

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021



Township of Lower Allen
Cumberland County, Pennsylvania

LOWER ALLEN TOWNSHIP, PENNSYLVANIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021



Prepared by:
Department of Finance
Richard A. Grove, Finance Director

LOWER ALLEN TOWNSHIP

PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED DECEMBER 31, 2021

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION (UNAUDITED):	
Letter of Transmittal	i-xii
Certificate of Achievement for Excellence in Financial Reporting	xiii
Organizational Chart	xiv
List of Principal Officials	xv
FINANCIAL SECTION:	
Independent Auditor's Report	1-3
Management's Discussion and Analysis (unaudited)	4-24
Basic Financial Statements:	
Statement of Net Position	25-26
Statement of Activities	27-28
Balance Sheet - Governmental Funds	29
Reconciliation of Total Governmental Funds on the Balance Sheet to the Statement of Net Position	30
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	31-32
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33
Statement of Fiduciary Net Position - Trust Funds	34
Statement of Changes in Fiduciary Net Position - Pension and Other Post-Employment Benefit Trust Funds	35
Notes to Financial Statements	36-112
Required Supplementary Information (unaudited):	
Budgetary Comparison Schedule - Budget and Actual - Budgetary (Non-GAAP) Basis - General Fund	113-114
Notes to Required Supplementary Information - Budgetary Comparison Schedule	115
Budgetary Comparison Schedule - Budget and Actual - Major Governmental Funds - Fire Service Fund	116
Schedules of Required Supplementary Information - Pension Plans:	
Schedule of Changes in the Non-Uniformed Pension Plan's Net Pension (Asset) Liability and Related Ratios	117
Schedule of Changes in the Police Pension Plan's Net Pension (Asset) Liability and Related Ratios	118
Schedule of Changes in the Volunteer Firefighter's Service Award Program's Net Pension (Asset) Liability and Related Ratios	119

(continued)

LOWER ALLEN TOWNSHIP

PENNSYLVANIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2021**

TABLE OF CONTENTS (CONTINUED)

	Page
FINANCIAL SECTION:	
Required Supplementary Information (unaudited):	
Schedules of Required Supplementary Information – Pension Plans:	
Schedule of Township Contributions	120
Schedule of Investment Returns - Township	121
Schedule of Changes in the Lower Allen Township Authority's Net Pension (Asset) Liability and Related Ratios	122
Schedule of Lower Allen Township Authority Contributions	123
Notes to Required Supplementary Information - Pension Plan	124
Notes to Required Supplementary Information - Pension Plan – Lower Allen Township Authority	125
Schedules of Required Supplementary Information - Post-Employment Benefits Other than Pensions (OPEB):	
Schedule of Changes in the OPEB Liability and Related Ratios	126
Schedule of Contributions	127
Note to Required Supplementary Information Post-Employment Benefits Other than Pensions (OPEB)	128
Supplementary Information:	
Schedule of Description of Funds - Non-Major Governmental Funds	129
Combining Balance Sheet – Non-Major Governmental Funds	130
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	131
Budgetary Comparison Schedule - Budget and Actual - Budgetary (Non-GAAP) Basis:	
Non-Major Governmental Funds:	
Streetlight Fund	132
Highway Aid Fund	133
Debt Service Fund	134
Capital Improvement Fund	135
Schedule of Cash Flows - Governmental Funds	136-137
Trust Funds:	
Description of Funds	138
Combining Statement of Fiduciary Net Position - Pension and Other Post-Employment Benefit Trust Funds	139
Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post-Employment Benefit Trust Funds	140

(continued)

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2021

TABLE OF CONTENTS (CONTINUED)

	Page
FINANCIAL SECTION:	
Supplementary Information:	
Component Unit – Lower Allen Township Development Authority:	
Description	141
Statement of Fund Net Position	142
Statement of Revenues, Expenses and Changes in Fund Net Position	143
Statement of Cash Flows	144
Component Unit – Lower Allen Township Authority:	
Description	145
Statement of Fund Net Position	146
Statement of Revenues, Expenses and Changes in Fund Net Position	147
Statement of Cash Flows	148
Component Unit – Lower Allen Township Stormwater Authority:	
Description	149
Statement of Fund Net Position	150
Statement of Revenues, Expenses and Changes in Fund Net Position	151
Statement of Cash Flows	152
STATISTICAL SECTION (UNAUDITED):	
Financial Trends:	
Schedule 1: Net Position by Component	1
Schedule 2: Changes in Net Position	2
Schedule 3: Fund Balances - Governmental Funds	3
Schedule 4: Changes in Fund Balances - Governmental Funds	4
Revenue Capacity:	
Schedule 5: Tax Revenues by Source - Governmental Funds	5
Schedule 6: Assessed Value and Estimated Actual Value of Taxable Property	6
Schedule 7: Direct and Overlapping Property Tax Rates	7
Schedule 8: Principal Property Taxpayers	8
Schedule 9: Property Tax Levies and Collections	9
Debt Capacity:	
Schedule 10: Ratios of Outstanding Debt by Type	10
Schedule 11: Ratios of General Bonded Debt Outstanding	11
Schedule 12: Direct and Overlapping Governmental Activities Debt	12
Schedule 13: Legal Debt Margin Information	13
Demographic and Economic Information:	
Schedule 14: Demographic and Economic Statistics	14
Schedule 15: Principal Employers	15

(continued)

LOWER ALLEN TOWNSHIP

PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2021

TABLE OF CONTENTS (CONTINUED)

	Page
STATISTICAL SECTION (UNAUDITED):	
Operating Information:	
Schedule 16: Full-Time Equivalent Township Employees by Function/Program	16
Schedule 17: Operating Indicators by Function/Program	17
Schedule 18: Capital Assets Statistics by Function/Program	18

INTRODUCTORY SECTION



To the Citizens of Lower Allen Township
and to the Township Board of Commissioners
2233 Gettysburg Road
Camp Hill, Pennsylvania 17011

The Comprehensive Annual Financial Report (CAFR) of Lower Allen Township (Township), Cumberland County, Pennsylvania, for the year ended December 31, 2021 is submitted. This report is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States by a firm of licensed certified public accountants.

The financial statements herein were prepared by Township management, which is responsible for both the accuracy of the data presentation and the completeness and fairness of this report taken as a whole. To provide a reasonable basis for making these representations, management of the Township has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Township's financial statements in conformity with GAAP. Because internal controls should not outweigh their benefits, the Township's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free of material misstatement. The data presented, we believe, is accurate in all material aspects; all disclosures necessary to enable the reader to acquire the maximum understanding of the Township's financial activity have been provided.

The Township's financial statements have been audited by Brown Schultz Sheridan & Fritz, CPAs, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Township are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Township's financial statements for the year ended December 31, 2021, are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Township's MD&A can be found immediately following the report of the independent auditor.

Reporting Entity and Services Offered

This report includes all the funds under the auspices of the Township Board of Commissioners. As a result of the Township's guarantee of a Guaranteed Sewer Revenue Bond, Series of 2020, the Lower Allen Township Authority is included in this report. Included also is the Lower Allen Township Development Authority, which is a separate 501(c)(3) organization for which the Township appoints their board members and requires approval for certain activities, and the Lower Allen Township Stormwater Authority, created under the Municipal Authorities Act. Other agencies containing the name Lower Allen in the agency title are financially and legally independent entities and are not included in this report. The agencies not meeting the criteria for inclusion in the Township's report are the Lower Allen Fire Company and the Lisburn Community Fire Company.

While the Township's authorities are legally separate entities, they are included as discretely presented component units because they have certain significant financial ties to the Township. Discretely presented component units are shown separate from Township funds.

The Township provides a full range of municipal services. The public safety program includes police, fire protection, ambulance, building inspection, planning, zoning, emergency management, school crossing guards, community development, stormwater oversight and weed control. Public Works programs include street sweeping, snow removal, traffic signalization and street markings, storm sewer maintenance and essential highway construction and maintenance. Independent contractors provide refuse, recycling and streetlight services through the Township. The Township owns and maintains numerous community and neighborhood parks and nature areas, and holds an annual Easter Egg Hunt, Gardner's Gathering and other events free to the community.

In general, the Township maintains traffic control devices, roads and stormwater facilities, including road resurfacing. Property owners are assessed for sidewalks and curb maintenance. New roads, and some traffic control devices and stormwater facilities, are paid for by developers, and if built according to code they are dedicated and subsequently owned and maintained by the Township.

Additional services provided to the Township through outside contracts include an active recreation program provided by West Shore Recreation Commission; Cumberland County planning, land development and zoning review services, certain tax collection services provided by the Cumberland County Tax Collection Bureau and the benefits of membership in the Capital Region Council of Governments.

Summary of the Local Economy

The Township is located within the Harrisburg metropolitan statistical area. The area is noted as a government, transportation, medical services, finance and tourist center. Cumberland County is currently the fastest growing county in the Commonwealth. It contains and borders some of the nation's most productive farmland.

Currently, the predominant Township land use is residential, giving the Township a suburban atmosphere. Of all land suitable for development, over 50% is in residential use. Of the dwellings themselves, approximately 67% are single-family detached structures and 84% are owner-occupied. Most building activity has taken place since 1946. Prior to this date, virtually the entire Township was agricultural or woodland. Only 5% of the existing buildings were constructed prior to World War II.

Development occurred as population from neighboring boroughs spilled over into the Township. Generally, professional developers constructed large tracts of land. Building codes and zoning restrictions, already in place, allowed oversight. The end products are attractive neighborhoods with adequate roads, utilities, recreation areas and schools.

The largest segment of the Township's population numbers arrived from 1954 to 1969. Slightly less than one-third of the Township resident numbers moved here at that time. Most were very similar in income, age distribution, social background and political affiliation. This wave of in-migration and their children has had a great impact upon the Township's economy.

As their children reached maturity during the 1970's and early 1980's, they were unable to find affordable housing within the Township boundaries. As a result, this time span saw a leveling in population growth, while per capita income and average age rose. Even though 1,278 dwelling units were added, population increased by only 310 people.

Beyond the 1970's, the nature of new construction changed to better accommodate higher property values. The commercial land usage acreage doubled, upper-class housing developments sprang up and attractive apartments and condominiums appeared.

Beginning in 1985, the rate of new construction again increased and surpassed most previous records. Higher property value land use development dominated, especially multi-family dwellings, garden apartments and commercial and industrial park construction. The extension of the sewer line into a rural section of the Township resulted in a large development of residential dwellings that continue through the present.

The 2020 census figures show a 12.7% increase in population for the Township from 2010 to 2020. Cumberland County has experienced growth of 7.6%. The 2020 population count for Cumberland County and the Township are 253,370 and 20,260, respectively. The 2010 count was 235,406 for the County and 17,980 for the Township.

The national and local economy was temporarily devastated in 2020 by COVID-related restrictions. Pennsylvania fell under particularly stringent restrictions that affected virtually every aspect of the economy.

The following is a list of the top five employers within a ten-mile radius of the Township¹:

Commonwealth of Pennsylvania	Government
United States Government	Government
Pinnacle Health System	Healthcare
Highmark, Inc.	Health Insurance
JFC Staffing	Service

The Greater Harrisburg Area employer list has been refined to concentrate on businesses close to the Township's border. The Commonwealth of Pennsylvania and U.S. Government have remained at the top of the list since at least 1918 when the New Cumberland Army Depot was opened.

Traditionally the Harrisburg Area, due to a high percentage of employees in non-cyclical industries, does not show a big fluctuation in unemployment rates. The unemployment rate for Lower Allen Township, Pennsylvania and the nation was 2.8%, 4.4%, and 3.9%, respectively, in December 2021. The same numbers for October 2009 – the high point of the “great recession” - were 6.5%, 7.9% and 10.0%, respectively².

New employers are being sought to locate in the Township, and as of this writing, several large commercial land-development plans are under construction. The Township's Economic Development Office, using closer support links with the Lower Allen Township Development Authority, has already begun to demonstrate effectiveness.

The percent of Township residents in the occupations of management, business, finance, engineering, computers and science outpace the national average by the highest percentages, while production, transportation, material moving, construction, extraction and maintenance/repair under-paced the national averages by the highest percentages. The largest occupation categories for Township residents are sales, office administration and support (26.33% compared to 24.89% nationally) and management, business and finance (20.48% compared to 14.36% nationally), perhaps because of the large number of jobs with the Commonwealth of Pennsylvania in the area.

The number of building permits issued declined from 1,165 in 2020 to 769 in 2021. The value of construction advanced from to \$22,555,051 in 2020 to \$56,092,659 on 2021. The average annual value of construction over the last decade was \$48,314,140, and higher than average levels are expected to be the norm for a few more years as a large land development project by Charter Homes & Neighborhoods continues.

The area has easy access to transportation routes, with more than half of the nation's consumer markets within a two-day delivery area. Local economists agree that the Harrisburg area is not over built and the Harrisburg-Lebanon-Carlisle area is seen as a location with much growth potential. In 2013, Standard & Poor's advanced the Township's long-term rating from AA- Stable, to AA+ Stable. The AA+ Stable status was reconfirmed in 2014.

¹ *Central Penn Business Journal*

² Homefacts.com

Risk of natural disaster causing significant damage in Lower Allen Township is low. While floods are the greatest risk for the Commonwealth, the vast preponderance of structures in the Township are well above the floodplain. Sinkholes, while uncommon, are caused by underlying limestone in much of the Township. Radon levels have required mitigation in some area residences. The PA Department of Natural Resources describes earthquake risk as such, “although rarely felt in Pennsylvania, over the years, a few earthquakes have caused minor damage to structures.” There is no known risk in the Township of landslides, carbon dioxide or methane ground seepage or mine collapse.

Major Initiatives

The International City Manager Management Association (ICMA) recognizes four municipal phases: growth, consumption, caretaker and arbiter (*The Effective Local Government Manager*, Chapter 2, Relating to the Community). Within the last 20 years, Lower Allen Township has transitioned from growth to consumption. A consumption community, according to ICMA, “emphasizes such activities as the strict enforcement of zoning; the quiet and safe flow of traffic; abatement of noise and pollution, prompt and courteous response for citizens requiring public services and provision of adequate parks, recreation and leisure activities.” Public demand in such a community, ICMA says, is met by “supplying public goods and services at reasonable cost to citizens, who, by and large are willing to pay the taxes to support this comfortable lifestyle.”

While there is no official Township financial goal, Township staff has continuously suggested that the following overarching goal has been in place for at least 60 years: “To maximize the standard of living of Township residents and businesses. More specifically to attract incoming residents and businesses whom existing residents would value as neighbors and business partners, and where those incoming are willing to pay a relative premium for property or rent.” This goal requires a consistent mind-set over the decades, with an on-going willingness to make sacrifices today for greater gains in the future.

It is possible to empirically understand how realization of the goal can be approached. Property value is maximized as the comparative value of a location increases. The most recent American Housing Survey for the nation as a whole by the U.S Census Bureau gives the highest four consecutively ranked reasons for choice of present neighborhood as the house (itself), convenient to friends and family, convenient to job and safety of neighborhood. One of these four was the main reason given by 67% of responding owner-occupied residents, suggesting that property maintenance/zoning and public safety are the most important services that the Township provides for enhancing property values.

The Township has historically channeled resources into land use laws, construction codes, property maintenance enforcement and crime and fire loss avoidance. For example, the Township was one of the first Pennsylvania municipalities to adopt a modern zoning ordinance and had the first full-time zoning officer in the immediate area. The most recent crime overview by Bestplaces.net rates Lower Allen (on a scale from 1 to 100, where lower is better) as 8.6 (down from last year’s 17.7) for violent crime and 28.1 (up from last year’s 24.6) for property crime, compared to 22.7 and 35.4, respectively, for the United States as a whole. A resident at a Township planning meeting summarized, “If you want to commit a crime or not maintain your property, you will be much happier in another community.”

The elected officials and staff are constantly on the lookout for efficiency improvements, since long-term delivery of the optimal mix of services at below-market prices contributes to land value. “To protect existing neighborhood character” was the top ranked response in a 2017 survey conducted as part of a Comprehensive Plan (which is a master land use plan) update relating to where the Township should use

its resources. Achievement requires a long-term, live-for-the-future outlook enduring from Board to Board.

The Township, for example, has always made the minimum actuarial required pension contribution and has gone as far as to float a pension obligation bond when the “Real Estate” Recession eroded plan asset value in 2013. An OPEB (other post-retirement benefits) Fund was established in 2015, with a sizable initial contribution made to help reduce the long-term impact of that liability. A multiyear real estate tax levy outlook attempts to time tax increases to the economic cycle so as to advance when it is most affordable for the taxpayer. Reserves are generally sufficient to accommodate unforeseeable natural disaster costs, to take advantage of spontaneous opportunities and to otherwise avoid the expense that comes with living “paycheck to paycheck”.

One such beneficial use of reserve buildup occurred in 2015, when \$1,250,000 was transferred from the General Fund to the Capital Improvement Fund to extend revolving loans to the General Fund for capital purchases. These purchases would otherwise have been funded through capital leases with a bank or lending institution. The General Fund will pay 4% interest so that future Capital Improvement Fund loans can keep pace with inflation. This action expects to save over \$50,000 per year for perpetuity. General Fund revenues in 2021 were enough to obviate the need for this annual loan.

As COVID restrictions took a toll on Township General Fund locally generated revenues in 2020, the 2021 budget was being prepared in the fall of 2020, external economic forecasts used for revenue projection suggest a continuation, so the elected officials and staff braced for slow growth. However, the economy exceeded these forecasts, and the year ended positively. See Management Discussion & Analysis for more detail.

A 2017 survey used in preparation for a Comprehensive Plan update (mentioned above) ranks “improving connections/pathways for bikes and pedestrians” fourth in terms of where the Township should use its resources. In 2019, a professional study produced an update to the existing proposed trail network and added a plan for its accomplishment. A recreation ad hoc committee (following the example of the Public Safety Ad Hoc Committee discussed below) was to form in 2020, but COVID restrictions caused postponement through 2021.

The Township supports the modest risk in acting outside the box. For example, the Township authorized a pension obligation bond in 2013 because equity interest rates were historically low and investment markets appeared to have good long-term upside potential. In late 2013, the Township’s Pension Committee authorized a shift in Police and Non-Uniform Pension Plan assets from 50% equity / 50% debt, to a 60/40 mix.

In November 2018, the Board of Commissioners enacted an amendment to the existing Non-Uniform Pension Plan to add a defined contribution component for new members hired after October 1, 2018. For these employees, the Township will contribute 8.0% of salary and the employee is mandated to contribute 2.0% to produce an actuarial average projected salary replacement ratio of 33%. The legacy defined benefit retirement projected salary replacement level as 37%, where the average Township contribution as a percent of payroll over the last decade was 9.7%.

The Township maintains several long-term financial plans. These include a five-year plan for capital outlays, a separate capital plan through 2029 for fire apparatus, a schedule for resurfacing all Township roads and a replacement schedule for all Township vehicles. There is also an informal and unwritten plan

for real estate tax goals (mentioned elsewhere). It is empirically known that accumulating fund balance and drawing it down over time will result in lower tax needs than will living year-to-year. It is similar to households being able to reach a higher standard of living if they maintain sufficient savings opposed to living paycheck to paycheck.

A formal and detailed multi-year operating plan is difficult to develop because it must tie into the economic cycle. This cycle significantly affects Township revenue levels. The nation's top economists project economic variables that can be correlated to Township revenues, but it is nearly impossible for them to accurately project beyond two years. The timing of economic downturns is particularly difficult to forecast. Additionally, Commonwealth law mandates only a one-year budget, so a multi-year plan cannot be binding.

The real estate tax increase effective 2018 was planned to carry the Township for many years provided there was no new major hiring. Hiring plans changed in 2019 following the outcome of a Public Safety Ad Hoc Committee consisting of all Commissioners, key members of the Township's management staff and several residents and business leaders. Many Public Safety services are planned for significant increase. Four new police officers were added along with a part-time public safety planner and a fire assistant, plus several positional upgrades occurred and a number of service level increases. Included are several new programs designed to attract and retain volunteer fire fighters. Several capital assets in the Fire Equipment Replacement Schedule were moved to earlier years and updated to reflect current prices. A real estate tax increase was enacted in 2019, effective for 2020, to cover most, but not all, of these additional costs.

Expenditure limits were adopted by the Board of Commissioners by resolution in early 2020. In addition to new costs added through the Public Safety Ad Hoc Committee, all public safety departments (except Fire) are limited to non-capital budgetary annual growth of no more than 7.5%. Fire is limited to 2.5%. All other Township operating departments are limited to 5.0%. There are no limits on capital outlays, debt service, tax collection, stormwater, general property and liability insurance and other financing uses. Additionally, total annual growth in expenditures cannot exceed an amount that would cause real estate tax to increase beyond 0.03 mill per year. Hardships such as inflation and recessions were considered in setting these limits. Should revenue growth be insufficient to support these expenditures, public safety increase reduces to a maximum of 5.0%. If more is needed, a decision will be made at that time. This policy sunsets after 2025.

A second fund balance policy was adopted by the same resolution. General Fund fund balance has been purposefully built up since the last recession for use in avoiding a tax increase or service cuts during the next recession. It was determined that a base level of 30% of expenditures should be maintained, plus an additional \$3 million to avoid a tax increase or service cuts in the next recession (whenever that might be). Finally, \$1 million of fund balance shall be drawn down over the next five years to offset the Public Safety Ad Hoc Committee costs. This policy also sunsets after 2025.

Concerning stormwater services, the Federal Department of Environmental Protection issued an unfunded mandate passed down to municipalities that makes local fees practical only if they are collected through a municipal authority. In 2018, the Township created the Lower Allen Township Stormwater Authority, a new discretely presented component unit. The Authority began collecting this fee in the second quarter of 2019. Stormwater infrastructure projects were to begin in earnest in 2020, but were delayed due to COVID restrictions. Three grants totaling \$441,000 were awarded to the Township for Chesapeake Bay pollution reduction with work begun in 2021.

In 2018, the Township loaned \$810,000 to the Lower Allen Township Development Authority to fund part of what is commonly referred to as the Lower Allen commons project. This is the first large-scale endeavor of the Authority. When a department store situated on property of the Township's seventh largest taxpayer ceased operations, the Authority bought the real estate. Progress has been made in 2020 toward converting it into hotel/retail use for ultimate resale. Contracts with Trader Joe's, Spring Hill Suites, Sports Clips, The Good Feet Store and Apricot Lane are complete as of this writing.

The General Obligation Bonds of 2012, 2014 and the federally taxable General Obligation Bond of 2013 were all refinanced with private placements in 2020. The savings were over \$236,000, which exceeded the Township's Debt Policy recommendation of 3% of principal. The payment dates and term remain the same.

The Lower Allen Township Authority refinanced the Guaranteed Sewer Revenue Bond of 2017 with a private placement of the same payment dates and term. In November 2020, the Township took action to guarantee that debt.

Township management believes that the cost of obtaining awards and certifications is returned many fold through enhanced property values for the residents. As abridged examples, in 2001, 2002 and 2016, the Township was awarded the Governor's Award for Local Government Excellence. Annual awarding of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting began in 1988. The Township's police department continues accreditation (now having received its seventh renewal) from the Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA); and in 2012, the Meritorious Advanced Accreditation status was awarded. The Township's police department also continues accreditation from the Pennsylvania Law Enforcement Commission, from whom Premier Agency status has been confirmed. Improvements were made to the Township's ISO rating for fire suppression and building code effectiveness. There are also a host of miscellaneous awards such as the American Institute of Architects Citation in 2008 for the new municipal building; the Keystone Athletic Field Managers Organization's, Field Of Distinction in 2011 for Yetter Field and the Central Penn Parent's, Best Playground/Park award for the Lower Allen Community Park in 2008.

