	2,118,872
Total liabilities, deferred inflows of resources and fund balances	\$ 394,420	\$ 5,493	\$ 141,006	\$ 523,925	\$ 743,957	\$ 325,980	\$ 2,134,781

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, 2022 (See independent auditor's report)

	Capital reserve fund	Fire protection fund	Street light fund	Special projects fund	Liquid fuels fund	Parks and recreation fund	Total
Revenues:							
Taxes and assessments			\$ 59,603				\$ 59,603
Intergovernmental revenues					\$ 408,858		408,858
Investment income and rents	\$ 6,403	\$ 808	898	\$ 5,841	4,367	\$ 4,735	23,052
Departmental earnings				41,019	2,147	1,500	44,666
Miscellaneous						142,120	142,120
Total revenues	6,403	808	60,501	46,860	415,372	148,355	678,299
Expenditures:							
General government	188						188
Public safety	53,556	124,128					177,684
Public works				21,473			21,473
Highways	3,099		43,784		122,149		169,032
Parks and recreation						125,263	125,263
Total expenditures	56,843	124,128	43,784	21,473	122,149	125,263	493,640
Excess (deficiency) of revenues over (under) expenditures before other financing sources	(50,440)	(123,320)	16,717	25,387	293,223	23,092	184,659
Other financing sources:							
Proceeds from sale of assets	14,950						14,950
Operating transfers in	165,000	120,000					285,000
Total other financing sources	179,950	120,000					299,950
Excess (deficiency) of revenues and other financing sources over (under) expenditures	129,510	(3,320)	16,717	25,387	293,223	23,092	484,609
Fund balances:							
January 1, 2022	264,910	8,813	111,760	498,261	448,631	301,888	1,634,263
December 31, 2022	\$ 394,420	\$ 5,493	\$ 128,477	\$ 523,648	\$ 741,854	\$ 324,980	\$ 2,118,872

See notes to financial statements.

NORTH LEBANON TOWNSHIP

COMBINING STATEMENT OF NET POSITION – SEWER FUND

DECEMBER 31, 2022

(See independent auditor's report)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Sewer Fund		
	Sewer operating	Capital reserve	Total
Current assets:			
Cash and cash equivalents	\$ 2,591,840	\$ 1,140,518	\$ 3,732,358
Cash, escrow	80,470	6,500	86,970
Certificates of deposit		3,262,864	3,262,864
Certificate of deposit, escrow	12,702		12,702
Accounts and interest receivable	81,741		81,741
Total current assets	2,766,753	4,409,882	7,176,635
Property, plant and equipment	12,901,362	6,214,443	19,115,805
Less accumulated depreciation	9,213,551	2,252,164	11,465,715
Total property, plant and equipment, net	3,687,811	3,962,279	7,650,090
Total assets	6,454,564	8,372,161	14,826,725
Deferred outflows of resources, deferred charge on refunding	811,728		811,728
Total assets and deferred outflows of resources	\$ 7,266,292	\$ 8,372,161	\$ 15,638,453

See notes to financial statements.

NORTH LEBANON TOWNSHIP

COMBINING STATEMENT OF NET POSITION – SEWER FUND

DECEMBER 31, 2022

(See independent auditor's report)

LIABILITIES AND NET POSITION

	Sewer Fund		
	Sewer operating	Capital reserve	Total
Current liabilities:			
Accounts payable and accrued expenses	\$ 174		\$ 174
Due to other funds	10,780		10,780
Escrow payable	93,172	\$ 6,500	99,672
Current maturities of revenue notes and loan	743,673	28,657	772,330
Total current liabilities	847,799	35,157	882,956
Long-term liabilities:			
Guaranteed Sewer Revenue Note of 2015A	1,022,648		1,022,648
Guaranteed Water Revenue Note of 2015B	716,357		716,357
Pennvest loan		234,867	234,867
Note discounts, net of accumulated amortization	(111,290)		(111,290)
Total long-term liabilities	1,627,715	234,867	1,862,582
Total liabilities	2,475,514	270,024	2,745,538
Net position:			
Net investment in capital assets	2,128,151	3,698,755	5,826,906
Unrestricted	2,662,627	4,403,382	7,066,009
Total net position	4,790,778	8,102,137	12,892,915
Total liabilities and net position	\$ 7,266,292	\$ 8,372,161	\$ 15,638,453

See notes to financial statements.