Township staff is selected for its leadership and is expected to take an active role in outside trade organizations. Some of the current positions held include:

- Pennsylvania Emergency Health Services Counsel, Vice President
- Pennsylvania EMS Association, Vice President
- Pennsylvania Fire and Emergency Services Institute, Board member
- Emergency Health Services Federation, various committee's
- Reading School of Health Science Paramedic program advisory counsel
- Government Finance Officers Association – PA, Founding member.
- Government Finance Officers Association – Central PA
- The Monitoring Association, Co-chair, TMA-AVS-01 Alarm Scoring Standards Committee
- Pennsylvania 9-1-1 Advisory Board
- FEMA Regional Emergency Communications Coordination Working Group membership
- FCC Task Force n Optimal PSAP Architecture, Working Group Chairman
- South Central All-Hazards Task Force, Chair, Criminal Justice Subcommittee
- Cumberland County Public Safety Advisory Board membership
- Cumberland County Economic Development Corporation, Branding Committee member
- Cumberland County Economic Development Corporation, Strategic Planning Committee Chair

- Cumberland County Blight Board member
- Partnership for Priority Verified Response, President, Board of Directors
- Three Mile Island Monitoring Association, Co-Chairman of the AVS-01 Standard Committee
- Pennsylvania Municipal Health Insurance Cooperative, Board of Directors
- PA Association of Building Code Officials, Board of Directors, Immediate Past President
- PA Building Officials Conference (PENNBOC), Immediate Past President, Board of Directors (3 members)
- PENNBOC Southcentral PA Chapter, President, Vice President, Treasurer and Secretary
- International Code Council MidAtlantic Region Chapter, Executive Committee member and Chairperson
- Cumberland County Blighted Property Reinvestment Board, Chairman
- Lower Allen Township Development Authority, Secretary
- PA Uniform Construction Code (UCC) Review and Advisory Council (RAC), Fire Code Official (appointed by Governor Wolf)
- RAC Technical Advisory Committees, subject matter expert panel members
- Capital Region Council of Governments UCC Board of Appeals, subject matter expert appeals board member

A Transportation Development District, in partnership with neighboring Upper Allen Township, is now in its eighth year. The district creates a system of special assessments to improve the west end of Gettysburg Road which receives heavy truck traffic from local businesses and is prone to small stream flooding. Upper Allen Township began collecting assessments in 2014, and Lower Allen began to collect in 2015. The improvements are virtually complete with only a few details left to be wrapped up.

While the majority of Township residents appear to retain a duty-first perspective (e.g., My fellow Americans, ask not what your country can do for you, ask what you can do for your country: JFK, 1961), it may be inevitable someday that changing influence moves Lower Allen into a new dawn. There are many opportunities to begin deferring current costs to future taxpayers without any immediately noticeable effect. This has become the norm at the federal and state level with pensions, entitlement programs and infrastructure maintenance. So far in the Township, there has been no major push to adopt shorter-sighted decisions that were once universally considered inappropriate.

Some attributes compelling focus away from a long-term perspective emanate from Pennsylvania laws and generally accepted accounting principles (GAAP). Pennsylvania law, for example, prohibits the adoption of legal multiyear budgets. GAAP calls for the use of fund accounting and of reporting financial results using the modified accrual basis of accounting. With today's professional staff and modern computer software, neither remains effective. Modified accrual, in particular, promotes short-term insight by hiding long-term commitments, by not recognizing the economic impact of capital asset consumption and by treating borrowed money virtually the same as revenue. The Township overcomes some of this by including in the Management Discussion and Analysis part of the report a detailed analysis of the full-accrual Statements of Net Position and Activities, along with a cash flow statement for governmental funds. The cash flow statement was improved in 2018 to disclose maintenance and capital replacement efforts and is planned to eventually enable the creation of a new 10-year table in the Statistical Section of this report.

Accounting Systems, Budgetary Control and Policies

The Township has a commissioner-manager form of government with five commissioners comprising the governing body. The Commissioners are elected at-large for staggered four-year terms. The Township Manager is appointed by, and serves at the pleasure of, the Board of Commissioners. The Board of Commissioners annually adopts a balanced budget and establishes a tax rate for the support of the Township programs. The Township Manager has the responsibility of administering these programs in accordance with policies and the annual budget adopted by the Board of Commissioners.

The budgets are adopted for each department and are an integral part of the accounting systems, providing management control over expenditures in the General Fund and Other Governmental Funds. Commitments that would result in an over-expenditure of budget by more than 25% for each department, or 10% for each fund, are not approved for release unless additional appropriations are made available. The Board of Commissioners must formally approve these appropriations. The Township maintains all of its financial management through a computer system that contains the following modules: general ledger, accounts payable, accounts receivable, payroll, capital assets, utility billing, cash receipts and human resources. The Township also uses personal computers with spreadsheet software to perform financial analysis.

All accounting systems are designed to enhance internal accounting controls. The controls are in place to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss of unauthorized use or disposition and the reliability of the financial data used in preparing financial statements. The relationship of the internal control to basic management responsibilities emphasizes the interconnection of the accounting system with all other management control systems. The Township's staff believes that these internal accounting controls adequately safeguard Township assets and provide reasonable assurance of proper recording of financial transactions.

The Township's budget policy calls for elected officials to provide direction on goals, service levels, fund balance levels and service effort and accomplishment measurements. Citizens, elected officials and staff work together to determine the best ways to fund these service levels. Each department has flexibility during the year to exceed individual line items so that unexpected events can be managed and opportunities taken. Strict controls are in place, however, to assure that the departments do not exceed their total budget without prior approval. The goal of this policy is to incorporate team management and to provide the best uses of scarce resources.

In 2005, the Board of Commissioners adopted a Fund Balance Policy (see above for the recent enhancement of this policy) to promote fiscal responsibility in maintaining the municipality's assets and financial well-being. The objectives of the Fund Balance Policy are to preserve the credit worthiness of the Township for borrowing monies at favorable interest rates, provide working capital for the Township to meet cash flow needs during the year and stabilize fluctuations in property tax rates from year to year. The General Fund and Special Revenue Funds shall strive to maintain an unassigned fund balance approximate to the greater of fifteen percent (15%) of their respective budgets or two (2) months of operating expenditures of said budget(s). The Capital Improvement Fund shall strive to maintain an unassigned fund balance approximate to five percent (5%) of the General Fund budget. If a Township governmental fund falls below its target, the Board shall begin approving budgets that would make up twenty percent (20%) of the shortage in each of the succeeding five (5) years, unless the shortage is made up before then. Once a Township governmental fund has reached its target unassigned fund balance, any excess funds may be utilized for other municipal purposes, including but not limited to additional capital

improvements, equipment purchases, interfund transfer and tax rate or fee reduction. There is no sunset on this policy.

Also, in 2005, a Capital Assets Policy was adopted to set a policy on the capitalization and depreciation of a range of assets used in Township operations. Capital assets are real or personal property that have a value equal to or greater than ten thousand dollars (\$10,000) and have an estimated life of greater than one year. Capital assets may be acquired through purchase, construction or donation. The straight-line method of depreciation shall be used to depreciate capital assets, except for land, over their estimated useful lives. When capital assets are sold or otherwise disposed of according to state law, the inventory of capital assets should be relieved of the cost of the asset and the associated accumulated depreciation.

In 2017, the Board of Commissioners adopted a debt policy to promote good decisions that neither under nor over utilize borrowing. This policy emphasizes a complete understanding by the elected officials of the risks and rewards emanating from borrowing decisions and places special scrutiny on conduit debt, moral obligation debt and the backing of the debt of other entities. Certain debt-related limits are also placed, some of which must be published in the CAFR.

In 2017, the Board of Commissioners adopted an investment policy statement for idle cash to maintain sufficient liquidity while prudently maximizing return. This policy defines and prohibits speculation, encourages passive investment practices, but does not otherwise prohibit creativity. This policy was updated in 2018.

[Independent Review](#)

Included in the financial section is the independent auditor's opinion, which is a significant part of the Comprehensive Annual Financial Report. In this report, the firm of Brown Schultz Sheridan & Fritz, CPAs, expresses its opinion that the financial statements are materially correct in accordance with accounting principles generally accepted in the United States of America. The opinion is full scope and unmodified, which is the most desirable audit opinion obtainable.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Township for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2020. The certificate of achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and it will be submitted to the GFOA.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department, and we wish to express our appreciation to all members of the Department. We would also like to thank the Township Commissioners for their interest and support in planning and conducting the financial operations of the Township in a responsible and progressive manner.

Respectfully submitted,



-----Thomas G. Vernau, Jr., Township Manager-----



Richard A. Grove, Finance Director



Government Finance Officers Association

**Certificate of Achievement for Excellence in
Financial Reporting**

Presented to

Lower Allen Township Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

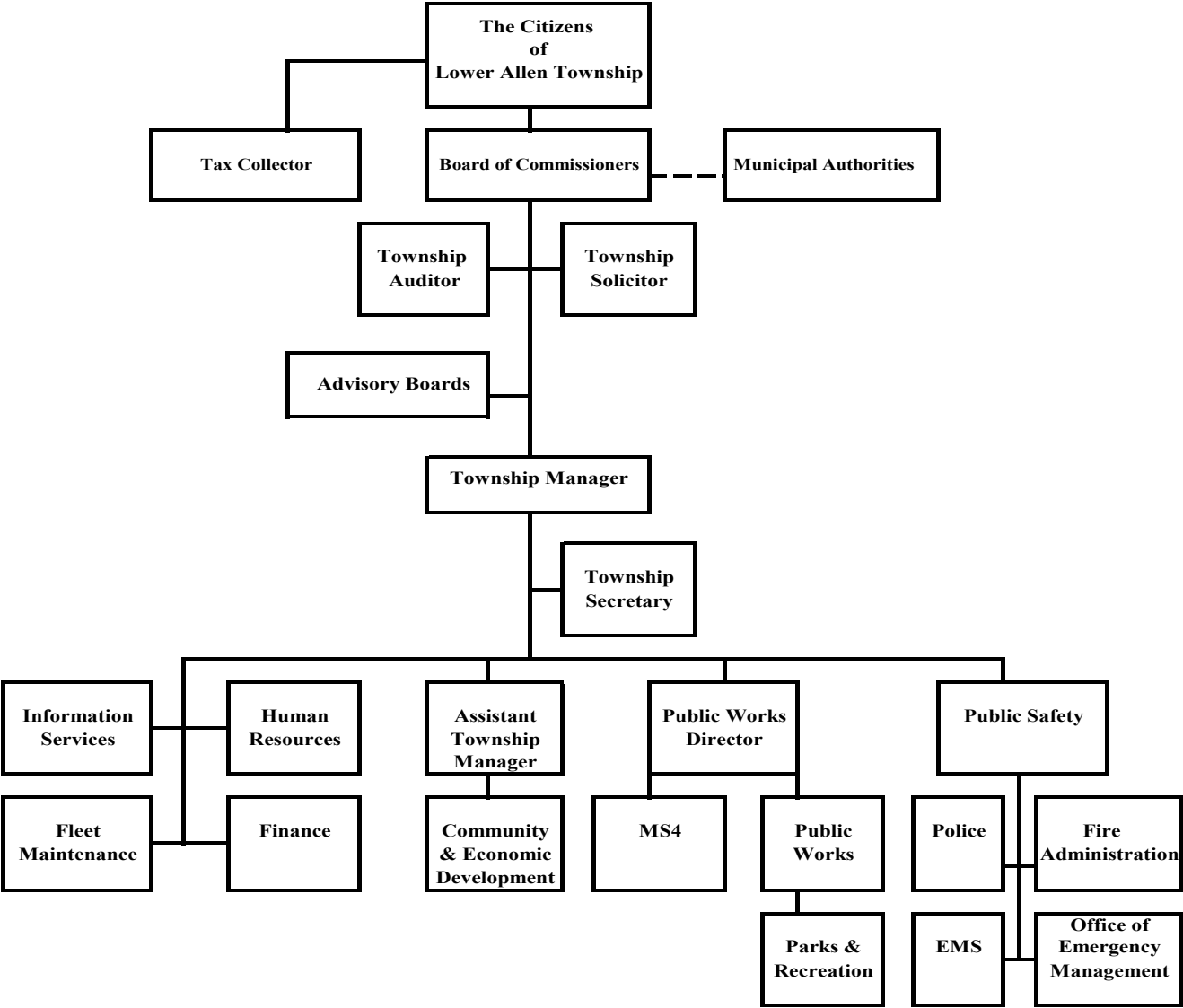
December 31, 2020

Christopher P. Morrell

Executive Director/CEO

Lower Allen Township, Pennsylvania

Organizational Chart



Lower Allen Township, Pennsylvania
2021 List of Principal Officials

Elected Officials

<i>Commissioner-President:</i>	Dean W. Villone
<i>Commissioner-Vice President:</i>	H. Edward Black
<i>Commissioner:</i>	Carolyn E. Holtzman
<i>Commissioner:</i>	Thomas H. Kutz
<i>Commissioner:</i>	Richard F. Schin
<i>Tax Collector:</i>	Bonnie K. Miller

Appointed Officials

<i>Manager:</i>	Thomas G. Vernau, Jr.
<i>Secretary:</i>	Helen R. Grundon
<i>Auditor:</i>	Brown Schultz Sheridan & Fritz
<i>Engineer:</i>	Michael Baker International
<i>Solicitor:</i>	Steven P. Miner, Esq. Caldwell & Kearns

Department Directors

<i>Administrative Services:</i>	
<i>Assistant Manager/Economic Development:</i>	Erin G. Trone
<i>Fleet Maintenance:</i>	Charles A. Reynolds
<i>Finance Director/Treasurer:</i>	Richard A. Grove
<i>Community Development:</i>	
<i>Public Works:</i>	
<i>Public Works Director:</i>	Rebecca L. Davis
<i>Public Works Coordinator:</i>	Bryan R. Harshbarger
<i>Highway Supervisor:</i>	Mark A. D'Agostino
<i>Parks Supervisor:</i>	Thomas A. Stambaugh
<i>Public Safety:</i>	
<i>Public Safety Director:</i>	David L. Holl
<i>EMS Captain:</i>	Anthony J. Deaven
<i>Fire Captain:</i>	Frank Wirth, Jr.
<i>Police Captain:</i>	Leon Crone

FINANCIAL SECTION

Independent Auditor's Report

Honorable Board of Commissioners
Lower Allen Township
Camp Hill, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Lower Allen Township (the Township) as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the Township as of December 31, 2021, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Lower Allen Township Authority (the Authority), which represent 35%, 41% and 21%, respectively, of the assets, net position and revenues, of the Township's governmental activities and discretely presented component units. Those statements were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Township, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lower Allen Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lower Allen Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Allen Township's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund budgetary comparison information and the historical pension and other post-employment benefits other than pension information on pages 4 through 24 and 113 through 128, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. We and the component unit auditors do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The introductory and statistical sections and other budgetary comparison information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Brown Schultz Steidman & Fritz

Camp Hill, Pennsylvania
August 22, 2022

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

The following is a managerial overview of the financial picture of Lower Allen Township (Township), Cumberland County, Pennsylvania, for the fiscal year ended December 31, 2021. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the Letter of Transmittal. While the Lower Allen Township Authority, the Lower Allen Township Development Authority and Lower Allen Township Stormwater Authority are legally separate entities, they are shown in the financial statements as discretely presented component units. This overview, however, focuses on the primary government and, unless otherwise noted, these three component units are not included in this discussion.

FINANCIAL HIGHLIGHTS

Government-wide net position of the Township at the close of the year was \$33,849,737. The Township's total net position increased by \$4,559,683 or 16% from December 31, 2020. As the local economy rebounded, economically sensitive revenue resumed a normal pace. From a working capital perspective, cash and investments, receivables, capital assets, other noncurrent assets, net deferred pension-related flows and current liabilities increased while other current assets and long-term liabilities decreased. Unrestricted net position showed an increase of \$2,208,668 demonstrating that current year costs are not being deferred to future taxpayers.

As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$16,964,661, an increase of \$1,380,694. Discussion of this increase is found in the Financial Analysis of the Government's Funds below. Fund balance of Township general and special revenue funds remains above the Township's self-imposed minimum of 30% of the budgeted expenditures.

The Commissioners adopted additional but temporary fund balance and spending restrictions in 2020 through Resolution 2020-R-07. Of the \$12,171,609 General Fund fund balance, \$7,435,475 represents a self-Imposed spending cap, and a maximum of \$3 million that can be drawn down only in the event of an economic recession. Beyond that, a maximum total of \$1 million can be drawn down over the next four years for any other purpose. Through 2025, spending growth cannot exceed an amount that would cause real estate tax to increase beyond 0.3 mills. Annually, public safety expenditure cannot exceed 7.5%, and most other General Fund services cannot exceed 5.0%. Fire expenditures, for which a significant portion of annual revenue is set aside for future capital outlays and debt service, cannot exceed 2.5%.

No new long-term debt was issued in 2021. The existing tax-exempt debt is at a fixed rate of 0.95%, and the taxable portion is at 1.71%. There were discussions of a possible bond issue in 2025 or beyond for fire equipment, which coincides with the expiration of the existing tax-exempt debt. The Township adopted a formal debt policy in 2016, with required annual disclosures appearing in the Statistical Section of this document. Standard & Poor's reconfirmed the most recent rating of AA+ Stable in 2014.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

FINANCIAL HIGHLIGHTS (CONTINUED)

The largest single nonrecurring outflow transactions resulted in \$1.2 million for a new fire apparatus, completion of the Fun Fort restoration project at the Lower Allen Community Park (largely funded through grant revenue), a replacement dump truck, continued rebuilding of Gettysburg Road (largely reimbursed by a grant revenue) and a replacement air handling unit for the municipal building.

A Public Safety Ad Hoc Committee consisting of members of the public, the business community, the fire companies, the Board of Commissioners and Township staff completed a plan in 2019 to enhance public safety services. The Board of Commissioners accordingly increased the general real estate tax millage by 0.65 mill effective for 2020 and acknowledged that further small increases will be needed between now and 2025. Public safety operating budget will be limited to annual growth of no more than 7.5% (plus new costs from the Committee recommendations). These service level improvements will impact financial needs for many years. One measure of success is the crime clearance rates appearing in Statistical Table Schedule 17.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements

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

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Government-wide financial statements (continued)

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

Fund financial statements

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

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

Component Units – Component units are used to account for legally separate organizations for which the Township is financially accountable. They use the full-accrual accounting method showing the flow of economic resources and consist of the Lower Allen Township Development Authority, the Lower Allen Township Authority and the Lower Allen Township Stormwater Authority, which are discretely presented; meaning that the financial tie is sufficiently insubstantial to warrant presentation separate from the Township. Total net position of the component units at December 31, 2021 was \$27,971,394.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements (continued)

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

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

The Township adopts an annual appropriated budget for six governmental funds using the modified accrual basis of accounting with minor exceptions. A budgetary comparison statement has been provided as required supplementary information for the General Fund to demonstrate compliance with this budget on pages 113 and 114. The other governmental funds budgetary statements can be found on pages 116 and 132 through 135 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The Township carries four fiduciary funds, which include three pension trust funds and one OPEB trust fund. Total net position of the trust funds at December 31, 2021 was \$23,816,210. The basic fiduciary funds financial statements can be found on pages 34 and 35 of this report.

The OPEB (which stands for other post-employment benefits, and consists of police retiree healthcare benefits) Trust Fund began in 2015 as an effort to minimize the long-term financial burden. The establishment of a trust facilitates the accumulation of money over the careers of the police officers so that resources are available when they retire. A trust also allows for a diversified investment portfolio, with a historically higher rate of return. The weighted return for 2021 was 11.71% and was 14.18% for 2020. The discount rate was reduced to 4.0% from 4.5% in 2021.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements (continued)

Notes to the financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36 through 112 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees and budgetary comparison for the General Fund. The required supplementary information can be found on pages 113 through 128 of this report.

Other supplementary information, including the combining statements referred to earlier in connection with non-major governmental funds, component units and pension and other post-employment benefits trust funds, is presented immediately following the notes to the financial statements and the required supplementary information. Other supplementary information can be found on pages 129 through 152 of this report.

A schedule of cash flows for the governmental funds begins on pages 136-137. Cash flow schedules are seldom seen in governmental funds' financial statements, but are commonly included for business and other enterprises where empirical assessment of financial condition is of interest.

Government-wide financial analysis

As noted earlier, net position serves as a useful indicator of a government's financial position. Table 1 reflects total net position at December 31, 2021 of \$33,849,737, which represents an increase of \$4,559,683 from 2020.

The *current ratio* (current assets divided by current liabilities) is a measure of short-term solvency. This ratio at year end 2021 was 4.64, compared to 6.20 the previous year. This means that for every dollar of current liabilities, the Township has \$4.64 of current assets with which to pay them. It is generally considered a warning sign if the current ratio drops below 1.00.

Average collection period represents the average number of days the Township must wait to have its bills paid by the customer. Sanitation services are billed quarterly, with 30 or 31 days to pay before the bill is considered in the penalty period and 90 days until delinquent. The average collection period in 2021 was 11.10 days, compared to 12.01 days in 2020. It is generally considered a warning sign if the average collection period extends beyond the payment period.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Government-wide financial analysis (continued)

Table 1
Net Position
December 31, 2021 and 2020

	2021 Governmental activities	2020 Governmental activities (as restated)	Increase (decrease) over prior year
Cash and investments	\$ 17,495,595	\$ 14,646,735	\$ 2,848,860
Receivables	4,998,770	5,056,939	(58,169)
Other current assets	328,451	330,756	(2,305)
Capital assets	25,541,185	24,541,020	1,000,165
Other noncurrent assets	2,702,457	232,275	2,470,182
Total assets	51,066,458	44,807,725	6,258,733
Deferred outflows of resources	1,359,174	1,962,101	(602,927)
Total assets and deferred outflows of resources	\$ 52,425,632	\$ 46,769,826	\$ 5,655,806
Current liabilities	\$ 4,926,815	\$ 3,214,017	\$ 1,712,798
Long-term liabilities, less amounts due in one year	9,782,395	12,187,047	(2,404,652)
Total liabilities	14,709,210	15,401,064	(691,854)
Deferred inflows of resources	3,866,685	2,078,708	1,787,977
Net position:			
Net investment in capital assets	19,754,874	18,052,887	1,701,987
Restricted	4,229,044	3,580,016	649,028
Unrestricted	9,865,819	7,657,151	2,208,668
Total net position	33,849,737	29,290,054	4,559,683
Total liabilities, deferred inflows of resources and net position	\$ 52,425,632	\$ 46,769,826	\$ 5,655,806

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Government-wide financial analysis (continued)

The average general real estate tax collection period decreased to 79 days in 2021 from 50 days in 2020. The taxpayer has four months from the bill date until the bill is considered delinquent, and there is a 2% discount if paid within two months. Real estate tax is collected by an elected tax collector who is not under the oversight of the Township and sets her own office hours.

The *debt-to-worth ratio* (total liabilities divided by net position) measures longer-term financial risk. This ratio was 0.44 and 0.53 for 2021 and 2020, respectively. That means that for every dollar of book value equity, the Township owes 46¢ to creditors and bondholders. The higher the ratio, the more the reliance on debt rather than current revenue to support operations. The optimal ratio level varies by type of government operation. The governmental activity ratio for Hampden Township was 1.52 (in 2021), and was 0.28 for neighboring Upper Allen Township (in 2021).

Capital assets, shown above, include the Township's investment in capital assets (land, buildings and improvements, equipment and infrastructure), net of accumulated depreciation. The book value, net of accumulated depreciation, was \$25,541,185 at the end of 2021.

GOVERNMENTAL ACTIVITIES

Table 2 highlights the Township's revenues, expenses and changes in net position for the fiscal year ended December 31, 2021 and the prior year. As mentioned, net position increased by \$4,559,683 in 2021. Revenue increased by \$82,187. The largest absolute increases came from an increase in refuse rates from \$61.89 in 2020 to \$72.96 in 2021.

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

Township elected officials and staff agree that the local economy was temporarily devastated by COVID restrictions on business in 2020 but has shown a spotty recovery for 2021. Current-year earned income tax (representing a percent of residents' taxable income) increased over 8%, but current-year local services tax (representing the number employed within Township borders) decreased 4%. Real estate and construction were more consistent. The value of new construction more than doubled, with gains primarily in new construction rather than upgrades and repairs to existing structures. Real estate transfer tax (representing the value of taxable real estate sales) advanced by 77%.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

Although the Township had a positive cash flow, interest earnings decreased by 67% (as of this writing, Wells Fargo gives the 2021 and 2020 one-year treasury bill rate as 0.10% and .37%, respectively). Charges for services represented the only non-tax area of revenue increase. Much comes from the aforementioned refuse rate increase, but also from sizable increases in construction-related (81%) and ambulance-related (130%) revenue.

Expenses increased by \$581,381 (or 4%) after a \$1,170,930 decrease in 2020. The largest occurred in general government, followed by public works. The increases in all areas of operations occurred in many line-items, with none except for public works coming from large events. In public works, the refuse contract increased by \$218,589, or 21%. Full-time equivalent units of employees (FTEs) increased for public safety, with 2.4 and 1.1 FTEs being added to ambulance and stormwater, respectively. Parks and recreation was down 0.8 FTEs due to a vacancy, and general government's 0.4 FTE loss was public works' gain as that amount of the Assistant Township Manager's time was reallocated.

LOWER ALLEN TOWNSHIP

PENNSYLVANIA

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

Table 2
Change in Net Position
Years ended December 31, 2021 and 2020

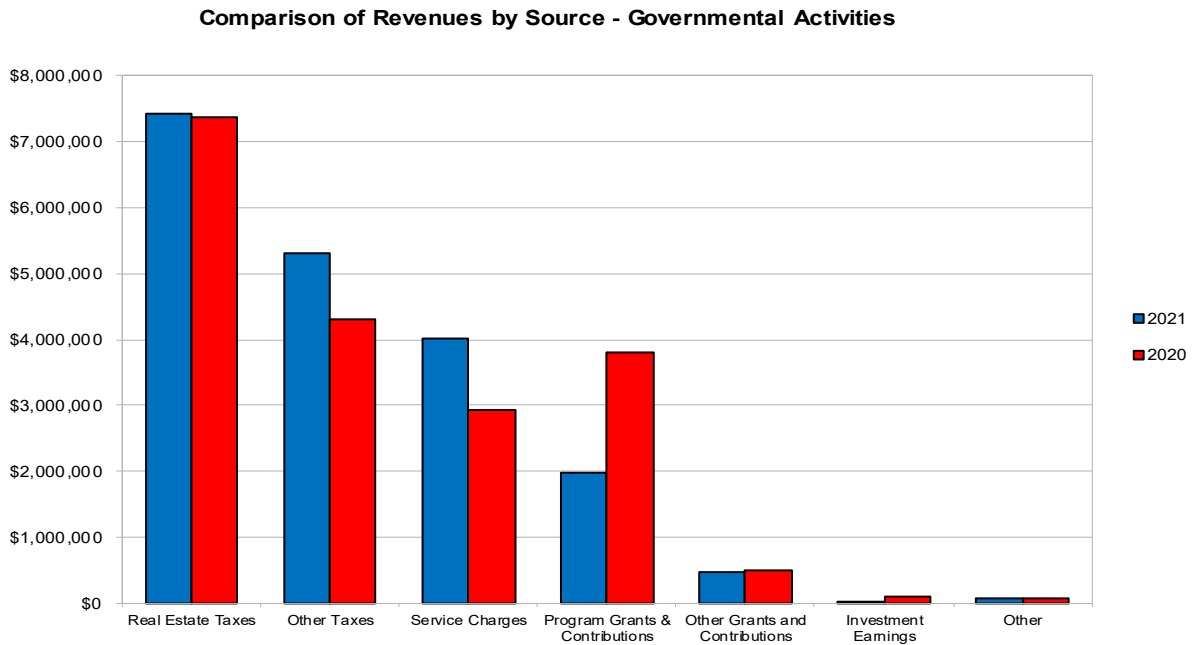
	2021 Governmental activities	2020 Governmental activities (as restated)	Increase (decrease) over prior year
Revenues:			
Program revenues:			
Charges for services	\$ 4,004,464	\$ 2,926,243	\$ 1,078,221
Operating grants and contributions	1,163,972	1,340,625	(176,653)
Capital grants and contributions	809,312	2,462,944	(1,653,632)
General revenues:			
Real estate taxes	7,436,763	7,382,557	54,206
Other taxes	5,321,333	4,315,498	1,005,835
Intergovernmental revenue and contributions	479,728	507,155	(27,427)
Investment earnings	36,587	111,207	(74,620)
Developer contribution		118,800	(118,800)
Gain on sale of assets	66,951	80,637	(13,686)
Other	8,882	139	8,743
Total revenues	19,327,992	19,245,805	82,187
Expenses:			
Public safety	8,102,472	7,990,982	111,490
Public works	3,309,412	3,127,902	181,510
General government	2,583,185	2,190,855	392,330
Parks and recreation	543,616	527,240	16,376
Interest on long-term debt	229,624	349,949	(120,325)
Total expenses	14,768,309	14,186,928	581,381
Changes in net position	4,559,683	5,058,877	(499,194)
Net position:			
Beginning	29,290,054	24,231,177	5,058,877
Ending	\$ 33,849,737	\$ 29,290,054	\$ 4,559,683

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The table below shows the two-year comparison of total revenue allocated by source. The largest increase was in service charges, followed by other taxes. Service charge revenue was discussed above (refuse fees, construction-related and ambulance-related revenues). The other taxes of earned income tax and real estate transfer tax had decreased in 2020.



LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The graph below shows 2021 revenue sources indicating real estate taxes, other taxes and charges for services as the major sources for funding. Tax revenues at 67% constitute most of the Township's revenue sources. Service charges follow at 21%.

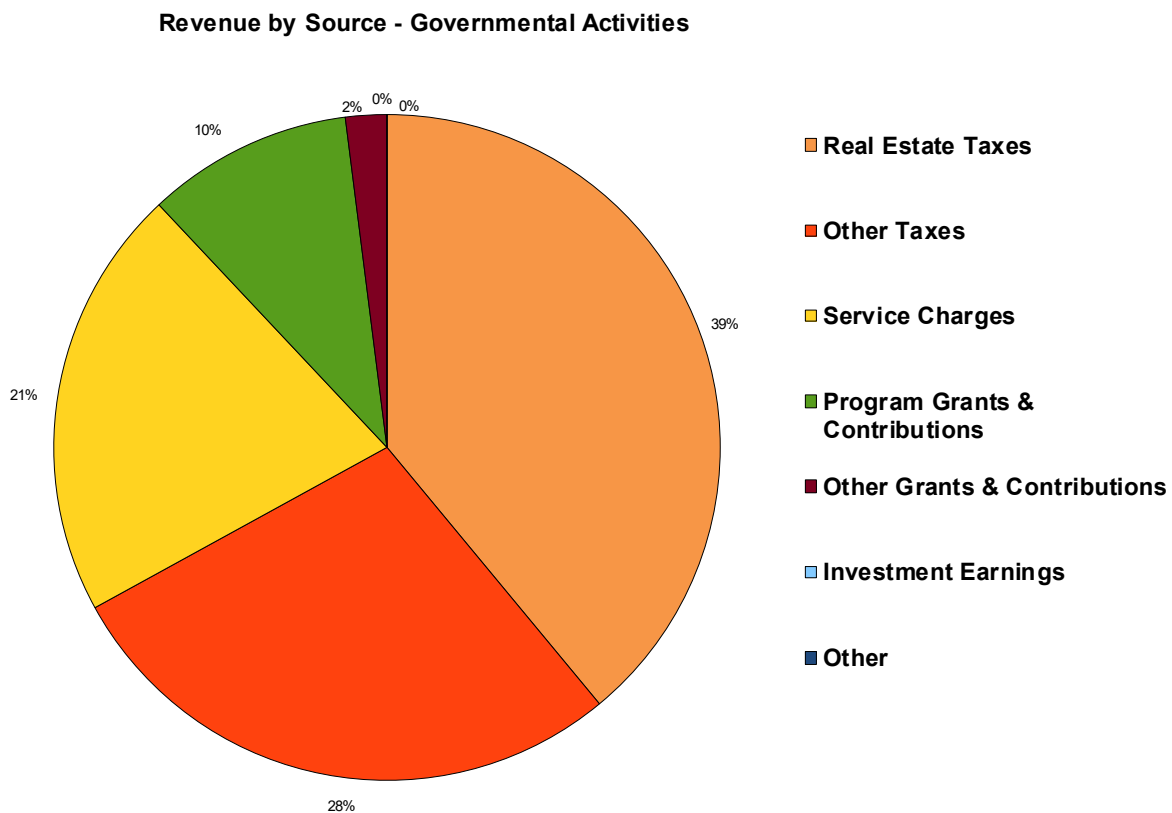


Table 3 on the next page discloses the cost of services for governmental activities. The total cost of services column contains all costs related to the programs, and the net cost column shows those costs less program revenues. Net costs must be covered by local taxes or other general revenue.

Net cost of services was 60% of the total cost of services in 2021. As mentioned, charges for services increased, but grant revenue, while strong, decreased from 2020 levels. In June 2021, the Township received \$1,060,229 emanating from the American Rescue Plan. This money will not show as revenue until a qualified expense is made. No qualified expenses were made in 2021, so none of these receipts appear on the statement of activities.

LOWER ALLEN TOWNSHIP

PENNSYLVANIA

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

Table 3
Cost and Net Cost of Services
Years ended December 31, 2021 and 2020

	2021 Total cost	2021 Net cost of services	% Net cost to total
Programs:			
Public safety	\$ 8,102,472	\$ 5,994,849	
General government	2,583,185	2,306,072	
Public works	3,309,412	(122,816)	
Interest on long-term debt	229,624	229,624	
Parks and recreation	543,616	382,832	
	\$ 14,768,309	\$ 8,790,561	60%
	2020 Total cost	2020 Net cost of services	% Net cost to total
Programs:			
Public safety	\$ 7,990,982	\$ 6,643,304	
General government	2,190,855	1,873,636	
Public works	3,127,902	(1,659,787)	
Interest on long-term debt	349,949	349,949	
Parks and recreation	527,240	467,764	
	\$ 14,186,928	\$ 7,674,866	54%

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

As of year-end 2021, the Township's governmental funds reported combined ending fund balances of \$16,964,661, an increase of \$1,380,694 from the previous year. Fund balance is divided into categories designed to convey the level of constraints placed upon the funds. Nonspendable fund balance, for example, consists of inventory of supplies that will not be converted to cash. Restricted fund balance is mandated by grant and other external legal restrictions for particular purposes. Assigned fund balance is constrained by acts of the Township governing body, and unassigned fund balance is available at any time for any legal purpose.

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, fund balance was \$12,171,609, an increase of \$1,186,796. The increase related to an increase in earned income and real estate transfer taxes, construction- and ambulance-related revenue.

Beginning in 2016, the General Fund began an annual borrowing of up to \$450,000 from the Capital Improvement Fund for capital purchases. Due to the strong fund balance in the General Fund, this transfer, while budgeted, was not needed.

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

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

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Table 4
Summary of Governmental Change in Fund Balance
Years ended December 31, 2021 and 2020

	2021				
	General Fund	Capital Improvement Fund	Fire Services Fund	Other governmental funds	Total governmental funds
Beginning fund balance	\$ 10,984,813	\$ 1,030,265	\$ 1,301,813	\$ 2,267,076	\$ 15,583,967
Change in:					
Nonspendable fund balance	21,189		54	(23,548)	(2,305)
Restricted fund balance	(422,880)		375,017	696,891	649,028
Committed fund balance	1,588,487		(817,265)		771,222
Assigned fund balance		(63,260)			(63,260)
Unassigned fund balance				26,009	26,009
Ending fund balance	\$ 12,171,609	\$ 967,005	\$ 859,619	\$ 2,966,428	\$ 16,964,661
	2020				
	General Fund	Capital Improvement Fund	Fire Services Fund	Other governmental funds	Total governmental funds
Beginning fund balance	\$ 10,338,615	\$ 772,822	\$ 524,823	\$ 1,889,074	\$ 13,525,334
Change in:					
Nonspendable fund balance	28,422		(471)	11,488	39,439
Restricted fund balance	(41,026)		(39,804)	366,415	285,585
Committed fund balance	8,846,988		817,265		9,664,253
Assigned fund balance		257,443			257,443
Unassigned fund balance	(8,188,186)			99	(8,188,087)
Ending fund balance	\$ 10,984,813	\$ 1,030,265	\$ 1,301,813	\$ 2,267,076	\$ 15,583,967

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

In 2005, the Township formally adopted its initial policy establishing a target level of unassigned general and special revenue fund balance at 15% of budgeted expenditures. That goal was reached in 2011 and the general fund (excluding money accumulated through refuse fees for refuse collection) now stands at 37%. During the 2019 budget process, this policy was revisited and enhanced through a resolution passed in early 2020 that is to remain in effect through 2025. Thirty percent of expenditures is now the target. Strengthening the Township's bond rating was discussed as one possible reason for this move. Three million dollars of the remaining fund balance is to remain on hand to offset the effects of the next recession (whenever that may be), and \$1 million is to be drawn down over the next four years to help pay for the service enhancements that came through the Public Safety Ad Hoc Committee of 2019.

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

The Township is at the maximum taxation rates allowed by law for all taxes except real estate tax. The maximum legal general-purpose real estate tax millage (mills) is 30.00 mills. The Township's general-purpose levy was 2.64 mills in 2021, leaving a very significant margin for increase.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The Township's investment in capital assets for its governmental activities as of December 31, 2021 amounts to \$25,541,185 (net of accumulated depreciation). This investment includes land, land improvements, buildings and improvements, machinery and equipment and infrastructure. Capital assets increased by \$1,000,165 in 2021. New assets were acquired with a value of \$3,199,748, depreciation totaled \$2,142,417 and assets with a net book value of \$57,166 were disposed of. Additional information on the Township's capital assets can be found in Note 5 of this report.

Table 5
Capital Assets
Years ended December 31, 2021 and 2020

	2021 Governmental activities	2020 Governmental activities
Buildings and improvements	\$ 14,202,699	\$ 14,079,245
Machinery and equipment	11,947,585	10,252,625
Infrastructure	5,689,481	5,689,481
Land	3,303,141	3,269,225
Land improvements	3,749,787	3,749,787
Construction in progress	3,049,914	2,190,825
Accumulated depreciation	(16,401,422)	(14,690,168)
Total	\$ 25,541,185	\$ 24,541,020

Pension - In response to plan asset book-value plummeting in the "Great Recession" a pension obligation bond was issued in 2013, refinanced in 2020, and will expire in 2028. The latest actuarial valuation indicated a net increase in pension assets from 2020 to 2021 of \$891,994 because of these bonds. The Non-Uniform and Police Plans were 113.4% and 113.5% funded, respectively, as of December 31, 2021, using state-mandated actuarial methods. The discount rate is reevaluated periodically. Interest assumptions were reduced from 7.75% to 7.50% effective January 1, 2021.

Full-time non-uniform employees hired after October 1, 2018 are enrolled in a defined contribution plan. The Township contributes 8% of covered payroll and the employee contributes 2% (but may opt to contribute up to 10%). The actuarially determined projected salary replacement ratio is 19%. The estimated plan investments return was 16.36% in 2021 and 21.46% in 2020. An investment policy statement for this plan was adopted by the Board of Commissioners in 2019.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

The legacy defined benefit non-uniform plan is closed to new members. The Township contributed an average of 9.68% of covered payroll over the last decade. The actuarially determined projected salary replacement ratio is 37%. The plan investments returned 16.34% for the year, with a benchmark of 16.79%.

The Township contributed an average of 13.41% of covered payroll to the police plan over the last decade. Plan investments returned 16.37% for the year, with a benchmark of 16.93%. The actuarially determined salary replacement ratio is 49%.

The volunteer firefighters pension realized a portfolio return of 9.74% for 2021. There were no changes to the plan, and the excess of return over the 7.0% assumption resulted in an actuarial gain.

Debt – During 2021 no new debt was issued. As of December 31, 2021, the Township had one general obligation bond series and two general obligation notes outstanding in the amount of \$6,071,000 and capital leases totaling \$1,734,951. The Township paid \$1,252,820 in principal and \$112,507 in interest and fiscal charges on this outstanding debt in 2021. The debt service on general obligation notes and bonds is the responsibility of the Debt Service Fund and is funded by tax revenues and transfers from the General Fund, except for the 2013 pension obligation bond series and 2020B general obligation notes, which are funded by the General and Fire Services Funds.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Table 6
Fund Sourcing of Outstanding Liabilities
December 31, 2021

	General Fund	Debt Service Fund	Other governmental funds	Total	Maturity
General Obligation Bonds, 2013	\$ 245,640		\$ 4,360	\$ 250,000	2022
General Obligation Notes, 2020A		\$ 3,962,000		3,962,000	2025
General Obligation Notes, 2020B	1,826,579		32,421	1,859,000	2028
Capital leases	1,388,460		346,491	1,734,951	2024-2032
Compensated absences	633,361			633,361	
Net pension liability	4,690			4,690	
Other post-employment benefits liability	3,048,786			3,048,786	
	\$ 7,147,516	\$ 3,962,000	\$ 383,272	\$ 11,492,788	

Additional information about the Township's general obligation bond series and capital leases can be found in Note 6 of this report. Compensated absences represent vacation and other vested accrued time payable to employees. Additional compensated absence information can be found in Notes 1 and 6 of this report. Other post-employment benefits arise from retiree healthcare obligated for police officers. This liability is determined by an actuary. More information on this liability can be found in Note 9 of this report.

BUDGETARY EVENTS

Actual General Fund revenues in 2021 exceeded budget by 6.9%, and actual expenditures were under budget by 7.8%. Expenditures are almost always below budget due to conservative fiscal philosophy. No budget amendments were made for 2021.

Continued economic concerns relating to COVID business restrictions were not known at the time of the 2021 budget preparation. The external economic forecasts that the Township uses to base projections substantiated this concern in the minds of the elected officials and staff. For example, a forecast used to set the earned income tax budgeted revenue was average monthly nonfarm payroll. This forecast was \$518, but it ultimately came in at \$562. Earned income tax was budgeted at \$2,531,700, with actual results at \$2,722,996. Real estate transfer tax and construction-related revenue are both large and exceeded budget by over 60%.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

BUDGETARY EVENTS (CONTINUED)

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

Table 7
Legally Adopted Original Budgets
Years ended December 31, 2022 and 2021

	2022			
	General Fund	Other funds	Total 2022	Total 2021
Revenue:				
Tax revenue	\$ 9,205,060	\$ 2,602,680	\$ 11,807,740	\$ 11,717,230
Other revenue	5,853,620	678,050	6,531,670	4,959,090
Other financing sources	2,701,200	833,170	3,534,370	1,921,830
Total revenue	17,759,880	4,113,900	21,873,780	18,598,150
Expenditures:				
Public safety	10,207,430		10,207,430	9,397,050
Public works	1,150,340	989,230	2,139,570	1,638,450
General government	2,526,030	1,410	2,527,440	2,450,630
Debt service		1,523,280	1,523,280	1,145,400
Parks and recreation	1,346,540		1,346,540	1,333,680
Refuse collection	902,010		902,010	1,089,000
Fire protection		646,240	646,240	1,901,865
Street lights		134,180	134,180	134,730
Insurance	84,780		84,780	84,950
Miscellaneous	2,600		2,600	2,600
Other financing uses	1,320,150	1,096,840	2,416,990	1,958,260
Total expenditures	17,539,880	4,391,180	21,931,060	21,136,615
Fund balance change	\$ 220,000	\$ (277,280)	\$ (57,280)	\$ (2,538,465)

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

BUDGETARY EVENTS (CONTINUED)

- The 2022 budget compared to the 2021 budget is shown in Table 7. All tax rates were unchanged. Refuse rates are budgeted to increase to \$76.17 per quarter.
- Spending caps are in place until 2025. Public safety is limited to non-capital annual spending growth of 7.5%, fire to 2.5% and all others (except debt service, tax collection, stormwater, property and liability insurance and other financing uses) are limited to 5.0%. On top of that, 2022 through 2025 are limited to a 0.3 mill property tax increase. If revenue proves insufficient, public safety expenditure increases must first be reduced to 5%. If more is needed, the Board will decide at that time. Agreement on all limits was finalized in 2019 and established by resolution in 2020.
- General Fund fund balance is reexamined every year. As mentioned, it was decided that its base should be no less than 30% of expenditures. The amount of \$3 million additional shall be held for drawdown during the next recession to avoid tax increases or service cuts when the public is least able to absorb them. The remaining (approximately) \$1 million is to be drawn down over the next five years to help offset Committee recommendations.
- To better track fire spending, the Fire Services Fund was split in 2021 into Fire Operating and Fire Capital. Officially, it will remain as one fund with two sub-funds.
- The Lower Allen Township Stormwater Authority addresses a largely unfunded federal mandate. The Authority accounts for its own revenue, but the Township accounts for most of its expenditures. For 2022, the transfer from the Authority is budgeted at \$1,404,770 (or 9% of the General Fund's budget). Stormwater grants of \$428,000 are included in General Fund revenue.

LOWER ALLEN TOWNSHIP
PENNSYLVANIA

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

BUDGETARY EVENTS (CONTINUED)

Economic forecasts as of this writing predict an economic slowing in 2022 continuing into 2023, although local unemployment rates and other conditions are expected to continue to stay more positive than state and national figures. The following table shows actual percent change in national annual economic indicators and projected changes for the next two years as supplied by the Wells Fargo Securities Forecast of June 15, 2022. These are the indicators from that list that correlate best with the largest Township economically sensitive revenues. Earned income tax correlates well with the unemployment rate and business fixed investment. Construction-related revenue correlates well with residential construction and business investment in structures. Total expenditures are harder to predict using a correlative method, but best match the change in Consumer Price Index. Note that some of these correlations are best when lagged.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Average</u>	<u>Slope</u>
Business fixed investment	5.3	6.4	2.9	(5.3)	7.4	5.3	1.5	3.4	(0.3)
Business investment in structures	4.6	4.1	(0.6)	(12.5)	(8.0)	(3.0)	2.1	(1.9)	(1.0)
Consumer Price Index	2.1	2.4	1.8	1.2	4.7	8.6	4.0	3.5	0.8
Real GDP	2.2	2.9	2.2	(3.4)	5.7	2.5	0.0	1.7	(0.1)
Residential construction	3.3	(1.5)	(1.7)	6.8	9.2	(4.0)	(5.0)	1.0	(0.7)
Unemployment rate	4.4	3.7	3.7	8.1	5.4	3.6	4.2	4.7	0.0

REQUESTS FOR INFORMATION

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

LOWER ALLEN TOWNSHIP

STATEMENT OF NET POSITION – DECEMBER 31, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Primary government Governmental activities	Component units		
		Lower Allen Township Development Authority	Lower Allen Township Authority	Lower Allen Township Stormwater Authority
Current assets:				
Cash and cash equivalents	\$ 15,728,069	\$ 911,783	\$ 2,822,927	\$ 2,504,526
Certificates of deposit	1,553,889			
Cash, escrow	213,637			
Investments			3,008,472	
Receivables, net:				
Taxes	2,381,142			
Accounts	1,592,658			35,464
Sanitation fees	101,315			
Sanitary sewer rents			91,385	
Lower Allen Township Development Authority	923,655			
Inventory	23,165			
Other assets	305,286			
Total current assets	22,822,816	911,783	5,922,784	2,539,990
Noncurrent assets:				
Net pension asset	2,702,457		1,125,634	
Capital assets:				
Not being depreciated	6,353,055	9,293,791	297,126	
Being depreciated, net	19,188,130		26,546,621	
Total noncurrent assets	28,243,642	9,293,791	27,969,381	
Total assets	51,066,458	10,205,574	33,892,165	2,539,990
Deferred outflows of resources:				
Deferred charge on refunding	192,658			
Deferred outflows of resources for pensions	932,314		189,966	
Deferred outflows of resources for other post-employment benefits	234,202			
Total deferred outflows of resources	1,359,174		189,966	
Total assets and deferred outflows of resources	\$ 52,425,632	\$ 10,205,574	\$ 34,082,131	\$ 2,539,990

(continued)

See notes to financial statements.