NORTH LEBANON TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION – SEWER FUND

YEAR ENDED DECEMBER 31, 2022
(See independent auditor's report)

	Sewer Fund		
	Sewer operating	Capital reserve	Total
Operating revenues:			
Rentals and service charges	\$ 3,081,267		\$ 3,081,267
Ready to serve charges		\$ 512,566	512,566
Miscellaneous fees	104,548		104,548
Total operating revenues	3,185,815	512,566	3,698,381
Operating expenses:			
Sewage disposal and treatment	1,376,724	271,700	1,648,424
Administrative	580,473	7,506	587,979
Other operating expenses		837	837
Total operating expenses	1,957,197	280,043	2,237,240
Net operating income before depreciation and amortization	1,228,618	232,523	1,461,141
Less:			
Depreciation	309,794	182,578	492,372
Amortization	8,962		8,962
Net operating income	909,862	49,945	959,807
Nonoperating income (expenses):			
Grant revenues	1,000	32,022	33,022
Interest:			
Earnings	48,325	140,299	188,624
Expense	(202,104)	(2,789)	(204,893)
Total nonoperating income (expenses)	(152,779)	169,532	16,753
Net income	757,083	219,477	976,560
Other financing sources (uses), transfers in (out)	556,542	(250,000)	306,542
Change in net position	1,313,625	(30,523)	1,283,102
Net position:			
January 1, 2022, as restated	3,477,153	8,132,660	11,609,813
December 31, 2022	\$ 4,790,778	\$ 8,102,137	\$ 12,892,915

See notes to financial statements.

NORTH LEBANON TOWNSHIP

COMBINING STATEMENT OF CASH FLOWS – SEWER FUND YEAR ENDED DECEMBER 31, 2022 (See independent auditor's report)

	Sewer Fund		
	Sewer operating	Capital reserve	Total
Cash flows from operating activities:			
Cash received from customers	\$ 3,071,901	\$ 512,566	\$ 3,584,467
Cash payments to:			
Suppliers for goods and services	(1,522,237)	(279,206)	(1,801,443)
Employees for salaries and benefits	(436,809)		(436,809)
Other operating:			
Revenues	104,548		104,548
Expenses		(837)	(837)
Net cash provided by operating activities	1,217,403	232,523	1,449,926
Cash flows from noncapital financing activities:			
Grant revenues	1,000	32,022	33,022
Transfers from (to) other funds, net	556,542	(250,000)	306,542
Net cash provided by (used in) noncapital financing activities	557,542	(217,978)	339,564
Cash flows from capital and related financing activities:			
Capital expenditures	(10,404)	(26,339)	(36,743)
Paid on notes and loan:			
Principal	(2,219,069)	(28,372)	(2,247,441)
Interest	(76,731)	(2,789)	(79,520)
Net cash used in capital and related financing activities	(2,306,204)	(57,500)	(2,363,704)
Cash flows from investing activities:			
Purchase of certificates of deposit	(1,000,000)	(4,112,863)	(5,112,863)
Redemption of certificates of deposit	1,000,000	3,344,698	4,344,698
Interest earnings	48,325	197,187	245,512
Net cash provided by (used in) investing activities	48,325	(570,978)	(522,653)
Net decrease in cash and cash equivalents	(482,934)	(613,933)	(1,096,867)
Cash and cash equivalents:			
Beginning of year	3,074,774	1,754,451	4,829,225
End of year	\$ 2,591,840	\$ 1,140,518	\$ 3,732,358

(continued)

NORTH LEBANON TOWNSHIP

COMBINING STATEMENT OF CASH FLOWS – SEWER FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2022
(See independent auditor's report)

	Sewer Fund		
	Sewer operating	Capital reserve	Total
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income	\$ 909,862	\$ 49,945	\$ 959,807
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	309,794	182,578	492,372
Amortization	8,962		8,962
Increase in assets, accounts and interest receivable	(9,366)		(9,366)
Decrease in liabilities, accounts payable and accrued expenses	(1,849)		(1,849)
Total adjustments	307,541	182,578	490,119
Net cash provided by operating activities	\$ 1,217,403	\$ 232,523	\$ 1,449,926

See notes to financial statements.