LOWER ALLEN TOWNSHIP

STATEMENT OF NET POSITION – DECEMBER 31, 2021

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Primary government Governmental activities	Component units		
		Lower Allen Township Development Authority	Lower Allen Township Authority	Lower Allen Township Stormwater Authority
Liabilities:				
Current liabilities:				
Payroll taxes and withholding	\$ 42,903		\$ 7,325	
Vouchers payable	552,235	\$ 1,050,812	68,718	
Retainage payable		774,507		
Accrued:				
Wages payable	227,632		130,158	
Interest	84,727	9,672	14,113	
Lower Allen Township payable		923,655		\$ 860
Other payables	212,313		2,400	
Escrow payable	213,637			
Unearned revenue	1,882,975	44,450		
Long-term liabilities, due within one year:				
Compensated absences	272,223			
General obligation bonds	250,000		680,000	
General obligation notes	980,000			
Capital lease payable	208,170			
Total current liabilities	4,926,815	2,803,096	902,714	860
Long-term liabilities:				
Long-term liabilities, due in more than one year:				
Compensated absences	361,138			
General obligation bonds			7,022,000	
General obligation notes	4,841,000	7,354,847		
Capital lease payable	1,526,781			
Net pension liability	4,690			
Other post-employment benefits liability	3,048,786			
Total long-term liabilities	9,782,395	7,354,847	7,022,000	
Total liabilities	14,709,210	10,157,943	7,924,714	860
Deferred inflows of resources:				
Deferred inflows of resources for pensions	3,115,925		772,784	
Deferred inflows of resources for other post-employment benefits	750,760			
Total deferred inflows of resources	3,866,685		772,784	
Net position:				
Net investment in capital assets	19,754,874	(358,967)	19,141,747	
Restricted for:				
Debt service	1,324,266			
Public safety	847,184			
Public works	1,230,659			
Parks and recreation	396,910			
Capital expenditure	430,025			
Unrestricted	9,865,819	406,598	6,242,886	2,539,130
Total net position	33,849,737	47,631	25,384,633	2,539,130
Total liabilities, deferred inflows of resources and net position	\$ 52,425,632	\$ 10,205,574	\$ 34,082,131	\$ 2,539,990

(concluded)

See notes to financial statements.

LOWER ALLEN TOWNSHIP

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2021

Functions/programs	Expenses	Program revenues			Net revenue (expenses) and changes in net position			
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Component units		
						Lower Allen Township Development Authority	Lower Allen Township Authority	Lower Allen Township Stormwater Authority
Primary government:								
Governmental activities:								
General government	\$ 2,583,185	\$ 147,186	\$ 129,927		\$ (2,306,072)			
Public safety	8,102,472	2,082,623	25,000		(5,994,849)			
Public works	3,309,412	1,729,399	893,517	\$ 809,312	122,816			
Parks and recreation	543,616	45,256	115,528		(382,832)			
Interest on long-term debt	229,624				(229,624)			
Total primary government	\$ 14,768,309	\$ 4,004,464	\$ 1,163,972	\$ 809,312	(8,790,561)			
Component units:								
Lower Allen Township								
Development Authority	\$ 990,592	\$ 968,226				\$ (22,366)		
Lower Allen Township Authority	5,608,457	5,720,927					\$ 112,470	
Lower Allen Township								
Stormwater Authority	345,417	1,309,232						\$ 963,815
Total component units	\$ 6,944,466	\$ 7,998,385				(22,366)	112,470	963,815
(continued)								

(continued)

(continued)

LOWER ALLEN TOWNSHIP

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

	Net revenue (expenses) and changes in net position			
	Component units			
Governmental activities	Lower Allen Township Development Authority	Lower Allen Township Authority	Lower Allen Township Stormwater Authority	
General revenues:				
Real estate taxes	\$ 7,436,763			
Real estate transfer taxes	751,148			
Earned income taxes	3,517,136			
Local services taxes	709,508			
Franchise taxes	317,315			
Public utility realty tax	10,425			
Amusement taxes	15,801			
Investment earnings (losses)	36,587	\$ 52	\$ (9,536)	\$ 170
Intergovernmental revenue and contributions (not restricted to a specific purpose)	479,728			
Gain (loss) on sale of assets	66,951		(1,813)	
Other revenue (not restricted to a specific purpose)	8,882			
Total general revenues	13,350,244	52	(11,349)	170
Change in net position	4,559,683	(22,314)	101,121	963,985
Net position:				
Beginning, as restated	29,290,054	69,945	25,283,512	1,575,145
Ending	\$ 33,849,737	\$ 47,631	\$ 25,384,633	\$ 2,539,130 (concluded)

See notes to financial statements.

LOWER ALLEN TOWNSHIP

BALANCE SHEET – GOVERNMENTAL FUNDS DECEMBER 31, 2021

	Major funds			Non-major funds	Total
	General Fund	Capital Improvement Fund	Fire Services Fund	Other governmental funds	governmental funds
ASSETS					
Cash and cash equivalents	\$ 9,359,806	\$ 1,826,031	\$ 1,706,075	\$ 2,836,157	\$ 15,728,069
Certificates of deposit	1,553,889				1,553,889
Cash, escrow	213,637				213,637
Receivables, net:					
Taxes	2,332,300		32,213	16,629	2,381,142
Accounts	1,375,559	213,829		3,270	1,592,658
Sanitation fees	101,315				101,315
Lower Allen Township Development Authority	923,655				923,655
Due from other funds	656,939	36,199		159,156	852,294
Inventory	23,165				23,165
Other assets	282,944		12,435	9,907	305,286
Total assets	\$ 16,823,209	\$ 2,076,059	\$ 1,750,723	\$ 3,025,119	\$ 23,675,110
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Payroll tax and withholding	\$ 42,903				\$ 42,903
Due to other funds	36,199		\$ 816,095		852,294
Vouchers payable	314,153	\$ 187,658	50,382	\$ 42	552,235
Accrued wages payable	227,632				227,632
Other payables	212,313				212,313
Escrow payable	213,637				213,637
Unearned revenue	1,403,600	921,396		45,998	2,370,994
Total liabilities	2,450,437	1,109,054	866,477	46,040	4,472,008
Deferred inflows of resources:					
Unavailable revenue:					
Taxes	1,647,430		24,627	12,651	1,684,708
Charges for services	553,733				553,733
Total deferred inflows of resources	2,201,163		24,627	12,651	2,238,441
Fund balances:					
Nonspendable	306,109		12,435	9,907	328,451
Restricted for:					
Debt service				1,324,266	1,324,266
Public safety			847,184		847,184
Public works				1,230,659	1,230,659
Parks and recreation				396,910	396,910
Capital expenditure	430,025				430,025
Committed for:					
Economic recession	3,000,000				3,000,000
Economic stabilization	7,435,475				7,435,475
Assigned for capital projects		967,005			967,005
Unassigned	1,000,000			4,686	1,004,686
Total fund balances	12,171,609	967,005	859,619	2,966,428	16,964,661
Total liabilities, deferred inflows of resources and fund balances	\$ 16,823,209	\$ 2,076,059	\$ 1,750,723	\$ 3,025,119	\$ 23,675,110

See notes to financial statements.

LOWER ALLEN TOWNSHIP

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS ON THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

Total governmental fund balances	\$ 16,964,661
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,541,185
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.	2,726,460
Net pension assets and liability is not due and payable in the current period and, therefore, is not reported in the funds:	
Net pension assets	2,702,457
Net pension liability	(4,690)
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	932,314
Deferred inflows of resources related to pensions	(3,115,925)
Deferred outflows of resources related to other post-employment liability	234,202
Deferred inflows of resources related to other post-employment liability	(750,760)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(250,000)
Notes payable	(5,821,000)
Less deferred charge on refunding	192,658
Capital lease payable	(1,734,951)
Compensated absences payable	(633,361)
Other post-employment liability	(3,048,786)
Accrued interest expense	(84,727)
Net position of governmental activities	<u>\$ 33,849,737</u>

See notes to financial statements.

LOWER ALLEN TOWNSHIP

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

	Major funds			Non-major funds	
	General Fund	Capital Improvement Fund	Fire Services Fund	Other governmental funds	Total governmental funds
Revenues:					
Real estate taxes	\$ 4,815,196		\$ 1,729,005	\$ 889,279	\$ 7,433,480
Other taxes	4,993,599				4,993,599
Licenses and permits	401,409				401,409
Fines and forfeits	107,735				107,735
Investment earnings	34,529	\$ 138	1,028	892	36,587
Rents	48,796	16,824			65,620
Intergovernmental revenue	907,780	331,609		548,530	1,787,919
Charges for services	3,882,675			54,633	3,937,308
Contributions from Lower Allen Township Stormwater Authority	342,635				342,635
Miscellaneous revenues	59,554		25,000	117,880	202,434
Total revenues	15,593,908	348,571	1,755,033	1,611,214	19,308,726
Expenditures:					
Current:					
General government	2,246,120	1,438		1,189	2,248,747
Public safety	7,692,381		1,657,314		9,349,695
Public works	3,167,427			347,039	3,514,466
Parks and recreation	1,091,867			4,461	1,096,328
Miscellaneous expenditures	67,193				67,193
Capital outlay		410,393			410,393
Debt service:					
Principal	235,607		4,393	1,012,820	1,252,820
Interest and fiscal charges	11,875			100,632	112,507
Total expenditures	14,512,470	411,831	1,661,707	1,466,141	18,052,149
Excess (deficiency) of revenues over (under) expenditures	1,081,438	(63,260)	93,326	145,073	1,256,577

(continued)

(continued)

LOWER ALLEN TOWNSHIP

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

	Major funds			Non-major funds	
	General Fund	Capital Improvement Fund	Fire Services Fund	Other governmental funds	Total governmental funds
Other financing sources (uses):					
Transfers in	\$ 566,520			\$ 585,279	\$ 1,151,799
Transfers out	(585,279)		\$ (535,520)	(31,000)	(1,151,799)
Proceeds from sale of assets	124,117				124,117
Total other financing sources (uses)	105,358		(535,520)	554,279	124,117
Net changes in fund balances	1,186,796	\$ (63,260)	(442,194)	699,352	1,380,694
Fund balances:					
Beginning of year	10,984,813	1,030,265	1,301,813	2,267,076	15,583,967
End of year	\$ 12,171,609	\$ 967,005	\$ 859,619	\$ 2,966,428	\$ 16,964,661 (concluded)

See notes to financial statements.

LOWER ALLEN TOWNSHIP

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

Net change in fund balances, governmental funds **\$ 1,380,694**

**Amounts reported for governmental activities in the statement of
activities are different because:**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and disposals exceeded capital outlays in the current period.

The details of the difference are as follows:

Capital outlays	\$ 3,199,748
Depreciation	(2,142,417)
Disposal of capital assets	<u>(57,166)</u>

Net	1,000,165
-----	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (47,685)

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

Principal repayments:

Bonds payable	1,051,000
Capital lease payable	<u>201,820</u>

Net	1,252,820
-----	-----------

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

Change in compensated absences	(37,405)
Change in net pension asset and liability, net of related deferred outflows and inflows of resources	1,197,121
Change in other post-employment liability, net of related deferred outflows of resources	(68,910)
Amortization of, deferred charge on refunding	(43,878)
Change in accrued interest	<u>(73,239)</u>

Change in net position of governmental activities **\$ 4,559,683**

See notes to financial statements.

LOWER ALLEN TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION – TRUST FUNDS
DECEMBER 31, 2021

Pension and
OPEB Trust
Funds

ASSETS

Cash and cash equivalents	\$ 861,312
Investments:	
Fixed income	6,529,246
Common stock	12,469,675
Mutual funds	4,143,049
Total investments	23,141,970
Total assets	\$ 24,003,282

LIABILITIES AND NET POSITION

Liabilities, accounts payable	\$ 187,072
Net position:	
Restricted for pension	23,014,881
Restricted for other post-employment benefits	801,329
Total net position	23,816,210
Total liabilities and net position	\$ 24,003,282

See notes to financial statements.

LOWER ALLEN TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PENSION AND OTHER
POST-EMPLOYMENT BENEFIT TRUST FUNDS
YEAR ENDED DECEMBER 31, 2021

	Pension and OPEB Trust Funds
Additions:	
Contributions:	
State aid and employer	\$ 767,380
Employee	120,704
	<hr/>
Total contributions	888,084
	<hr/>
Net investment income:	
Investment income	3,347,475
Less investment expense	118,867
	<hr/>
Net investment income	3,228,608
	<hr/>
Total additions	4,116,692
	<hr/>
Deductions:	
Benefits	1,133,536
Administrative expenses	28,834
	<hr/>
Total deductions	1,162,370
	<hr/>
Increase in funds' net position	2,954,322
	<hr/>
Net position:	
Beginning	20,861,888
	<hr/>
Ending	\$ 23,816,210
	<hr/>

See notes to financial statements.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

The financial statements of Lower Allen Township (Township) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. The accounting and reporting framework and the more significant accounting principles and practices of the Township are discussed in subsequent sections of this note. The remaining notes are organized to provide required disclosures and explanations of the Township's financial activities for the year ended December 31, 2021.

Reporting entity:

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

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

The Lower Allen Township Authority (Authority) is a separate legal entity in which the Township Board of Commissioners (Board) appoints the five members of the governing board. Each is appointed for a five-year term. One member is appointed each year. Once appointed, a member can only be removed for just cause by the County Court of Quarter Sessions. At December 31, 2021, one Township commissioner was also a member of the governing board of the Authority. The Township guarantees the Guaranteed Sewer Revenue Bonds, Series 2017 and Series of 2020 for the Authority. Thus, the Township is legally obligated for the Authority's debt. The Township's legal authority and limits for extending the guarantees and types of obligations guaranteed is pursuant to the provisions of the Pennsylvania Local Government Unit Debt Act. Accordingly, the Authority has been included as a discretely presented component unit of the Township for the year ended December 31, 2021. Separate financial statements were issued by the Authority and can be obtained by contacting the Lower Allen Township Authority.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Reporting entity:

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

In December 2008, the Township passed a resolution organizing the Lower Allen Township Development Authority (Development Authority). The Township appoints the board members of the Development Authority. The Development Authority must get approval from the Township Board to undergo projects, programs or any other significant activities. Accordingly, the Development Authority has been included as a discretely presented component unit of the Township for the year ended December 31, 2021. Separate financial statements are not issued by the Development Authority.

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

During the year ended December 31, 2013, the Township approved creating a Transportation Development District (TDD) with Upper Allen Township. On April 16, 2014, the Intergovernmental Cooperation Agreement was signed for an initial term of five years. The TDD was established to make improvements to the function and safety of Gettysburg Road. The activity for the year ended December 31, 2021 was immaterial. Separate financial statements are not issued by the TDD.

During the year ended December 31, 2018, the Township passed a resolution organizing the Lower Allen Township Stormwater Authority (Stormwater Authority). The Township appoints the board members of the Stormwater Authority. The Stormwater Authority must get approval from the Township Board to undergo projects, programs or any other significant activities. Accordingly, the Stormwater Authority has been included as a discretely presented component unit of the Township for the year ended December 31, 2021. Separate financial statements were issued by the Stormwater Authority and can be obtained by contacting the Lower Allen Township Stormwater Authority.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support. However, the Township does not have any business-type activities.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Government-wide and fund financial statements:

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, the proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds, pension and other post-employment benefit (OPEB) trust funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The Township considers real estate, earned income and franchise taxes, intergovernmental revenue and charges for services as meeting the available criteria. All other governmental fund revenues are recorded as cash as received because they are generally not measurable until actually received. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance.

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Measurement focus, basis of accounting and financial statement presentation:

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

The Township reports unavailable and unearned revenue on its governmental fund balance sheet. Unavailable revenue arises when potential revenue does not meet the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the deferred inflow of resources or liability for unavailable or unearned revenue is removed from the governmental fund balance sheet and revenue is recognized. Unearned revenues at December 31, 2021 consisted of the following:

General Fund:	
American Rescue Plan Act (ARPA)	\$ 1,060,229
Ammo payments	16,665
Cable access grant	38,136
Watershed restoration and stormwater management	225,015
Gettysburg Road corridor study	50,000
Other	13,555
Capital Improvement Fund:	
Cell tower lease	708,391
Gettysburg Road grant	213,005
Non-major funds:	
Winter maintenance grant	45,998
	<hr/>
Total governmental unearned revenue	2,370,994
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(488,019)
	<hr/>
Total government-wide unearned revenue	<u><u>\$ 1,882,975</u></u>

The Township reports the following major governmental funds:

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Measurement focus, basis of accounting and financial statement presentation:

Capital Improvement Fund - The Capital Improvement Fund accounts for the acquisition of capital assets or construction of major capital projects. Financing is provided through grants, debt issuances and transfers from other funds.

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

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

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

The Township reports the following fiduciary fund types:

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

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Budget information:

Policy and practice:

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

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

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

Budgetary control:

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

Encumbrances:

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Budget information:

Budgetary basis of accounting:

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

Cash and investments:

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

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

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

Interfund receivables and payables:

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

Receivables:

Accounts receivable include fees charged for ambulance services and are recorded net of an allowance for uncollectible fees, which at December 31, 2021 was \$1,292,043.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Inventory:

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

Prepaid items:

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

Pension and other post-employment benefits plans:

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

Capital assets:

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

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

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

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

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

In conjunction with pension and other post-employment benefits accounting requirements, the effect of the differences in the Township's expected and actual experience, the changes of assumptions and the difference between projected and actual earnings on pension and other post-employment benefits plans' investments are recorded as deferred inflows or outflows of resources related to pensions and other post-employment benefits on the government-wide financial statements. These amounts are determined based on the actuarial valuations performed for the pension and other post-employment benefits plans. Note 8 presents additional information about the pension plans. Note 9 presents additional information about the other post-employment benefits plan.

Compensated absences:

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

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

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

Long-term obligations:

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Long-term obligations:

In the Township's fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Net position and fund balance:

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

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

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

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

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Net position and fund balance:

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

Nonspendable - This category represents funds that are not in spendable form and includes such items as prepaid expenditures and inventory. Nonspendable fund balance at December 31, 2021 consisted of the following:

General Fund:	
Inventory	\$ 23,165
Prepays	282,944
Fire Service Fund, prepays	12,435
Streetlight Fund, prepays	9,157
Debt Service Fund, prepays	750
	<hr/>
Total nonspendable fund balance	<u><u>\$ 328,451</u></u>

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

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

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

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Net position and fund balance:

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

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

The governmental fund balances are used for the following purposes:

General Fund - The General Fund is the general operating fund. It accounts for all financial resources of the general government, except those resources accounted for in another fund. The majority of the fund balance is unassigned. A portion of the fund balance is nonspendable for prepaid expenditures and inventory. The General Fund has \$430,025 restricted by third parties to purchase capital expenditures. During 2020, the Commissioners adopted additional, but temporary, fund balance restrictions through resolution 2020-R-07. The resolution states that a maximum of \$3 million can be drawn down only in the event of an economic recession. Beyond that, a maximum total of \$1 million can be drawn down over the next four years for any other purpose. The remainder of the fund balance must remain intact. The fund balance as of December 31, 2021 was \$12,171,609.

Capital Improvement Fund - The Capital Improvement Fund accounts for the acquisition of capital assets or construction of major capital projects. The revenues are assigned by the Township's Manager for future capital improvement projects. The fund balance as of December 31, 2021 was \$967,005.

Streetlight Fund - Operates and maintains Township streetlights. Financing is provided by assessments collected from property owners having property benefiting from street lighting. The revenues are restricted for the payment of streetlight costs. The fund balance as of December 31, 2021 was \$87,994.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Net position and fund balance:

Highway Aid Fund - Maintenance and construction of Township highways, storm sewers, traffic signals and bridges. Financing is provided by the Township's share of the state liquid fuels tax. Restrictions for use of these funds are placed by the Commonwealth of Pennsylvania. A portion of the fund balance is nonspendable for prepaid expenditures. The fund balance as of December 31, 2021 was \$1,106,210.

Fire Services Fund - Operates and supports the Lower Allen Fire Company and the Lisburn Fire Company by allocating monies to cover fire department expenditures. The majority of the funding is committed for fire equipment, a portion is restricted for payment of fire services and a portion of the funding is nonspendable for prepaid expenditures. The fund balance as of December 31, 2021 was \$859,619.

Road Improvement Fund - This fund is used to account for monies provided by the developer of High Meadows, to be used for the future development of Thompson Lane. Revenues are restricted for future development of Thompson Lane. The fund balance as of December 31, 2021 was \$45,612.

Lower Allen Park (LAP) Recreation Fund - Monies held in this fund are provided by developers of residential developments within a one-mile radius of the Township's community park for improvements to the park, in lieu of providing separate recreation areas within the subdivisions. Revenues are restricted for community park improvements. The fund balance as of December 31, 2021 was \$396,910.

Friends of Fun Fort Fund - This fund is used to account for monies provided by the public for maintenance of the Fun Fort located at the Lower Allen Township Park. Revenues are restricted for maintenance of the Fun Fort. As of December 31, 2021, the fund had an unassigned deficit of \$4,686.

Debt Service Fund - The Debt Service Fund accounts for the general obligation bond and capital lease expenditures of the Township. Financing is provided through real estate taxes and transfers from other funds. The revenues are restricted for the payment of Township debt obligations. The fund balance as of December 31, 2021 was \$1,325,016.

Capital contributions:

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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

Risk management:

The Township and Authority are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township's and Authorities' significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverage in 2021 for the Township or the Authorities. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years for any entity. Management of the Township and Authorities believe their commercial insurance coverage is sufficient to prevent any significant uninsured losses.

Use of estimates:

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

New Government Accounting Standards Board (GASB) statement:

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

GASB 98, *The Annual Comprehensive Financial Report*, this Statement establishes the term Annual Comprehensive Financial Report and its acronym ACFR.

Pending Government Accounting Standards Board statements:

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

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

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

2. Cash and investments:

Primary government:

Deposits:

As of December 31, 2021, the Township's bank balance and book balance were as follows:

	Bank balance	Book balance
External investment pool, presented as cash and cash equivalents	\$ 15,606,608	\$ 15,439,480
Non-pooled deposits, cash and cash equivalents	2,913,919	2,917,427
	<u>\$ 18,520,527</u>	<u>\$ 18,356,907</u>
Governmental activities:		
Cash and cash equivalents		\$ 15,728,069
Certificates of deposit		1,553,889
Cash, escrow		213,637
Fiduciary funds, Pension and OPEB Trust Funds		<u>861,312</u>
Total cash and cash equivalents		<u>\$ 18,356,907</u>

Custodial credit risk - Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a policy for custodial credit risk. As of December 31, 2021, \$2,307,409 of the Township's non-pooled bank balance of \$2,913,919 was insured by the Federal Deposit Insurance Corporation (FDIC). The \$606,510 not covered by FDIC was collateralized in accordance with Act 72. This Act requires the institution to pool collateral for all its government deposits and to have the collateral held by an approved custodian in the institution's name. The bank balance of \$15,606,608 was pooled funds invested in an external investment pool with the Pennsylvania School District Liquid Asset Fund (PSDLAF). These pooled funds are presented as cash and cash equivalents on the statement of net position and balance sheet.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

2. Cash and investments (continued):

Primary government:

Investments and external investment pool:

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

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

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

The Township categorizes the fair value of its investments based on the measurement hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. The Township does not have any investments that are measured using Level 2 or Level 3 inputs.

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

2. Cash and investments (continued):

Primary government:

Investments and external investment pool:

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

2. Cash and investments (continued):

Primary government:

Investments and external investment pool:

The Township has investments measured at fair value and also has investments measured using net asset value as a practical expedient to estimate fair value which are not classified in the fair value measurement hierarchy. The Township has the following fair value measurements as of December 31, 2021:

<u>Investment type</u>	<u>Fair value</u>
Investments:	
Fair value measurement Level 1:	
Fixed income, Huntington Bank	\$ 6,529,246
Common stock, Huntington Bank	12,469,675
Mutual funds:	
Huntington Bank	2,854,395
Wells Fargo Advisors	<u>1,288,654</u>
Total investments by fair value measurement level	<u><u>\$ 23,141,970</u></u>
Reconciliation to statements:	
Fiduciary funds:	
Non-Uniformed Pension Plan Trust Fund	\$ 8,604,622
Police Pension Plan Trust Fund	13,248,694
Volunteer Firefighter's Service Award Program	300,299
Other Post-Employment Benefit Trust Fund	<u>988,355</u>
	<u><u>\$ 23,141,970</u></u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

2. Cash and investments (continued):

Primary government:

Investments and external investment pool:

The Township has the following recurring net asset value and amortized cost measurements as of December 31, 2021, including unfunded commitments and redemption terms, as follows:

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Cash equivalents measured at amortized cost, external investment pool, PSDLAF ¹	<u>\$ 15,439,480</u>	\$ -	Weekly	5 days

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

Custodial credit risk - Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Township does not have a formal investment policy for custodial credit risk. At December 31, 2021, the Township's investments are not held in securities form and, therefore, are not exposed to custodial credit risk.

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

Concentration of credit risk - The Township places no limit on the amount the Township may invest in any one issuer. The Non-Uniformed Pension Plan, the Police Pension Plan, the Volunteer Firefighter's Service Award Program and the OPEB Plan have a policy that states that no more than 5% of the total equities may be invested in the common stock of any one corporation. Investments in any corporation shall not exceed 5% of the outstanding shares of the corporation. At December 31, 2021, the Township's investments are held in mutual funds form and, therefore, are not exposed to concentration of credit risk.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

2. Cash and investments (continued):

Primary government:

Investments and external investment pool:

Credit risk - As indicated above, investing is performed in accordance with investment policies complying with state statutes and the Township Charter. The Township has no investment policy that would further limit its investment choices. The Non-Uniformed Pension Plan and Police Pension Plan have a policy that states the fixed income portfolio should be diversified by issuer and to the extent possible by maturity rate. At least 50% of the fixed income portfolio will be at "A" or better; no more than 20% of the fixed income portfolio will be invested in noninvestment grade (below BBB) or nonrated bonds. The Volunteer Firefighter's Service Award Program and the OPEB Plan have a policy that states the fixed income portfolio should be diversified by issuer and to the extent possible by maturity rate. At least 50% of the fixed income portfolio will be at "BBB" or better. At December 31, 2021, the Township's cash equivalents and investment ratings were as follows:

	<u>Rating</u>	<u>Amortized cost</u>
Cash equivalents measured at amortized cost, external investment pool	AAAm	\$ 15,439,480
	<u>Rating</u>	<u>Fair value</u>
Investments at fair value measurement level, Level 1:		
Fixed income	AA+	\$ 543,989
Fixed income	A+	551,342
Fixed income	AA	138,542
Fixed income	A	696,879
Fixed income	A-	933,370
Fixed income	BBB+	445,520
Fixed income	Unrated	3,219,604
Common stock	A+	286,909
Common stock	A	185,503
Common stock	A-	124,884
Common stock	B+	155,371
Common stock	Unrated	11,717,008
		<u>\$ 18,998,921</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

2. Cash and investments (continued):

Primary government:

Investments and external investment pool:

Interest rate risk - The Township does not have a formal policy that limits the Township's investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Non-Uniformed Pension Plan, the Police Pension Plan, the Volunteer Firefighter's Service Award Program and the OPEB Plan have policies that state the average duration (effective maturity) of the fixed income portfolio should be in the range of two to seven years. The following is a schedule of the Township's cash equivalents and investments and their related average maturities:

Type	Amortized cost	Maturities		
		2022	2023-2027	2028-2031
Cash equivalents measured at amortized cost, external investment pool	<u>\$ 15,439,480</u>	<u>\$ 15,439,480</u>		
	Fair value	Maturities		
		2022	2023-2027	2028-2031
Investments at fair value level, Level 1:				
Fixed income	\$ 6,529,246	\$ 177,854	\$ 4,757,450	\$ 1,593,942
Common stock	<u>12,469,675</u>	<u>12,469,675</u>		
	<u>\$ 18,998,921</u>	<u>\$ 12,647,529</u>	<u>\$ 4,757,450</u>	<u>\$ 1,593,942</u>

The average maturity of the Township's investment in fixed income mutual funds in the amount of \$3,219,604 was unavailable at December 31, 2021.

Component unit - Development Authority:

Custodial credit risk - Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Development Authority does not have a policy for custodial credit risk. As of December 31, 2021, \$250,000 of the Development Authority's non-pooled bank balance of \$418,351 was insured by the Federal Deposit Insurance Corporation (FDIC). The bank balance of \$641,284 was pooled funds invested in an external investment pool with the Pennsylvania School District Liquid Asset Fund (PSDLAF). These pooled funds are presented as cash and cash equivalents on the statement of net position and balance sheet.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

2. Cash and investments (continued):

Component unit - Development Authority:

The Development Authority's external investment pool is valued at amortized cost, which approximates fair value. There is no formal external regulatory oversight for the external investment pool. The external investment pool is rated AAA and has a maturity of less than one year at December 31, 2021.

Component unit - Lower Allen Township Authority:

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

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

Deposits:

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

2. Cash and investments (continued):

Component unit – Lower Allen Township Authority:

Deposits:

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

	Book balance	Bank balance
Insured (FDIC)	\$ 250,200	\$ 250,200
Uninsured and collateral held by pledging financial institution, or agent not in the Authority's name	<u>2,572,727</u>	<u>2,675,511</u>
	<u><u>\$ 2,822,927</u></u>	<u><u>\$ 2,925,711</u></u>

Investments:

Investments, which are stated at carrying value, which approximates fair value, consisted of the following at December 31, 2021:

	Cost	Carrying value
FDIC insured bank deposits	\$ 842	\$ 842
Certificates of deposit, maturity dates through December 30, 2024 and interest rates ranging from 0.10% to 2.75%	<u>3,000,032</u>	<u>3,007,630</u>
	<u><u>\$ 3,000,874</u></u>	<u><u>\$ 3,008,472</u></u>

All of Lower Allen Township Authority's investments were fully insured by the FDIC or Securities Investor Protection Corporation (SIPC) at December 31, 2021.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

2. Cash and investments (continued):

Component unit – Stormwater Authority:

Custodial credit risk and deposits:

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

As of December 31, 2021, the Stormwater Authority's bank balance of \$2,504,476 was not covered by the Federal Deposit Insurance Corporation, but was collateralized in accordance with Act 72. This Act requires the institution to pool collateral for all its government deposits and to have the collateral held by an approved custodian in the institution's name.

External investment pool:

Statutes authorize the Stormwater Authority to invest in the following:

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

2. Cash and investments (continued):

Component unit – Stormwater Authority:

External investment pool:

The Stormwater Authority categorizes the fair value of its investments based on the measurement hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. The Stormwater Authority does not have any investments that are measured using Level 2 or Level 3 inputs.

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

The Stormwater Authority has the following recurring net asset value and amortized cost measurements as of December 31, 2021, including unfunded commitments and redemption terms, as follows:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Cash equivalents measured at amortized cost, external investment pool, PSDLAF ¹	<u>\$ 2,504,526</u>	\$ -	Weekly	5 days

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

2. Cash and investments (continued):

Component unit – Stormwater Authority:

External investment pool:

Custodial credit risk - Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Stormwater Authority does not have a formal investment policy for custodial credit risk. At December 31, 2021, the Stormwater Authority's investments are not held in securities form and, therefore, are not exposed to custodial credit risk.

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

Credit risk - As indicated above, investing is performed in accordance with investment policies complying with state statutes. The Stormwater Authority has no investment policy that would further limit its investment choices. At December 31, 2021, the Stormwater Authority's cash equivalents at PSDLAF are rated AAAm.

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

3. Real estate taxes:

The Township's real estate tax is levied each March 1 on the assessed value listed as of January 1 on all taxable real property located in the Township. The tax levy ordinance for 2021 was passed by the Township Board on December 21, 2020. The real estate tax rate for the year ended December 31, 2021 was \$2.64 per \$1,000 of assessed valuation for general purposes, \$.41 per \$1,000 of assessed valuation for debt service purposes, \$1.00 per \$1,000 of assessed valuation for street light purposes and \$.95 per \$1,000 of assessed valuation for fire services purposes. Current tax collection for the year ended December 31, 2021 was 99% of the tax levied. A majority of the taxes billed for 2021 were received during the current year and, based on experience, substantially all taxes will be collected in subsequent periods.

Cumberland County, which includes the Township, is responsible for collection of delinquent real property taxes and property tax assessment. Delinquent 2021 real property taxes were turned over to Cumberland County in January 2022.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

3. Real estate taxes (continued):

The full year property tax calendar is as follows:

Assessment date	January 1, 2021
Property tax bills rendered, lien date	March 1, 2021
Bills paid during March and April are granted a 2% discount	April 30, 2021
Gross amount of levy is due	June 30, 2021
Taxes delinquent and penalty of 10% of the face amount is charged	July 1, 2021 to February 1, 2022

4. Interfund balances and transfers:

The composition of interfund balances at December 31, 2021 was as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ 656,939	\$ 36,199
Capital Improvement Fund	36,199	
Fire Services Fund		816,095
Non-major governmental funds, Debt Service Fund	<u>159,156</u>	<u></u>
	<u>\$ 852,294</u>	<u>\$ 852,294</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

4. Interfund balances and transfers (continued):

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

The composition of interfund transfers for the year ended December 31, 2021 was as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 566,520	\$ 585,279
Fire Services Fund		535,520
Non-major governmental funds:		
LAP Recreation Fund		31,000
Friends of Fun Fort Fund	26,009	
Debt Service Fund	<u>559,270</u>	<u> </u>
	<u><u>\$ 1,151,799</u></u>	<u><u>\$ 1,151,799</u></u>

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

5. Capital assets:

Capital asset activity of the Township for the year ended December 31, 2021 was as follows:

	Balance, January 1	Additions	Deletions	Reclassifications	Balance, December 31
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 3,269,225	\$ 33,916			\$ 3,303,141
Construction in progress	2,190,825	859,089			3,049,914
Total capital assets, not being depreciated	5,460,050	893,005			6,353,055
Capital assets being depreciated:					
Land improvements	3,749,787				3,749,787
Building and building improvements	14,079,245	123,454			14,202,699
Machinery and equipment	10,252,625	2,183,289	\$ (488,329)		11,947,585
Infrastructure	5,689,481				5,689,481
Total capital assets being depreciated	33,771,138	2,306,743	(488,329)		35,589,552
Less accumulated depreciation:					
Land improvements	1,400,181	42,776		\$ (435,359)	1,007,598
Building and building improvements	4,222,229	315,129		(12,447)	4,524,911
Machinery and equipment	6,614,732	934,057	(431,163)	(6)	7,117,620
Infrastructure	2,453,026	850,455		447,812	3,751,293
Total accumulated depreciation	14,690,168	2,142,417	(431,163)	-	16,401,422
Total capital assets being depreciated, net	19,080,970	164,326	(57,166)	-	19,188,130
Total governmental activities, capital assets, net	\$ 24,541,020	\$ 1,057,331	\$ (57,166)	\$ -	\$ 25,541,185

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

5. Capital assets (continued):

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 718,359
Public safety	855,103
Public works	522,927
Parks and recreation	<u>46,028</u>
 Total depreciation expense, governmental activities	 <u><u>\$ 2,142,417</u></u>

Component unit – Development Authority:

Capital asset activity of the Development Authority for the year ended December 31, 2021 was as follows:

	Balance, January 1	Additions	Deletions	Balance, December 31
Development Authority, capital assets, not being depreciated, construction in progress	<u>\$ 8,204,677</u>	<u>\$ 6,364,114</u>	<u>\$(5,275,000)</u>	<u>\$ 9,293,791</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

5. Capital assets (continued):

Component unit – Lower Allen Township Authority:

Capital asset activity of Lower Allen Township Authority for the year ended December 31, 2021 was as follows:

	Balance, January 1	Additions	Deletions	Balance, December 31
Capital assets, not being depreciated:				
Land and right-of-way	\$ 224,720			\$ 224,720
Construction in progress	129,635	\$ 477,170	\$ (534,399)	72,406
Total capital assets, not being depreciated	354,355	477,170	(534,399)	297,126
Capital assets being depreciated:				
Sewer systems	20,260,410			20,260,410
Plant and pumping stations	45,124,031	562,052		45,686,083
Equipment	1,971,570	31,736	(3,400)	1,999,906
Total capital assets being depreciated	67,356,011	593,788	(3,400)	67,946,399
Less accumulated depreciation:				
Sewer systems	16,351,265	280,510		16,631,775
Plant and pumping stations	21,930,144	1,170,551		23,100,695
Equipment	1,591,303	77,592	(1,587)	1,667,308
Total accumulated depreciation	39,872,712	1,528,653	(1,587)	41,399,778
Total capital assets being depreciated, net	27,483,299	(934,865)	(1,813)	26,546,621
Authority, capital assets, net	\$ 27,837,654	\$ (457,695)	\$ (536,212)	\$ 26,843,747

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

6. Long-term liabilities:

Long-term liabilities' activities of the Township for the year ended December 31, 2021 were as follows:

	Balance, January 1	Additions	Reductions/ retirements	Balance, December 31	Due within one year
Compensated absences	\$ 595,956	\$ 408,179	\$ (370,774)	\$ 633,361	\$ 272,223
General Obligation Bonds, 2013	490,000		(240,000)	250,000	250,000
General Obligation Notes, 2020A	4,773,000		(811,000)	3,962,000	977,000
General Obligation Notes, 2020B	1,859,000			1,859,000	3,000
Capital lease payable	1,936,771		(201,820)	1,734,951	208,170
Net pension liability		4,690		4,690	
Other post-employment benefits liability	4,058,531		(1,009,745)	3,048,786	
	<u>\$ 13,713,258</u>	<u>\$ 412,869</u>	<u>\$(2,633,339)</u>	<u>\$ 11,492,788</u>	<u>\$ 1,710,393</u>

Compensated absences:

Compensated absences are typically liquidated by the General Fund.

General obligation bonds and notes:

In 2013, the Township issued general obligation bonds designated as "General Obligation Pension Funding Bonds, Series of 2013" in the aggregate principal amount of \$3,730,000 to fund the Non-Uniformed, Police and Volunteer Firefighters' Pension Plans, and to pay the costs of issuance of the bonds. The bonds were partially paid off during 2020 with the issuance of the General Obligation Note, Series of 2020B. After the partial payoff, the bonds require semiannual payments ranging from \$4,062 to \$254,063, which include principal and interest ranging from 3.12% to 3.25%, starting in May 2021 through May 2022, and are payable by the General and Fire Services Funds. No specific assets are pledged to secure this obligation; however, the Township has pledged its taxing power as security for the outstanding debt. The loan contains a provision that in the event of default, outstanding amounts become immediately due if the Township is unable to make payment.

\$ 250,000
(continued)

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

6. Long-term liabilities (continued):

General obligation bonds and notes:

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

\$ 3,962,000

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

1,859,000

\$ 6,071,000

(concluded)

Debt service requirements to maturity for the General Obligation Pension Funding Bonds, Series of 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>\$ 250,000</u>	<u>\$ 4,063</u>	<u>\$ 254,063</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

6. Long-term liabilities (continued):

General obligation bonds and notes:

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 977,000	\$ 32,998	\$ 1,009,998
2023	983,000	23,688	1,006,688
2024	997,000	14,283	1,011,283
2025	<u>1,005,000</u>	<u>4,774</u>	<u>1,009,774</u>
	<u>\$ 3,962,000</u>	<u>\$ 75,743</u>	<u>\$ 4,037,743</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 3,000	\$ 31,763	\$ 34,763
2023	295,000	29,215	324,215
2024	301,000	24,120	325,120
2025	305,000	18,938	323,938
2026	314,000	13,646	327,646
2027-2028	<u>641,000</u>	<u>11,021</u>	<u>652,021</u>
	<u>\$ 1,859,000</u>	<u>\$ 128,703</u>	<u>\$ 1,987,703</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

6. Long-term liabilities (continued):

Capital leases:

The Township entered into agreements to purchase a fire truck, vehicles, machinery and equipment through capital lease agreements. The capital lease agreements are payable through March 2032 and have interest rates varying from 2.79% to 3.19%. The following is a schedule of the future minimum lease payments under capital lease agreements, together with the present value of the net minimum lease payments, as of December 31, 2021:

<u>Year ending December 31,</u>	<u>Amount</u>
2022	\$ 260,822
2023	260,824
2024	252,161
2025	243,501
2026	243,500
2027-2031	693,449
2032	<u>16,938</u>
Total minimum lease payments	1,971,195
Amount representing interest	<u>(236,244)</u>
Present value of net minimum lease payments	<u><u>\$ 1,734,951</u></u>

The cost of machinery and equipment purchased under the capital lease is \$5,163,165. At December 31, 2021, the assets had an accumulated depreciation of \$3,380,172. Amortization of assets purchased under capital leases is included in depreciation expense.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

6. Long-term liabilities (continued):

Borrowing capacity:

The estimated borrowing base of the Township at December 31, 2021 was \$18,351,014. The estimated non-electoral or non-self-liquidating borrowing capacity of the Township at base percent (250%) is \$45,877,535. These amounts were determined as follows:

Total revenues and other financing sources, most current three years	\$ 57,319,233
Proceeds from the disposition of capital assets and other nonrecurring items, including bond or note proceeds, most current three years	<u>(2,266,192)</u>
	<u>\$ 55,053,041</u>
Borrowing base (total adjusted revenue/3)	<u>\$ 18,351,014</u>
Debt limit (250% of borrowing base)	\$ 45,877,535
Amount of debt applicable to debt limit	<u>(7,010,786)</u>
Legal debt margin	<u>\$ 38,866,749</u>

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

Component unit – Development Authority:

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

6. Long-term liabilities (continued):

Component unit - Development Authority:

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022		\$ 610,600	\$ 610,600
2023		610,600	610,600
2024	\$ 7,354,847	78,021	7,432,868
	<u>\$ 7,354,847</u>	<u>\$ 1,299,221</u>	<u>\$ 8,654,068</u>

Long-term liability activity of the Development Authority for the year ended December 31, 2021 is as follows:

	<u>Balance, January 1</u>	<u>Additions</u>	<u>Reductions/ retirements</u>	<u>Balance, December 31</u>	<u>Due within one year</u>
Guaranteed Project Note Series of 2019	\$ 7,884,847	\$ 40,000	\$ 570,000	\$ 7,354,847	\$ -

Component unit - Lower Allen Township Authority:

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

The cash flow requirements of the old debt (Series of 2017) were \$9,622,500 from May 15, 2021 to May 15, 2032. The cash flow requirements of the reissued debt (Series of 2020) from May 15, 2021 to May 15, 2032 are \$9,055,764. The difference between the cash flow requirements of the old and reissued debt resulted in a net savings of \$566,737.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

6. Long-term liabilities (continued):

Component unit – Lower Allen Township Authority:

The Authority incurred interest costs related to the Series of 2020 Bond of \$15,207 in 2021.

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

	Principal	Interest	Total
2022	\$ 680,000	\$ 106,749	\$ 786,749
2023	724,000	96,570	820,570
2024	739,000	85,963	824,963
2025	747,000	75,190	822,190
2026	760,000	64,264	824,264
2027-2031	3,837,000	163,066	4,000,066
2032	215,000	2,956	217,956
	<u>\$ 7,702,000</u>	<u>\$ 594,758</u>	<u>\$ 8,296,758</u>

Long-term liability activity of Lower Allen Township Authority for the year ended December 31, 2021 is as follows:

	Balance, January 1	Additions	Retirements	Balance, December 31	Due within one year
Guaranteed Sewer: Revenue Bond Series of 2020	<u>\$ 8,345,000</u>	<u>\$ -</u>	<u>\$ (643,000)</u>	<u>\$ 7,702,000</u>	<u>\$ 680,000</u>

7. Commitments and contingencies:

Primary government:

Litigation:

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

7. Commitments and contingencies (continued):

Primary government:

Grants:

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

Component unit – Lower Allen Township Authority:

On August 5, 2021, the Authority awarded a contract for the Influent Pump Station Odor Control Replacement Project in the amount of \$424,734. The commitment under this contract is approximately \$413,000 at December 31, 2021.

8. Pension and deferred compensation plans:

Primary government:

Summary of significant accounting policies:

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

Plan descriptions:

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

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

Plan descriptions:

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

Plan membership:

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

	Non-Uniformed Pension Plan	Police Pension Plan	Volunteer Firefighter's Service Award Program
Valuation date	January 1, 2021	January 1, 2021	April 1, 2021
Active employees	37	25	37
Inactive employee or beneficiaries currently receiving benefits	27	21 *	15
Inactive employees entitled to but not yet receiving benefits	21	-	31
Total	85	46	83

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

Benefits provided:

Non-Uniformed Pension Plan

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

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

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

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

Police Pension Plan

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

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

Benefits provided:

Police Pension Plan

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

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

Deferred Retirement Option Plan (DROP) - A participant who is eligible for a normal retirement benefit can elect to participate in DROP for a maximum three-year period. Termination of employment is required at the end of the DROP period. A monthly benefit is held in a separate interest-bearing account until it is distributed as a lump-sum payment upon termination. At December 31, 2021, there was one employee participating in DROP. As of December 31, 2021, the amount of the plan's investments pursuant to DROP was \$8,921.

Volunteer Firefighter's Service Award Program

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

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

Benefits provided:

Volunteer Firefighter's Service Award Program

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

Contributions required and contributions made:

Non-Uniformed and Police Pension Plans

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

Non-Uniformed Pension Plan

Active employees are not required to contribute to the plan. During the year ended December 31, 2021, the Township made its required contribution of \$294,026 based on the MMO.

Police Pension Plan

Each active participant shall make required monthly contributions of 5% of compensation. The participant's required contribution account is 100% vested at all times. During the year ended December 31, 2021, the Township made its required contribution of \$299,077 based on the MMO.

Volunteer Firefighter's Service Award Program

Annual contributions to the program are based on the program's Recommended Municipal Contribution (RMC), which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, plan members are not required to contribute to the plan. During the year ended December 31, 2021, the Township contributed \$3,764.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

Changes in net pension (asset) liability:

The changes in the net pension (asset) liability of the Township for the year ended December 31, 2021 were as follows:

Non-Uniformed Pension Plan

	Increase (decrease)		
	Total pension (asset) liability	Plan fiduciary net position	Net pension (asset) liability
Balances at January 1, 2021	\$ 7,741,676	\$ 7,750,595	\$ (8,919)
Changes for the year:			
Service cost	165,740		165,740
Interest	562,227		562,227
Changes for experience	(277,149)		(277,149)
Contributions, state aid		294,026	(294,026)
Net investment income		1,223,088	(1,223,088)
Benefit payments	(267,805)	(267,805)	-
Administrative expense		(10,153)	10,153
Net changes	183,013	1,239,156	(1,056,143)
Balances at December 31, 2021	\$ 7,924,689	\$ 8,989,751	\$ (1,065,062)
Plan fiduciary net position as a percentage of the total pension liability			113.4%

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

Changes in net pension (asset) liability:

Police Pension Plan

	Increase (decrease)		
	Total pension (asset) liability	Plan fiduciary net position	Net pension (asset) liability
Balances at January 1, 2021	\$ 11,995,602	\$ 12,205,471	\$ (209,869)
Changes for the year:			
Service cost	330,793		330,793
Interest	581,817		581,817
Changes for experience	(23,576)		(23,576)
Contributions:			
State aid		309,590	(309,590)
Member		120,704	(120,704)
Net investment income		1,895,101	(1,895,101)
Benefit payments	(797,421)	(797,421)	-
Administrative expense		(8,835)	8,835
Net changes	91,613	1,519,139	(1,427,526)
Balances at December 31, 2021	\$ 12,087,215	\$ 13,724,610	\$ (1,637,395)
Plan fiduciary net position as a percentage of the total pension liability			113.5%

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

Changes in net pension (asset) liability:

Volunteer Firefighter's Service Award Program

	Increase (decrease)		
	Total pension (asset) liability	Plan fiduciary net position	Net pension (asset) liability
Balances at January 1, 2021	\$ 274,050	\$ 287,537	\$ (13,487)
Changes for the year:			
Service cost	5,467		5,467
Interest	16,027		16,027
Changes for experience	15,928		15,928
Changes of assumptions	9,832		9,832
Contributions, employer		3,764	(3,764)
Net investment income		27,296	(27,296)
Benefit payments	(16,291)	(16,291)	-
Administrative expense		(1,983)	1,983
Net changes	30,963	12,786	18,177
Balances at December 31, 2021	\$ 305,013	\$ 300,323	\$ 4,690
Plan fiduciary net position as a percentage of the total pension liability			98.5%

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

Actuarial assumptions:

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

	Non-Uniformed Pension Plan	Police Pension Plan	Volunteer Firefighter's Service Award Program
Actuarial assumptions:			
Investment rate of return	7.50%	7.50%	7.00%
Projected salary increases	4.75%	5.00%	N/A
Underlying inflation rate	3.00%	3.00%	2.24%
Retirement age	Normal retirement age	Attainment of age 50 and completion of 25 years of service	Normal retirement age
Pre-retirement mortality	None	None	None
Post-employment mortality	PubG-2010 mortality table projected generationally using Scale MP-2018	PubS-2010 mortality table projected generationally using Scale MP-2018	PubS-2010 health mortality table projected five years past the valuation date using Scale MP-2020

Changes in actuarial assumptions:

Changes in benefit terms:

None since January 1, 2021.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

Investment policy:

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

Long-term expected rate of return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment income and inflation of 3.00% for the Non-Uniformed and Police Pension plans and 2.24% for the Volunteer Firefighter's pension plan) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Non-Uniformed and Police Pension Plans' target asset allocation as of December 31, 2021.

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

Long-term expected rate of return:

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

The Volunteer Firefighter's Service Award Program had a target allocation of 100% for mutual funds and a 6.77% long-term expected rate of return as of December 31, 2021.

Rate of return:

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

Non-Uniformed Pension Plan

For the year ended December 31, 2021, the annual money-weighted rate of return on the Non-Uniform Pension Plan investments, net of investment income, was 16.34%.

Police Pension Plan

For the year ended December 31, 2021, the annual money-weighted rate of return on the Police Pension Plan investments, net of investment income, was 16.37%.

Volunteer Firefighter's Service Award Program

For the year ended December 31, 2021, the annual money-weighted rate of return on the Volunteer Firefighter's Service Award Program investments, net of investment expense, was 9.74%.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

Concentrations:

At December 31, 2021, the following are investments (other than U.S. government and U.S. government guaranteed obligations), in any one organization, that represent 5% or more of net position available for benefits:

Investments at fair value:

Level 1, mutual funds:

Equities:

Volunteer Firefighter's Service Award Program:

American Century Mutual Fund Growth Fund	\$ 20,785
Delaware Smallcap Core Fund	18,513
Delaware Group Equity Fund	25,241
Dodge and Cox Stock Fund	15,660
MFS Ser Ti I Value Fund	18,579
Mainstay Fund High Yield Corporate Bond Fund	18,230
Metropolitan West Fund Total Return Bond Fund	17,498
Pimco Funds Pac Invt Mgmt Ser Commodity Real Return Fund	26,292
T. Rowe Price International Fund Overseas Stock Fund	21,157
T. Rowe Price Blue Chip Growth Fund	17,831
Allspring Special Mid Cap Value Fund	15,718

Level 1, fixed income:

Non-Uniformed Pension Plan:

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

Police Pension Plan:

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

Discount rate:

The discount rate used to measure the total pension liability for the Non-Uniformed and Police Pension Plans was 7.50%. The discount rate used to measure the total pension liability for the Volunteer Firefighter's Service Award Program was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Township's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Non-Uniformed Pension Plan	<u>\$ (81,213)</u>	<u>\$ (1,065,062)</u>	<u>\$(1,894,269)</u>
Police Pension Plan	<u>\$ (56,576)</u>	<u>\$ (1,637,395)</u>	<u>\$(2,947,826)</u>
	1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
Volunteer Firefighter's Service Award Program	<u>\$ 61,893</u>	<u>\$ 4,690</u>	<u>\$ (12,849)</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

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

For the year ended December 31, 2021, the Township recognized pension benefit of \$589,938. At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total		
	Deferred outflows of resources	Deferred inflows of resources	Net total
Difference between expected and actual experience	\$ 4,946	\$ (727,895)	\$ (722,949)
Changes in assumptions	927,368		927,368
Net difference between projected and actual earnings on pension plan investments		(2,388,030)	(2,388,030)
	<u>\$ 932,314</u>	<u>\$ (3,115,925)</u>	<u>\$ (2,183,611)</u>
	Non-Uniform Pension Plan		
	Deferred outflows of resources	Deferred inflows of resources	Net total
Difference between expected and actual experience		\$ (599,850)	\$ (599,850)
Changes in assumptions	\$ 484,569		484,569
Net difference between projected and actual earnings on pension plan investments		(937,878)	(937,878)
	<u>\$ 484,569</u>	<u>\$ (1,537,728)</u>	<u>\$ (1,053,159)</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

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

	Police Pension Plan		
	Deferred outflows of resources	Deferred inflows of resources	Net total
Difference between expected and actual experience		\$ (128,045)	\$ (128,045)
Changes in assumptions	\$ 427,718		427,718
Net difference between projected and actual earnings on pension plan investments		(1,431,662)	(1,431,662)
	<u>\$ 427,718</u>	<u>\$(1,559,707)</u>	<u>\$(1,131,989)</u>

	Volunteer Firefighter's Service Award		
	Deferred outflows of resources	Deferred inflows of resources	Net total
Difference between expected and actual experience	\$ 4,946		\$ 4,946
Changes in assumptions	15,081		15,081
Net difference between projected and actual earnings on pension plan investments		\$ (18,490)	(18,490)
	<u>\$ 20,027</u>	<u>\$ (18,490)</u>	<u>\$ 1,537</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

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

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

<u>Year ended December 31,</u>	<u>Net total</u>	<u>Non-Uniform Pension Plan</u>	<u>Police Pension Plan</u>	<u>Volunteer Firefighter's Service Award</u>
2022	\$ (474,518)	\$ (222,742)	\$ (249,265)	\$ (2,511)
2023	(935,878)	(394,741)	(532,544)	(8,593)
2024	(523,249)	(265,293)	(257,067)	(889)
2025	(233,464)	(150,648)	(84,274)	1,458
2026	(18,851)	(18,912)	(2,947)	3,008
thereafter	<u>2,349</u>	<u>(823)</u>	<u>(5,892)</u>	<u>9,064</u>
	<u><u>\$(2,183,611)</u></u>	<u><u>\$ (1,053,159)</u></u>	<u><u>\$(1,131,989)</u></u>	<u><u>\$ 1,537</u></u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

Pension financial statements:

Financial statements for the individual pension plans are presented below:

Statements of Fiduciary Net Position
December 31, 2021

	Non-Uniformed Pension Plan	Police Pension Plan	Volunteer Firefighter's Service Award Program
Cash and cash equivalents	\$ 385,129	\$ 476,113	\$ 24
Investments:			
Fixed income	2,534,895	3,994,351	
Common stock	4,939,668	7,530,007	
Mutual funds	1,130,059	1,724,336	300,299
Total investments	8,604,622	13,248,694	300,299
Total assets	\$ 8,989,751	\$ 13,724,807	\$ 300,323
Net position restricted for pension benefits	\$ 8,989,751	\$ 13,724,807	\$ 300,323

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

Pension financial statements:

Statements of Changes in Fiduciary Net Position
Year ended December 31, 2021

	Non-Uniformed Pension Plan	Police Pension Plan	Volunteer Firefighter's Service Award Program
Additions, net of investment income:			
Contributions:			
State aid and employer	\$ 294,026	\$ 309,590	\$ 3,764
Employee		120,704	
Total contributions	294,026	430,294	3,764
Net investment income	1,223,088	1,895,101	27,296
Total additions	1,517,114	2,325,395	31,060
Deductions:			
Benefits	267,805	797,421	16,291
Administrative expenses	10,153	8,638	1,983
Total deductions	277,958	806,059	18,274
Increase in plan's net position	1,239,156	1,519,336	12,786
Net position restricted for pension benefits:			
Beginning	7,750,595	12,205,471	287,537
Ending	\$ 8,989,751	\$ 13,724,807	\$ 300,323

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Primary government:

Deferred compensation plan:

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

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts and all income attributed to these amounts, property or rights are held in trust for the exclusive benefits of participants and their beneficiaries. Deferred compensation balances of \$3,376,541 are being held as of December 31, 2021.

Component unit – Lower Allen Township Authority:

Plan description:

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Component unit – Lower Allen Township Authority:

Plan membership:

Valuation date	January 1, 2021
Active employees	17
Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	<u>2</u>
Total	<u><u>35</u></u>

Benefits provided:

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Component unit – Lower Allen Township Authority:

Benefits provided:

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

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

Contributions:

Act 205 requires annual contributions to the plan be based on the plan's MMO, which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, employees are not required to contribute to the plan. The Authority contributed \$96,362 to the pension plan for the year ended December 31, 2021.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Component unit – Lower Allen Township Authority:

Changes in net pension asset:

The changes in the net pension asset of Lower Allen Township Authority for the year ended December 31, 2021 were as follows:

	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension asset
Balances at January 1, 2021	\$ 5,915,540	\$ 6,513,876	\$ (598,336)
Changes for the year:			
Service cost	60,887		60,887
Interest	426,986		426,986
Difference between expected and actual experience	(230,119)		(230,119)
Changes in assumption	253,910		253,910
Contribution, employer		96,632	(96,632)
Net investment income		946,693	(946,693)
Benefit payments, including refunds of member contributions	(221,516)	(221,516)	-
Administrative expense		(4,363)	4,363
Net changes	290,148	817,446	(527,298)
Balances at December 31, 2021	\$ 6,205,688	\$ 7,331,322	\$ (1,125,634)
Plan fiduciary net position as a percentage of the total pension liability			118.14%

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Component unit – Lower Allen Township Authority:

Actuarial assumptions:

An actuarial valuation of the total pension liability is performed biennially. The pension liability was determined as part of an actuarial valuation performed at January 1, 2021. Update procedures were used to roll forward to the plan's year ended December 31, 2021. All plan benefits are valued using the entry age normal cost valuation method. Significant actuarial assumptions used in this valuation included: (1) a rate of return on the investments of present and future assets of 7.25% per year; (2) projected salary increases of 4.75% per year for the participant between his/her current age and retirement age and (3) mortality rates based on the PubG-2010 Health Retiree Mortality Projected 5 years past the valuation date using Scale MP-200.

Investment policy:

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

Valuation of investments:

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Component unit – Lower Allen Township Authority:

Long-term expected rate of return:

The long-term expected rate of return on plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.24%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of December 31, 2021 are shown below:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return</u>
Domestic equity:		
Large cap	49 %	5.7 %
Mid cap	8	6.8
Small cap	5	6.8
International equity	9	6.6
Fixed income	26	2.2
Real estate	3	5.4
Cash	-	(0.3)
	<u>100 %</u>	

Rate of return:

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

For the year ended December 31, 2021, the annual money-weighted rate of return on the plan's investments, net of investment expense, was 14.68%.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Component unit – Lower Allen Township Authority:

Discount rate:

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that Lower Allen Township Authority contributions would be made as required by the plan's MMO. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

1% Decrease (6.25%)	Current discount rate (7.25%)	1% Increase (8.25%)
<u>\$ (516,473)</u>	<u>\$ (1,125,634)</u>	<u>\$ (1,653,264)</u>

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

For the year ended December 31, 2021, Lower Allen Township Authority recognized pension expense of \$(204,844). At December 31, 2021, Lower Allen Township Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred outflows of resources	Deferred inflows of resources	Net total
Difference between expected and actual experience		\$ (298,820)	\$ (298,820)
Changes in assumptions	\$ 189,966		189,966
Net difference between projected and actual earnings on pension plan investments		(473,964)	(473,964)
	<u>\$ 189,966</u>	<u>\$ (772,784)</u>	<u>\$ (582,818)</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

8. Pension and deferred compensation plans (continued):

Component unit – Lower Allen Township Authority:

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

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

<u>Year ended December 31,</u>	
2022	\$ (151,395)
2023	(238,657)
2024	(96,592)
2025	<u>(96,174)</u>
	<u><u>\$ (582,818)</u></u>

Deferred compensation plan:

Lower Allen Township Authority maintains a deferred plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time Lower Allen Township Authority employees who have attained the age of 21 and have completed two years of service, permits them to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their deferrals are invested. Vesting in the plan is immediate and allows for discretionary employer contributions. The deferred compensation is not available to employees until death or separation from service. Lower Allen Township Authority made a discretionary contribution for the year ended December 31, 2021 in the amount of \$51,165. For the year ended December 31, 2021, the participants deferred compensation in the amount of \$83,286. The plan was amended in 2013 to provide for an employer discretionary contribution for each person who is hired or rehired on or after October 3, 2013. The discretionary contribution for employees hired or rehired after October 3, 2013 is based on a percentage of salary or wages determined by years of service. Lower Allen Township Authority made a discretionary contribution for employees covered under this amendment in the amount of \$16,730 for the year ended December 31, 2021.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. Other post-employment benefits:

Plan description:

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

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

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

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

Plan membership:

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

Valuation date	January 1, 2021
Active plan members	19
Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	-
Total	<u>24</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. Other post-employment benefits (continued):

Benefits provided:

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

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

Changes in plan provisions:

The Township has eliminated OPEB benefits for officers hired on or after January 1, 2018.

Contributions made:

Eligible employees are not required to contribute to the plan. For the year ended December 31, 2021, the Township did not contribute to the OPEB trust fund. OPEB obligations are typically liquidated by the General Fund.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

9. Other post-employment benefits (continued):

Changes in net OPEB liability:

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

	Increase (decrease)		
	Total OPEB liability	Plan fiduciary net position	Net OPEB liability
Balances at January 1, 2021	\$ 4,676,816	\$ 618,285	\$ 4,058,531
Changes for the year:			
Service cost	178,146		178,146
Interest	149,091		149,091
Difference between expected and accrual experience	(1,009,732)		(1,009,732)
Changes of assumptions	(92,188)		(92,188)
Contributions, employer		160,000	(160,000)
Net investment income		83,123	(83,123)
Benefit payments	(52,019)	(52,019)	-
Administrative expense		(8,061)	8,061
Net changes	(826,702)	183,043	(1,009,745)
Balances at December 31, 2021	\$ 3,850,114	\$ 801,328	\$ 3,048,786
Plan fiduciary net position as a percentage of the total OPEB liability			20.81%

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. Other post-employment benefits (continued):

Actuarial assumptions:

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

Rates:

Inflation rate	2.75%
Long-term expected rate of return	7.00%
Discount rate	4.00%

Annual trend rates:

Medical inflation:

	Medical/Rx	Dental	Vision
2021	-2.20%	4.50%	0.00%
2022	7.00%	3.00%	3.00%
2023	6.50%	3.00%	3.00%
2024	6.00%	3.00%	3.00%
2025	5.50%	3.00%	3.00%
2026	5.25%	3.00%	3.00%
2027 and later	5.00%	3.00%	3.00%

Retirement

Age 50 with completion of 25 years of service

Mortality

2010 Public Retirement Plan - Public Safety mortality tables (PubS-2010)

DROP

100% of participants are assumed to enter DROP at first eligibility and remain in DROP, on average, for two years

Insurance premiums:

Premium schedule (year):

	Medical/Rx	Dental	Vision
Single	\$ 11,776	\$ 330	\$ 63
Family	28,721	1,039	165

(continued)

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. Other post-employment benefits (continued):

Actuarial assumptions:

Insurance premiums:

Premium schedule (year):

80% of the Medical/Rx costs are allocated to medical coverage and the remaining 20% are allocated to prescription coverage

Age adjustments (Medical/Rx):

Age	Per person cost
Children	\$ 4
45	9,186
50	11,199
55	13,998
60	17,061
64	19,335

For dental and vision costs, age is not considered a material factor. Therefore, charged premiums are projected without age adjustment

Changes in benefit terms:

Participants hired on or after January 1, 2018 will not be eligible for OPEB benefits.

Changes in assumptions:

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

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

(concluded)

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. Other post-employment benefits (continued):

Investment policy:

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

Long-term expected rate of return:

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentages specified in the Township's Investment Policy Statement and by adding expected inflation.

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

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. Other post-employment benefits (continued):

Concentrations:

At December 31, 2021, the following are investments (other than U.S. government and U.S. government guaranteed obligations), in any one organization, that represent 5% or more of net position available for benefits:

Investments at fair value:

Level 1, mutual funds:

Equities:

American Century Mutual Fund Growth Fund	\$ 72,283
Delaware Smallcap Core Fund	61,525
Delaware Group Equity Fund	82,741
Dodge and Cox Stock Fund	50,049
MFS Ser Ti I Value Fund	61,085
Mainstay Fund High Yield Corporate Bond Fund	59,077
Metropolitan West Fund Total Return Bond Fund	58,059
Pimco Funds Pac Invt Mgmt Ser Commodity Real Return Fund	86,602
T. Rowe Price International Fund Overseas Stock Fund	68,993
T. Rowe Price Blue Chip Growth Fund	58,347
Allspring Special Mid Cap Value Fund	52,613

Discount rate:

The discount rate used to measure the total OPEB liability was 4.00%. During the prior valuation, the discount rate assumed was 4.50%. The decrease in the discount rate was the result of medical premium increases that occurred since the prior valuation. This is the equivalent single rate determined by applying the long-term expected rate of return on investments to future benefit payments for current plan members expected to be funded by plan assets, and applying a tax-exempt, high quality municipal bond rate (estimated to be 3.75%) to benefit payments thereafter. In projecting assets, it was assumed that the Township would continue to deposit approximately zero dollars and pay retiree premiums (indexed for inflation) to/from the trust annually. Based on these assumptions, assets were projected to be available to make 16 years of projected benefit payments.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

9. Other post-employment 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% lower or 1% higher than the current rates:

	1% Decrease 3.00%	Current discount rate 4.00%	1% Increase 5.00%
Total net OPEB liability	<u>\$ 3,484,796</u>	<u>\$ 3,048,786</u>	<u>\$ 2,665,563</u>

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

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

	1% Decrease	Current valuation rates	1% Increase
Total net OPEB liability	<u>\$ 2,571,616</u>	<u>\$ 3,048,786</u>	<u>\$ 3,617,066</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. Other post-employment benefits (continued):

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

For the year ended December 31, 2021, the Township recognized OPEB expense of \$212,788. At December 31, 2021, the Township reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	Total	
	Deferred outflows of resources	Deferred inflows of resources
		Net total
Difference between expected and actual experience		\$ (671,952) \$ (671,952)
Changes in assumptions	\$ 234,202	234,202
Net difference between projected and actual earnings on OPEB plan investments		(78,808) (78,808)
	<u>\$ 234,202</u>	<u>\$ (750,760) \$ (516,558)</u>

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

Year ended December 31,	
2022	\$ (62,444)
2023	(75,367)
2024	(58,536)
2025	(49,629)
2026	(41,792)
Thereafter	<u>(228,790)</u>
	<u>\$ (516,558)</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

9. Other post-employment benefits (continued):

Annual OPEB fund statements:

Financial statements for the OPEB trust fund are presented below:

Statement of Fiduciary Net Position
December 31, 2021

Assets:	
Cash and cash equivalents	\$ 46
Investments, mutual funds, equities	<u>988,355</u>
Total assets	<u>\$ 988,401</u>
Liabilities, accounts payable	\$ 187,072
Net position, restricted for other post-employment benefits	<u>801,329</u>
Total liabilities and net position	<u>\$ 988,401</u>

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

9. Other post-employment benefits (continued):

Annual OPEB fund statements:

Statement of Changes in Fiduciary Net Position Year Ended December 31, 2021

Additions:	
Contributions, employer	<u>\$ 160,000</u>
Net investment income:	
Investment income	90,184
Less investment expense	<u>7,061</u>
Net investment income	<u>83,123</u>
Total additions	<u>243,123</u>
Deductions:	
Benefits	52,019
Administrative expenses	<u>8,060</u>
Total deductions	<u>60,079</u>
Increase in plan net position	183,044
Net position restricted for other post-employment benefits:	
Beginning of year	<u>618,285</u>
End of year	<u><u>\$ 801,329</u></u>

10. Major customers:

Component unit – Lower Allen Township Authority:

Sales to one customer comprised 15.00% of the net sewer rental revenues for the year ended December 31, 2021.

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

11. American Rescue Plan:

On March 11, 2021, the American Rescue Plan Act of 2021 (American Rescue Plan), a \$1.9 trillion coronavirus (COVID-19) relief package, was signed into law. The American Rescue Plan provides additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals and businesses. The American Rescue Plan provides \$130 billion in emergency funding for local governments to enable them to continue to support the public health response and lay the foundation for a strong and equitable economic recovery. The Township was allocated \$2,120,598 in funding from the American Rescue Plan, which will be disbursed to the Township in two tranches of \$1,060,299 each. 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 tranche of \$1,060,299 during 2021. No amounts were used in 2021. As of December 31, 2021, the unused portion of \$1,060,299 was recorded as unearned revenue.

12. Prior period adjustment:

During 2021, management determined that \$108,875 was not recorded as a grant receivable in the governmental activities for the year ended December 31, 2020 that should have been recorded. An adjustment was recorded as follows:

	<u>Governmental activities</u>
Net position, as previously reported, December 31, 2020	\$ 29,181,179
Prior period adjustment, accounts receivable	<u>108,875</u>
Net position, as restated, January 1, 2021	<u><u>\$ 29,290,054</u></u>

13. Impact of COVID-19 pandemic on financial statements:

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

LOWER ALLEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

14. Subsequent events:

The Township and Authorities have evaluated subsequent events through August 22, 2022, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LOWER ALLEN TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL – BUDGETARY (NON-GAAP) BASIS – GENERAL FUND (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

	Budget		Actual amounts	Variance of actual with final budget positive (negative)
	Original amounts	Final amounts		
Revenues:				
Real estate taxes	\$ 4,657,620	\$ 4,657,620	\$ 4,815,196	\$ 157,576
Other taxes	4,508,040	4,508,040	4,993,599	485,559
Licenses and permits	400,050	400,050	401,409	1,359
Fines and forfeits	103,900	103,900	107,735	3,835
Investment earnings	102,360	102,360	34,529	(67,831)
Rents	44,410	44,410	48,796	4,386
Intergovernmental revenue	1,313,850	1,313,850	907,780	(406,070)
Charges for services	3,113,880	3,113,880	3,882,675	768,795
Miscellaneous revenues	18,500	18,500	59,554	41,054
Total revenues	14,262,610	14,262,610	15,251,273	988,663
Expenditures:				
Current:				
General government:				
General government	459,380	459,380	430,595	28,785
Financial administration	605,640	605,640	507,009	98,631
Tax collection	138,650	138,650	112,264	26,386
Community and personnel	90,600	90,600	100,574	(9,974)
Information services	172,240	172,240	180,426	(8,186)
Municipal building	555,010	555,010	473,631	81,379
Fleet maintenance	427,400	427,400	457,793	(30,393)
Total general government	2,448,920	2,448,920	2,262,292	186,628
Public safety:				
Police and fire protection	5,062,950	5,062,950	4,795,187	267,763
Ambulance service	1,302,190	1,302,190	1,263,333	38,857
Code enforcement	836,550	836,550	802,256	34,294
Public safety administration	1,175,440	1,175,440	1,049,129	126,311
Total public safety	8,377,130	8,377,130	7,909,905	467,225
Public works:				
General health services	84,490	84,490	78,368	6,122
Sanitation services	1,333,680	1,333,680	1,402,392	(68,712)
Stormwater	1,019,920	1,019,920	435,190	584,730
Highways	1,297,980	1,297,980	1,262,953	35,027
Total public works	3,736,070	3,736,070	3,178,903	557,167
Parks and recreation:				
Parks and recreation	1,089,000	1,089,000	1,090,835	(1,835)
Shade trees	780	780	742	38
Libraries	2,600	2,600	2,600	-
Total parks and recreation	1,092,380	1,092,380	1,094,177	(1,797)

(continued)

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

LOWER ALLEN TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL – BUDGETARY (NON-GAAP) BASIS – GENERAL FUND (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

	Budget		Actual	Variance of actual with final budget positive (negative)
	Original amounts	Final amounts	amounts	
Expenditures (continued):				
Miscellaneous expenditures	\$ 84,950	\$ 84,950	67,193	17,757
Total expenditures	15,739,450	15,739,450	14,512,470	1,226,980
Excess (deficiency) of revenues over (under) expenditures	(1,476,840)	(1,476,840)	738,803	2,215,643
Other financing sources (uses):				
Transfers in	1,035,020	1,035,020	566,520	(468,500)
Transfers out	(723,950)	(723,950)	(585,279)	138,671
Contributions from Lower Allen Township				
Stormwater Authority	851,380	851,380	342,635	(508,745)
Proceeds from sale of assets	114,700	114,700	124,117	9,417
Total other financing sources (uses)	1,277,150	1,277,150	447,993	(829,157)
Net change in fund balance	(199,690)	(199,690)	1,186,796	1,386,486
Fund balance:				
Beginning of year	10,984,813	10,984,813	10,984,813	-
End of year	\$ 10,785,123	\$ 10,785,123	\$ 12,171,609	\$ 1,386,486 (concluded)

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

LOWER ALLEN TOWNSHIP

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULE (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

1. Budgetary basis of accounting:

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

2. Stewardship, compliance and accountability:

Excess of expenditures over appropriations:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Percentage over appropriation</u>
General fund:			
Community and personnel	\$ 90,600	\$ 100,574	11.01 %
Information services	172,240	180,426	4.75
Fleet maintenance	427,400	457,793	7.11
Public works, sanitation services	1,333,680	1,402,392	5.15
Parks and recreation	1,089,000	1,090,835	0.17

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

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

3. Budget to actual comparisons:

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

LOWER ALLEN TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL –
MAJOR GOVERNMENTAL FUND – FIRE SERVICES FUND (UNAUDITED)
YEAR ENDED DECEMBER 31, 2021

	Budget		Actual amounts	Variance of actual with final budget positive (negative)
	Original amounts	Final amounts		
Revenues:				
Real estate taxes	\$ 1,677,470	\$ 1,677,470	\$ 1,729,005	\$ 51,535
Investment earnings	14,500	14,500	1,028	(13,472)
Miscellaneous revenues	25,000	25,000	25,000	-
Total revenues	1,716,970	1,716,970	1,755,033	38,063
Expenditures:				
Public safety	1,901,865	1,901,865	1,657,314	244,551
Debt service, principal			4,393	(4,393)
Total expenditures	1,901,865	1,901,865	1,661,707	240,158
Excess (deficiency) of revenues over (under) expenditures	(184,895)	(184,895)	93,326	278,221
Other financing uses, transfers out	(583,680)	(583,680)	(535,520)	48,160
Net change in fund balance	(768,575)	(768,575)	(442,194)	326,381
Fund balance:				
Beginning of year	1,301,813	1,301,813	1,301,813	-
End of year	\$ 533,238	\$ 533,238	\$ 859,619	\$ 326,381

LOWER ALLEN TOWNSHIP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS SCHEDULE OF CHANGES IN THE NON-UNIFORMED PENSION PLAN'S NET PENSION (ASSET) LIABILITY AND RELATED RATIOS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	\$ 165,740	\$ 224,859	\$ 214,663	\$ 202,937	\$ 193,735	\$ 160,643	\$ 153,358	\$ 150,999
Interest	562,227	547,834	515,146	486,004	451,572	418,591	389,873	368,256
Changes of:								
Experience	(277,149)		(424,927)					
Assumptions			618,768		18,238		123,682	
Benefit payments, including refunds of member contributions	(267,805)	(221,210)	(387,121)	(206,715)	(213,731)	(185,753)	(174,171)	(194,844)
Differences between expected and actual experience					(5,269)		(181,849)	
Net changes in total pension liability	183,013	551,483	536,529	482,226	444,545	393,481	310,893	324,411
Beginning of year	7,741,676	7,190,193	6,653,664	6,171,438	5,726,893	5,333,412	5,022,519	4,698,108
End of year (a)	\$ 7,924,689	\$ 7,741,676	\$ 7,190,193	\$ 6,653,664	\$ 6,171,438	\$ 5,726,893	\$ 5,333,412	\$ 5,022,519
Plan fiduciary net position:								
Contributions:								
Employer								\$ 10,737
State aid	\$ 294,026	\$ 286,028	\$ 251,075	\$ 246,946	\$ 162,453	\$ 149,491	\$ 166,845	146,884
Net investment income (loss)	1,223,088	1,063,064	1,070,613	(386,865)	729,547	308,365	(36,979)	278,147
Benefit payments, including refunds of member contributions	(267,805)	(221,210)	(387,121)	(206,715)	(213,731)	(185,753)	(174,171)	(194,844)
Administrative expense	(10,153)	(14,581)	(20,655)	(29,416)	(5,619)	(9,603)	(12,681)	(10,294)
Net change in plan fiduciary net position	1,239,156	1,113,301	913,912	(376,050)	672,650	262,500	(56,986)	230,630
Total fiduciary net position:								
Beginning of year	7,750,595	6,637,294	5,723,382	6,099,432	5,426,782	5,164,282	5,221,268	4,990,638
End of year (b)	\$ 8,989,751	\$ 7,750,595	\$ 6,637,294	\$ 5,723,382	\$ 6,099,432	\$ 5,426,782	\$ 5,164,282	\$ 5,221,268
Net pension (asset) liability, end of year (a) - (b)	\$ (1,065,062)	\$ (8,919)	\$ 552,899	\$ 930,282	\$ 72,006	\$ 300,111	\$ 169,130	\$ (198,749)
Plan fiduciary net position as a percentage of the total pension liability	113.44%	100.12%	92.31%	86.02%	98.83%	94.76%	96.83%	103.96%
Covered payroll	\$ 2,182,236	\$ 2,266,054	\$ 2,379,862	\$ 2,493,311	\$ 2,373,294	\$ 2,204,534	\$ 2,124,603	\$ 2,003,231
Net pension (asset) liability as a percentage of covered payroll	(48.81%)	(0.39%)	23.23%	37.31%	3.03%	13.61%	7.96%	(9.92%)

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

See accompanying notes to required supplementary information – pension plan.

LOWER ALLEN TOWNSHIP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS SCHEDULE OF CHANGES IN THE POLICE PENSION PLAN'S NET PENSION (ASSET) LIABILITY AND RELATED RATIOS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	\$ 330,793	\$ 285,401	\$ 271,810	\$ 285,850	\$ 272,238	\$ 234,579	\$ 223,409	\$ 225,681
Interest	581,817	847,417	824,859	813,870	726,467	733,703	708,566	701,437
Changes of:								
Experience	(23,576)		82,768					
Assumptions			739,235		19,383		145,786	
Benefit payments, including refunds of member contributions	(797,421)	(428,759)	(1,120,491)	(470,300)	(472,583)	(632,426)	(605,182)	(386,970)
Differences between expected and actual experience					(566,187)		(482,566)	
Net changes in total pension liability	91,613	704,059	798,181	629,420	(20,682)	335,856	(9,987)	540,148
Beginning of year	11,995,602	11,291,543	10,493,362	9,863,942	9,884,624	9,548,768	9,558,755	9,018,607
End of year (a)	\$ 12,087,215	\$ 11,995,602	\$ 11,291,543	\$ 10,493,362	\$ 9,863,942	\$ 9,884,624	\$ 9,548,768	\$ 9,558,755
Plan fiduciary net position:								
Contributions:								
Employer							\$ 20,698	
State aid	\$ 309,590	\$ 246,592	\$ 222,425	\$ 200,687	\$ 151,017	\$ 154,536	138,980	\$ 155,185
Member	120,704	108,041	110,849	101,698	93,827	85,681	76,246	71,656
Net investment income (loss)	1,895,101	1,658,124	1,725,725	(653,946)	1,267,349	541,283	(70,936)	514,661
Benefit payments, including refunds of member contributions	(797,421)	(428,759)	(1,120,491)	(470,300)	(472,583)	(632,426)	(605,182)	(386,970)
Administrative expense	(8,835)	(8,835)	(17,904)	(11,605)	(6,832)	(10,205)	(12,694)	(20,924)
Net change in plan fiduciary net position	1,519,139	1,575,163	920,604	(833,466)	1,032,778	138,869	(452,888)	333,608
Total fiduciary net position:								
Beginning of year	12,205,471	10,630,308	9,709,704	10,543,170	9,510,392	9,371,523	9,824,411	9,490,803
End of year (b)	\$ 13,724,610	\$ 12,205,471	\$ 10,630,308	\$ 9,709,704	\$ 10,543,170	\$ 9,510,392	\$ 9,371,523	\$ 9,824,411
Net pension (asset) liability, end of year (a) - (b)	\$ (1,637,395)	\$ (209,869)	\$ 661,235	\$ 783,658	\$ (679,228)	\$ 374,232	\$ 177,245	\$ (265,656)
Plan fiduciary net position as a percentage of the total pension liability	113.55%	101.75%	94.14%	92.53%	106.89%	96.21%	98.14%	102.78%
Covered payroll	\$ 2,402,434	\$ 2,251,577	\$ 2,138,309	\$ 1,967,671	\$ 1,935,772	\$ 1,645,994	\$ 1,480,832	\$ 1,437,717
Net pension (asset) liability as a percentage of covered payroll	(68.16%)	(9.32%)	30.92%	39.83%	(35.09%)	22.74%	11.97%	(18.48%)

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

See accompanying notes to required supplementary information – pension plan.

LOWER ALLEN TOWNSHIP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS SCHEDULE OF CHANGES IN THE VOLUNTEER FIREFIGHTER'S SERVICE AWARD PROGRAM'S NET PENSION (ASSET) LIABILITY AND RELATED RATIOS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

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

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

See accompanying notes to required supplementary information – pension plan.

LOWER ALLEN TOWNSHIP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS SCHEDULE OF TOWNSHIP CONTRIBUTIONS (UNAUDITED) DECEMBER 31, 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Non-Uniformed Pension Plan:										
Actuarially determined contribution under Act 205	\$ 294,026	\$ 251,013	\$ 251,075	\$ 200,687	\$ 162,452	\$ 149,491	\$ 166,845	\$ 157,621	\$ 215,644	\$ 197,807
Contributions in relation to the actuarially determined contributions	294,026	286,028	251,075	246,946	162,453	149,491	166,845	157,261	215,649	197,807
Contribution (excess) deficit	\$ -	\$ (35,015)	\$ -	\$ (46,259)	\$ (1)	\$ -	\$ -	\$ 360	\$ (5)	\$ -
Covered payroll	\$ 2,182,236	\$ 2,266,054	\$ 2,379,862	\$ 2,493,311	\$ 2,373,294	\$ 2,204,534	\$ 2,124,603	\$ 2,003,231	\$ 1,872,545	\$ 1,828,468
Contributions as a percentage of covered payroll	13.47%	12.62%	10.55%	9.90%	6.85%	6.78%	7.85%	7.85%	11.52%	10.82%
Police Pension Plan:										
Actuarially determined contribution under Act 205	\$ 309,590	\$ 246,592	\$ 222,425	\$ 200,687	\$ 151,016	\$ 120,271	\$ 159,678	\$ 155,185	\$ 314,520	\$ 270,506
Contributions in relation to the actuarially determined contributions	309,590	246,592	222,425	200,687	151,016	154,536	159,678	226,841	314,521	270,506
Contribution excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (34,265)	\$ -	\$ (71,656)	\$ (1)	\$ -
Covered payroll	\$ 2,402,434	\$ 2,251,577	\$ 2,138,309	\$ 1,967,671	\$ 1,935,772	\$ 1,645,994	\$ 1,480,832	\$ 1,437,717	\$ 1,521,351	\$ 1,494,220
Contributions as a percentage of covered payroll	12.89%	10.95%	10.40%	10.20%	7.80%	9.39%	10.78%	15.78%	20.67%	18.10%
Volunteer Firefighter's Service Award Program:										
Actuarially determined municipal contribution	\$ 6,947	\$ 9,647	\$ 2,739	\$ 5,439	\$ 9,481	\$ 9,481	\$ 8,731	\$ 11,572	\$ 14,232	\$ 9,497
Contributions in relation to the actuarially determined contributions	3,764	3,395	2,739	9,176	9,476	7,242	4,541	7,397	16,680	16,673
Contribution (excess) deficit	\$ 3,183	\$ 6,252	\$ -	\$ (3,737)	\$ 5	\$ 2,239	\$ 4,190	\$ 4,175	\$ (2,448)	\$ (7,176)
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See accompanying notes to required supplementary information – pension plan.

LOWER ALLEN TOWNSHIP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
SCHEDULE OF INVESTMENT RETURNS – TOWNSHIP (UNAUDITED)
DECEMBER 31, 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Non-Uniformed Pension Plan:										
Annual money-weighted rate of return, net of investment expense	16.34%	16.31%	19.45%	(6.20%)	13.37%	6.01%	(0.72%)	5.64%		
Police Pension Plan:										
Annual money-weighted rate of return, net of investment expense	16.37%	16.12%	19.28%	(6.15%)	13.44%	5.97%	(0.74%)	5.50%		
Volunteer Firefighter's Service Award Program:										
Annual money-weighted rate of return, net of investment expense	9.74%	12.51%	20.59%	1.44%	13.93%	8.58%	(2.68%)			

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

See accompanying notes to required supplementary information – pension plan.

LOWER ALLEN TOWNSHIP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS SCHEDULE OF CHANGES IN THE LOWER ALLEN TOWNSHIP AUTHORITY'S NET PENSION (ASSET) LIABILITY AND RELATED RATIOS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

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

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

See accompanying notes to required supplementary information – pension plan.

LOWER ALLEN TOWNSHIP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
SCHEDULE OF LOWER ALLEN TOWNSHIP AUTHORITY CONTRIBUTIONS (UNAUDITED)
DECEMBER 31, 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution under Act 205	\$ 56,632	\$ 60,308	\$ 75,539	\$ 77,820	\$ 182,076	\$ 180,014	\$ 233,602	\$ 250,019	\$ 264,689	\$ 276,287
Contributions in relation to the actuarially determined contributions	96,632	100,308	115,539	117,820	222,076	220,014	273,602	290,019	304,689	316,287
Contribution excess	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>
Covered payroll	<u>\$ 1,383,535</u>	<u>\$ 1,442,731</u>	<u>\$ 1,431,895</u>	<u>\$ 1,471,978</u>	<u>\$ 1,435,613</u>	<u>\$ 1,403,184</u>	<u>\$ 1,549,821</u>	<u>\$ 1,586,097</u>	<u>\$ 1,571,693</u>	<u>\$ 1,639,227</u>
Contributions as a percentage of covered payroll	6.98%	6.95%	8.07%	8.00%	15.47%	15.68%	17.65%	18.29%	19.39%	19.29%

See accompanying notes to required supplementary information – pension plan.

LOWER ALLEN TOWNSHIP

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

1. Actuarial methods and assumptions:

Actuarial calculations are performed biennially as of January 1 for the Non-Uniformed and Police Pension Plans and as of April 1 for the Volunteer Firefighter's Service Award Program. Contributions noted in the required supplementary information - pension plans are as of each plan's calendar year ended December 31 using actuarially determined rates calculated as of January 1 or April 1, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine the contribution required under Act 205 for the year ended December 31, 2021 are as follows:

	Non-Uniformed Pension Plan	Police Pension Plan	Volunteer Firefighter's Service Award Program
Actuarial valuation date	January 1, 2019	January 1, 2019	April 1, 2021
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed	N/A
Remaining amortization period	17 years	14 years	N/A
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value	Market value
Actuarial assumptions:			
Inflation	3.00%	3.00%	N/A
Investment rate of return	7.50%	7.50%	7.00%
Projected salary increases	4.75%	5.00%	2.24%
Retirement age	Normal retirement age	Attainment of age 50 and completion of 25 years of service.	Normal retirement age
Pre-retirement mortality	None	None	None
Post-employment mortality	PubG-2010 mortality table projected generationally using Scale MP-2018	PubS-2010 mortality table projected generationally using Scale MP-2018	PubS-2010 health mortality table projected five years past the valuation date using Scale MP-2020
Beneficiary	N/A	N/A	PubS-2010 contingent survivor mortality table projected five years past the valuation date using Scale MP-2020
Disabled	N/A	N/A	PubS-2010 disabled mortality table projected five years past the valuation date using Scale MP-2020

2. Significant factors affecting schedules:

Changes in benefit terms:

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

LOWER ALLEN TOWNSHIP

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN (UNAUDITED) LOWER ALLEN TOWNSHIP AUTHORITY YEAR ENDED DECEMBER 31, 2021

1. Actuarial methods and assumptions:

Actuarial calculations are performed biennially as of January 1 for the Lower Allen Township Authority's pension plan. Contributions noted in the required supplementary information - pension plan – schedule of Lower Allen Township Authority contributions are as of the plan's calendar year ended December 31 using actuarially determined rates calculated as of January 1, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine the contribution required under Act 205 for the year ended December 31, 2021 are as follows:

Actuarial valuation date	January 1, 2021
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Asset valuation method	Market value
Actuarial assumptions:	
Inflation	2.24%
Investment rate of return	7.25%
Projected salary increases	4.75%
Retirement age	Normal retirement age
Pre-retirement mortality	None
Post-employment mortality	PubG-2010 mortality table projected generationally using Scale MP-2020

2. Significant factors affecting schedule:

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

LOWER ALLEN TOWNSHIP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2021

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

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

See accompanying notes to required supplementary information – OPEB plan.

LOWER ALLEN TOWNSHIP

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – POST-EMPLOYMENT
BENEFITS OTHER THAN PENSIONS (OPEB)
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
DECEMBER 31, 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 500,305	\$ 227,927	\$ 227,927	\$ 227,927	\$ 227,927	\$ 227,927	\$ 227,927	\$ 227,927	\$ 272,502	\$ 272,502
Contributions in relation to the contractually required contributions	160,000		32,391		39,621	85,757	429,232	43,852	70,292	80,661
Contribution (excess) deficit	\$ 340,305	\$ 227,927	\$ 195,536	\$ 227,927	\$ 188,306	\$ 142,170	\$ (201,305)	\$ 184,075	\$ 202,210	\$ 191,841
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See accompanying notes to required supplementary information – OPEB plan.

LOWER ALLEN TOWNSHIP

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (UNAUDITED) YEAR ENDED DECEMBER 31, 2021

1. Actuarial methods and assumptions:

Actuarial calculations are performed biennially as of January 1 for the OPEB plan. Contributions noted in the required supplementary information - OPEB – schedule of contributions are as of the plan's calendar year ended December 31 using actuarially determined rates calculated as of January 1, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine the contribution for the year ended December 31, 2021 are as follows:

Valuation date	January 1, 2021	
Actuarial cost method	Entry age normal	
Amortization method	Level dollar, open period	
Amortization period	30 years	
Actuarial value of assets	Market value	
Actuarial assumptions:		
Inflation rate	2.75%	
Long-term expected rate of return	7.00%	
Discount rate	4.00%	
Annual trend rates:		
Medical inflation:		
	<u>Medical/Rx</u>	<u>Dental/vision</u>
2021	-2.20%	4.5%/0.0%
2022	7.00%	3.00%
2023	6.50%	3.00%
2024	6.00%	3.00%
2025	5.50%	3.00%
2026	5.25%	3.00%
2027 and later	5.00%	3.00%
Retirement	Age 50 with completion of 25 years of service	
Mortality	2010 Public Retirement Plan - Public Safety mortality tables (PubS-2010)	

2. Significant factors affecting schedule:

The discount rate assumed decreased from 4.50% to 4.00% since the prior valuation, as a result of medical premium increases that occurred since the prior valuation.

SUPPLEMENTARY INFORMATION

LOWER ALLEN TOWNSHIP

SCHEDULE OF DESCRIPTION OF FUNDS – NON-MAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2021

Streetlight Fund

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

Highway Aid Fund

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

Road Improvement Fund

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

Lower Allen Park (LAP) Recreation Fund

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

Friends of Fun Fort Fund

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

Debt Service Fund

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

LOWER ALLEN TOWNSHIP

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	Special Revenue Funds					Debt Service Fund	Total non-major governmental funds
	Streetlight Fund	Highway Aid Fund	Road Improvement Fund	LAP Recreation Fund	Friends of Fun Fort Fund		
Assets:							
Cash and cash equivalents	\$ 78,175	\$ 1,148,938	\$ 45,612	\$ 396,910	\$ 4,686	\$ 1,161,836	\$ 2,836,157
Receivables, net:							
Taxes	3,463					13,166	16,629
Accounts		3,270					3,270
Due from other funds						159,156	159,156
Other assets	9,157					750	9,907
Total assets	\$ 90,795	\$ 1,152,208	\$ 45,612	\$ 396,910	\$ 4,686	\$ 1,334,908	\$ 3,025,119
Liabilities:							
Vouchers payable	\$ 42						\$ 42
Unearned revenue		\$ 45,998					45,998
Total liabilities	42	45,998					46,040
Deferred inflows of resources, unavailable revenue, taxes	2,759					\$ 9,892	12,651
Fund balance:							
Nonspendable	9,157					750	9,907
Restricted for:							
Debt service						1,324,266	1,324,266
Public works	78,837	1,106,210	\$ 45,612				1,230,659
Parks and recreation				\$ 396,910			396,910
Unassigned					\$ 4,686		4,686
Total fund balance	87,994	1,106,210	45,612	396,910	4,686	1,325,016	2,966,428
Total liabilities, deferred inflows of resources and fund balance	\$ 90,795	\$ 1,152,208	\$ 45,612	\$ 396,910	\$ 4,686	\$ 1,334,908	\$ 3,025,119

LOWER ALLEN TOWNSHIP

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

	Special Revenue Funds					Debt Service Fund	Total non-major governmental funds
	Streetlight Fund	Highway Aid Fund	Road Improvement Fund	LAP Recreation Fund	Friends of Fun Fort Fund		
Revenues:							
Real estate taxes	\$ 140,434					\$ 748,845	\$ 889,279
Investment earnings	142	\$ 89	\$ 4	\$ 29		628	892
Intergovernmental revenue		548,530					548,530
Charges for services	1,222	53,411					54,633
Miscellaneous revenues		2,352		115,528			117,880
Total revenues	141,798	604,382	4	115,557		749,473	1,611,214
Expenditures:							
Current:							
General government						1,189	1,189
Public works	120,205	226,834					347,039
Parks and recreation				4,461			4,461
Debt service:							
Principal						1,012,820	1,012,820
Interest and fiscal charges						100,632	100,632
Total expenditures	120,205	226,834		4,461		1,114,641	1,466,141
Excess (deficiency) of revenues over (under) expenditures	21,593	377,548	4	111,096		(365,168)	145,073
Other financing sources (uses):							
Transfers in					\$ 26,009	559,270	585,279
Transfers out				(31,000)			(31,000)
Total other financing sources (uses)				(31,000)	26,009	559,270	554,279
Net change in fund balance (deficit)	21,593	377,548	4	80,096	26,009	194,102	699,352
Fund balance (deficit):							
Beginning of year	66,401	728,662	45,608	316,814	(21,323)	1,130,914	2,267,076
End of year	\$ 87,994	\$ 1,106,210	\$ 45,612	\$ 396,910	\$ 4,686	\$ 1,325,016	\$ 2,966,428

LOWER ALLEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE –
BUDGET AND ACTUAL – BUDGETARY (NON-GAAP) BASIS
NON-MAJOR GOVERNMENTAL FUND – STREETLIGHT FUND
YEAR ENDED DECEMBER 31, 2021

	Budget		Actual amounts	Variance of actual with final budget positive (negative)
	Original amounts	Final amounts		
Revenues:				
Real estate taxes	\$ 140,000	\$ 140,000	\$ 140,434	\$ 434
Investment earnings	450	450	142	(308)
Charges for services			1,222	1,222
Total revenues	140,450	140,450	141,798	1,348
Expenditures, public works	134,730	134,730	120,205	14,525
Net change in fund balance	5,720	5,720	21,593	15,873
Fund balance:				
Beginning of year	66,401	66,401	66,401	-
End of year	\$ 72,121	\$ 72,121	\$ 87,994	\$ 15,873

LOWER ALLEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE –
BUDGET AND ACTUAL – BUDGETARY (NON-GAAP) BASIS
NON-MAJOR GOVERNMENTAL FUND – HIGHWAY AID FUND
YEAR ENDED DECEMBER 31, 2021

	Budget		Actual amounts	Variance of actual with final budget positive
	Original amounts	Final amounts		
Revenues:				
Investment earnings	\$ 10,000	\$ 10,000	\$ 89	\$ (9,911)
Intergovernmental revenue	498,580	498,580	548,530	49,950
Charges for services	54,300	54,300	53,411	(889)
Miscellaneous revenues	5,000	5,000	2,352	(2,648)
Total revenues	567,880	567,880	604,382	36,502
Expenditures, public works	255,200	255,200	226,834	28,366
Net change in fund balance	312,680	312,680	377,548	64,868
Fund balance:				
Beginning of year	728,662	728,662	728,662	-
End of year	\$ 1,041,342	\$ 1,041,342	\$ 1,106,210	\$ 64,868

LOWER ALLEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL – BUDGETARY (NON-GAAP) BASIS NON-MAJOR GOVERNMENTAL FUND – DEBT SERVICE FUND YEAR ENDED DECEMBER 31, 2021

	Budget		Actual amounts	Variance of actual with final budget positive (negative)
	Original amounts	Final amounts		
Revenues:				
Real estate taxes	\$ 728,600	\$ 728,600	\$ 748,845	\$ 20,245
Investment earnings	10,000	10,000	628	(9,372)
Total revenues	738,600	738,600	749,473	10,873
Expenditures:				
General government	1,500	1,500	1,189	311
Debt service:				
Principal	996,990	996,990	1,012,820	(15,830)
Interest and fiscal charges	98,750	98,750	100,632	(1,882)
Total expenditures	1,097,240	1,097,240	1,114,641	(17,401)
Deficiency of revenues under expenditures	(358,640)	(358,640)	(365,168)	(6,528)
Other financing sources (uses):				
Transfers in	607,430	607,430	559,270	(48,160)
Transfers out	(248,790)	(248,790)		248,790
Total other financing sources (uses)	358,640	358,640	559,270	200,630
Net change in fund balance	-	-	194,102	194,102
Fund balance:				
Beginning of year	1,130,914	1,130,914	1,130,914	-
End of year	\$ 1,130,914	\$ 1,130,914	\$ 1,325,016	\$ 194,102

LOWER ALLEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE –
BUDGET AND ACTUAL – BUDGETARY (NON-GAAP) BASIS
NON-MAJOR GOVERNMENTAL FUND – CAPITAL IMPROVEMENT FUND
YEAR ENDED DECEMBER 31, 2021

	Budget		Actual amounts	Variance of actual with final budget positive (negative)
	Original amounts	Final amounts		
Revenues:				
Investment earnings	\$ 15,000	\$ 15,000	\$ 138	\$ (14,862)
Rents			16,824	16,824
Intergovernmental revenue			331,609	331,609
Total revenues	15,000	15,000	348,571	333,571
Expenditures:				
General government	1,410	1,410	1,438	(28)
Capital outlay			410,393	(410,393)
Total expenditures	1,410	1,410	411,831	(410,421)
Excess (deficiency) of revenues over (under) expenditures	13,590	13,590	(63,260)	(76,850)
Other financing sources (uses):				
Transfers in	164,680	164,680		(164,680)
Transfers out	(450,000)	(450,000)		450,000
Total other financing sources (uses)	(285,320)	(285,320)		285,320
Net change in fund balance	(271,730)	(271,730)	(63,260)	208,470
Fund balance:				
Beginning of year	1,030,265	1,030,265	1,030,265	-
End of year	\$ 758,535	\$ 758,535	\$ 967,005	\$ 208,470

LOWER ALLEN TOWNSHIP

SCHEDULE OF CASH FLOWS - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities:

Receipts from citizens and other users	\$ 20,073,499
Payments to:	
Suppliers	(8,765,052)
Employees	(6,652,535)
Maintenance expenditures	(428,393)
Capital outlay	(410,393)
Other operating revenue received	177,434

Net cash provided by operating activities

3,994,560

**Cash flows provided by noncapital financing activities, transfers in from
Lower Allen Township Stormwater Authority**

38,628

Cash flows from capital and related financing activities:

Purchase of capital assets for the Development Authority	(27,122)
Proceeds from sale of capital assets	124,117
Interest and fiscal charges	(112,507)
Payments on debt	(1,252,820)

Net cash used in capital and related financing activities

(1,268,332)

Cash flows from investing activities:

Purchase of certificates of deposit	(1,557,000)
Sale of certificates of deposit	1,351,000
Income on investments	48,528

Net cash used in investing activities

(157,472)

Net increase in cash and cash equivalents

2,607,384

Cash and cash equivalents:

Beginning of year	13,120,685
End of year	\$ 15,728,069

Supplemental disclosure of noncash investing activities:

Unrealized loss on investments	\$ (11,941)
--------------------------------	-------------

(continued)

LOWER ALLEN TOWNSHIP

SCHEDULE OF CASH FLOWS - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

Reconciliation to net cash provided by operating activities:

Excess of revenues over expenditures	\$ 1,256,577
Adjustments:	
Debt service	1,365,327
Income on investments	(36,587)
Changes in assets, liabilities and deferred inflows of resources:	
Accounts receivable	(42,641)
Taxes receivable	(10,033)
Sanitation fees receivable	(9,538)
Inventory	4,904
Other assets	(2,599)
Payroll taxes and withholding	4,207
Vouchers payable	375,664
Accrued wages payable	27,609
Other payables	20,664
Unearned and unavailable revenue	1,041,006

Net cash provided by operating activities

\$ 3,994,560
(concluded)

LOWER ALLEN TOWNSHIP

TRUST FUNDS – DESCRIPTION OF FUNDS DECEMBER 31, 2021

Non-Uniformed Pension Trust Fund

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

Police Pension Trust Fund

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

Volunteer Firefighter's Service Award Program

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

Other Post-Employment Benefit Trust Fund

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

LOWER ALLEN TOWNSHIP

COMBINING STATEMENT OF FIDUCIARY NET POSITION – PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS DECEMBER 31, 2021

	Non-Uniformed Pension Plan Trust Fund	Police Pension Plan Trust Fund	Volunteer Firefighter's Service Award Program	Other Post- Employment Benefit Trust Fund	Total pension and OPEB trust funds
Assets:					
Cash and cash equivalents	\$ 385,129	\$ 476,113	\$ 24	\$ 46	\$ 861,312
Investments:					
Fixed income	2,534,895	3,994,351			6,529,246
Common stock	4,939,668	7,530,007			12,469,675
Mutual funds	1,130,059	1,724,336	300,299	988,355	4,143,049
Total investments	8,604,622	13,248,694	300,299	988,355	23,141,970
Total assets	\$ 8,989,751	\$ 13,724,807	\$ 300,323	\$ 988,401	\$ 24,003,282
Liabilities, accounts payable				\$ 187,072	\$ 187,072
Net position:					
Restricted for pension	\$ 8,989,751	\$ 13,724,807	\$ 300,323		23,014,881
Restricted for other post-employment benefits				801,329	801,329
Total net position	8,989,751	13,724,807	300,323	801,329	23,816,210
Total liabilities and net position	\$ 8,989,751	\$ 13,724,807	\$ 300,323	\$ 988,401	\$ 24,003,282

LOWER ALLEN TOWNSHIP

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS YEAR ENDED DECEMBER 31, 2021

	Non-Uniformed Pension Plan Trust Fund	Police Pension Plan Trust Fund	Volunteer Firefighter's Service Award Program	Other Post- Employment Benefit Trust Fund	Total pension and OPEB trust funds
Additions:					
Contributions:					
State aid and employer	\$ 294,026	\$ 309,590	\$ 3,764	\$ 160,000	\$ 767,380
Employee		120,704			120,704
Total contributions	294,026	430,294	3,764	160,000	888,084
Net investment income:					
Investment income	1,265,987	1,961,531	29,773	90,184	3,347,475
Less investment expense	42,899	66,430	2,477	7,061	118,867
Net investment income	1,223,088	1,895,101	27,296	83,123	3,228,608
Total additions	1,517,114	2,325,395	31,060	243,123	4,116,692
Deductions:					
Benefits	267,805	797,421	16,291	52,019	1,133,536
Administrative expenses	10,153	8,638	1,983	8,060	28,834
Total deductions	277,958	806,059	18,274	60,079	1,162,370
Increase in plan's net position	1,239,156	1,519,336	12,786	183,044	2,954,322
Net position:					
Beginning of year	7,750,595	12,205,471	287,537	618,285	20,861,888
End of year	\$ 8,989,751	\$ 13,724,807	\$ 300,323	\$ 801,329	\$ 23,816,210

LOWER ALLEN TOWNSHIP

COMPONENT UNIT – DESCRIPTION
DECEMBER 31, 2021

Lower Allen Township Development Authority

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

LOWER ALLEN TOWNSHIP

STATEMENT OF FUND NET POSITION – COMPONENT UNIT –
LOWER ALLEN TOWNSHIP DEVELOPMENT AUTHORITY
DECEMBER 31, 2021

ASSETS

Total current assets, cash and cash equivalents	\$ 911,783
Total noncurrent assets, capital assets, not being depreciated	<u>9,293,791</u>
Total assets	<u>\$ 10,205,574</u>

LIABILITIES AND NET POSITION

Liabilities:

Current liabilities:

Vouchers payable	\$ 1,050,812
Retainage payable	774,507
Accrued interest	9,672
Lower Allen Township payable	923,655
Unearned revenue	<u>44,450</u>

Total current liabilities	2,803,096
----------------------------------	------------------

Total long-term liabilities, Guaranteed Project Note, Series of 2019	<u>7,354,847</u>
--	------------------

Total liabilities	<u>10,157,943</u>
--------------------------	--------------------------

Net position:

Net investment in capital assets	(358,967)
Unrestricted	<u>406,598</u>

Total net position	<u>47,631</u>
---------------------------	----------------------

Total liabilities and net position	<u>\$ 10,205,574</u>
---	-----------------------------

LOWER ALLEN TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
COMPONENT UNIT –
LOWER ALLEN TOWNSHIP DEVELOPMENT AUTHORITY
YEAR ENDED DECEMBER 31, 2021

Operating revenues, rental income	\$ 968,226
Operating expenses, administrative	<u>750,249</u>
Operating income	<u>217,977</u>
Nonoperating revenues (expenses):	
Interest received on mortgage receivable	52
Interest expense	<u>(240,343)</u>
Total nonoperating revenues (expenses)	<u>(240,291)</u>
Change in net position	(22,314)
Net position:	
Beginning of year	<u>69,945</u>
End of year	<u><u>\$ 47,631</u></u>

LOWER ALLEN TOWNSHIP

STATEMENT OF CASH FLOWS – COMPONENT UNIT – LOWER ALLEN TOWNSHIP DEVELOPMENT AUTHORITY YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities:

Receipts from customers	\$ 966,118
Payments to suppliers	(753,864)

Net cash provided by operating activities**212,254****Cash flows from capital and related financing activities:**

Proceeds from sale of capital assets	5,275,000
Purchase of capital assets	(4,538,795)
Principal payments on long-term debt	(530,000)
Interest paid on long-term debt	(233,274)

Net cash used in capital and related financing activities**(27,069)****Cash flows from investing activities:**

Interest received on mortgage receivable	52
Principal payments received on mortgage receivable	9,925

Net cash provided by investing activities**9,977****Net increase in cash and cash equivalents****195,162****Cash and cash equivalents:**

Beginning of year	716,621
-------------------	---------

End of year**\$ 911,783****Reconciliation to net cash provided by operating activities:**

Operating income	\$ 217,977
Adjustments:	
Changes in liabilities:	
Vouchers payable	(3,615)
Unearned revenue	(2,108)

Net cash provided by operating activities**\$ 212,254**

Supplemental disclosure of noncash capital and related financing activities,
interest accrued on loan payable to Lower Allen Township to be paid back by
the Development Authority

\$ 27,122

LOWER ALLEN TOWNSHIP

COMPONENT UNIT – DESCRIPTION DECEMBER 31, 2021

Lower Allen Township Authority

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

LOWER ALLEN TOWNSHIP

STATEMENT OF FUND NET POSITION - COMPONENT UNIT - LOWER ALLEN TOWNSHIP AUTHORITY DECEMBER 31, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Assets:**Current assets:**

Cash and cash equivalents	\$ 2,822,927
Investments	3,008,472
Sanitary sewer rents receivable	91,385

Total current assets**5,922,784****Noncurrent assets:**

Net pension asset	1,125,634
Capital assets:	
Not being depreciated	297,126
Being depreciated, net	26,546,621

Total noncurrent assets**27,969,381****Total assets****33,892,165**

Deferred outflows of resources for pensions

189,966

Total assets and deferred outflows of resources**\$ 34,082,131**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Liabilities:**Current liabilities:**

Payroll taxes and withholding	\$ 7,325
Vouchers payable	68,718
Accrued:	
Wages payable	130,158
Interest	14,113
Escrow deposits	2,400
Current portion of sewer revenue bonds	680,000

Total current liabilities**902,714**

Long-term liabilities, sewer revenue bonds, net of current portion

7,022,000

Total liabilities**7,924,714**

Deferred inflows of resources for pensions

772,784

Net position:

Net investment in capital assets	19,141,747
Unrestricted	6,242,886

Total net position**25,384,633****Total liabilities, deferred inflows of resources and net position****\$ 34,082,131**

LOWER ALLEN TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –

COMPONENT UNIT –

LOWER ALLEN TOWNSHIP AUTHORITY

YEAR ENDED DECEMBER 31, 2021

Operating revenues:

Sewer rents	\$ 5,230,866
Miscellaneous charges	117,979

Total operating revenues

5,348,845

Operating expenses:

Collection system	272,451
Disposal system	2,635,877
Administration	1,056,565
Depreciation expense	1,528,653

Total operating expenses

5,493,546

Operating loss

(144,701)

Nonoperating revenues (expenses):

Loss on disposal of assets	(1,813)
Unrealized loss on investments	(61,009)
Investment income	51,473
Interest expense	(114,911)
Tapping fees	372,082

Total nonoperating revenues (expenses)

245,822

Change in net position

101,121

Net position:

Beginning of year	25,283,512
-------------------	------------

End of year

\$ 25,384,633

LOWER ALLEN TOWNSHIP

STATEMENT OF CASH FLOWS – COMPONENT UNIT –
LOWER ALLEN TOWNSHIP AUTHORITY
YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities:

Receipts from customers	\$ 5,281,753
Payments for goods and services	(1,280,519)
Payments to employees and related expenses	(3,033,744)

Net cash provided by operating activities **967,490**

Cash flows from capital and related financing activities:

Purchase of property, plant and equipment	(530,355)
Principal payments on sewer revenue bonds	(643,000)
Interest paid on sewer revenue bonds	(116,005)
Tapping fees	372,082

Net cash flows used in capital and related financing activities **(917,278)**

Net cash provided by investing activities, investment income **51,474**

Net increase in cash and cash equivalents **101,686**

Cash and cash equivalents:

Beginning of year	2,721,241
-------------------	-----------

End of year **\$ 2,822,927**

Reconciliation to net cash provided by operating activities:

Operating loss	\$ (144,701)
Adjustments:	
Depreciation	1,528,653
Changes in assets and liabilities:	
Sanitary sewer rents receivable	5,733
Net pension liability	(301,476)
Vouchers payable	(13,413)
Accrued expenses	(34,481)
Escrow deposits	(72,825)

Net cash provided by operating activities **\$ 967,490**

LOWER ALLEN TOWNSHIP

COMPONENT UNIT – DESCRIPTION DECEMBER 31, 2021

Lower Allen Township Stormwater Authority (the Stormwater Authority)

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

LOWER ALLEN TOWNSHIP

STATEMENT OF FUND NET POSITION - COMPONENT UNIT -
LOWER ALLEN TOWNSHIP STORMWATER AUTHORITY
DECEMBER 31, 2021

ASSETS

Assets, current assets:

Cash and cash equivalents	\$ 2,504,526
Stormwater fee, net of allowance for doubtful accounts	<u>35,464</u>

Total assets	<u><u>\$ 2,539,990</u></u>
---------------------	-----------------------------------

LIABILITIES AND NET POSITION

Total current liabilities, accounts payable	\$ 860
---	--------

Total net position, unrestricted	<u>2,539,130</u>
----------------------------------	------------------

Total liabilities and net position	<u><u>\$ 2,539,990</u></u>
---	-----------------------------------

LOWER ALLEN TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
COMPONENT UNIT –
LOWER ALLEN TOWNSHIP STORMWATER AUTHORITY
YEAR ENDED DECEMBER 31, 2021

Operating revenues:	
Service charges	\$ 1,301,878
Miscellaneous revenues	<u>7,354</u>
Total operating revenues	1,309,232
Total operating expenses, administration	<u>2,782</u>
Net operating income	1,306,450
Total nonoperating income, interest earnings	<u>170</u>
Net income	1,306,620
Other financing uses, contributions to Lower Allen Township	<u>(342,635)</u>
Change in net position	963,985
Net position:	
Beginning of year	<u>1,575,145</u>
End of year	<u>\$ 2,539,130</u>

LOWER ALLEN TOWNSHIP

STATEMENT OF CASH FLOWS – COMPONENT UNIT –
LOWER ALLEN TOWNSHIP STORMWATER AUTHORITY
YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities:

Cash received from customers	\$ 1,310,803
Payments for goods and services	(2,782)
Other operating, miscellaneous revenues	7,354

Net cash provided by operating activities **1,315,375**

**Net cash used in noncapital financing activities,
contributions to Lower Allen Township** **(380,403)**

**Net cash provided by investing activities,
interest earnings** **170**

Net increase in cash and cash equivalents **935,142**

Cash and cash equivalents:

Beginning of year 1,569,384

End of year **\$ 2,504,526**

**Reconciliation of operating income to net cash
provided by operating activities:**

Net operating income	\$ 1,306,450
Total adjustments to reconcile operating income to net cash provided by operating activities, decrease in assets, accounts receivable	<u>8,925</u>

Net cash provided by operating activities **\$ 1,315,375**

STATISTICAL SECTION

LOWER ALLEN TOWNSHIP

STATISTICAL SECTION YEAR ENDED DECEMBER 31, 2021

Statistical Section

This section of Lower Allen Township's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Township's overall financial health.

Table of Contents

	<u>Page</u>
Financial trends:	
These schedules contain trend information to help the reader understand how the Township's financial performance and well-being have changed over time.	1
Revenue capacity:	
These schedules present information to help the reader assess the Township's most significant local revenue sources, the property tax and the earned income tax.	5
Debt capacity:	
These schedules present information to help the reader assess the affordability of the Township's current levels of outstanding debt and the Township's ability to issue additional debt in the future.	10
Demographic and economic information:	
These schedules offer economic and demographic indicators to help the reader understand the environment within which the Township's financial activities take place.	14
Operating information:	
These schedules contain service and infrastructure data to help the reader understand how the information in the Township's financial report relates to the services the Township provides and the activities it performs.	16

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports of the relevant year.

LOWER ALLEN TOWNSHIP

SCHEDULE 1 NET POSITION BY COMPONENT LAST TEN FISCAL YEARS (Accrual Basis of Accounting)

	Fiscal year									
	2021	2020 (as restated)	2019 (as restated)	2018	2017	2016	2015	2014	2013	2012
Governmental activities:										
Net investment in capital assets	\$ 19,754,874	\$ 18,052,887	\$ 14,584,975	\$ 15,199,770	\$ 14,614,991	\$ 12,996,935	\$ 12,413,210	\$ 11,614,422	\$ 10,564,683	\$ 8,259,472
Restricted for:										
Debt service	1,324,266	1,130,914	851,860	651,789	521,145	475,560	376,367	353,865	236,010	238,156
Public safety	847,184	472,167	511,971	327,765	310,589	434,418	252,663	90,486	12,023	362,914
Public works	1,230,659	807,216	757,831	406,031	662,146	281,232	183,378	721,745	567,484	638,626
Parks and recreation	396,910	316,814	278,838	215,700	278,866	276,381	275,560	221,861	445,271	240,539
Capital expenditure	430,025	852,905	893,931					64,898	62,134	156,646
Unrestricted	9,865,819	7,657,151	6,351,771	5,563,288	4,855,584	4,306,473	3,604,411	5,664,539	4,513,826	3,191,131
Total governmental activities net position	\$ 33,849,737	\$ 29,290,054	\$ 24,231,177	\$ 22,364,343	\$ 21,243,321	\$ 18,770,999	\$ 17,105,589	\$ 18,731,816	\$ 16,401,431	\$ 13,087,484

LOWER ALLEN TOWNSHIP

SCHEDULE 2 CHANGES IN NET POSITION LAST TEN FISCAL YEARS (Accrual Basis of Accounting)

	Fiscal year									
	2021	2020 (as restated)	2019 (as restated)	2018	2017	2016	2015	2014	2013	2012
Expenses:										
Governmental activities:										
General government	\$ 2,583,185	\$ 2,190,855	\$ 2,152,036	\$ 2,114,120	\$ 1,997,389	\$ 2,023,011	\$ 1,934,725	\$ 1,798,318	\$ 1,768,634	\$ 1,768,565
Public safety	8,102,472	7,990,982	8,085,216	7,537,817	6,418,197	6,102,358	5,780,335	5,492,907	5,163,231	5,113,875
Public works	3,309,412	3,127,902	4,326,543	3,437,363	2,221,996	2,740,612	3,185,464	2,200,410	2,493,686	2,119,792
Parks and recreation	543,616	527,240	574,206	720,692	504,147	521,630	435,503	407,833	445,610	590,090
Interest on long-term debt	229,624	349,949	326,528	339,105	351,116	397,898	420,015	450,785	574,578	368,697
Total primary government expenses	\$ 14,768,309	\$ 14,186,928	\$ 15,464,529	\$ 14,149,097	\$ 11,492,845	\$ 11,785,509	\$ 11,756,042	\$ 10,350,253	\$ 10,445,739	\$ 9,961,019
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 147,186	\$ 140,956	\$ 126,437	\$ 143,821	\$ 117,228	\$ 121,996	\$ 238,724	\$ 363,560	\$ 227,573	\$ 400,709
Public safety	2,082,623	1,297,678	1,597,730	1,940,965	1,897,229	1,925,744	2,047,595	1,740,100	1,835,672	1,512,931
Public works	1,729,399	1,465,144	1,431,765	1,424,001	1,368,143	1,360,064	1,325,599	1,192,643	1,171,103	1,189,489
Parks and recreation	45,256	22,465	40,123	37,566	41,940	42,110	39,108	40,937	38,797	37,450
Operating grants and contributions	1,163,972	1,340,625	851,778	752,235	718,595	578,805	608,384	510,884	601,454	634,834
Capital grants and contributions	809,312	2,462,944	1,710,649	214,255	185,010	60,298	205,308	634,192	1,622,744	335,245
Total primary government program revenues	\$ 5,977,748	\$ 6,729,812	\$ 5,758,482	\$ 4,512,843	\$ 4,328,145	\$ 4,089,017	\$ 4,464,718	\$ 4,482,316	\$ 5,497,343	\$ 4,110,658
Net expense, total primary government net expense	\$ (8,790,561)	\$ (7,457,116)	\$ (9,706,047)	\$ (9,636,254)	\$ (7,164,700)	\$ (7,696,492)	\$ (7,291,324)	\$ (5,867,937)	\$ (4,948,396)	\$ (5,850,361)
General revenues and other changes in net position:										
Real estate taxes ¹	\$ 7,436,763	\$ 7,382,557	\$ 5,540,001	\$ 5,423,854	\$ 4,335,706	\$ 4,267,623	\$ 4,203,747	\$ 4,150,923	\$ 4,081,288	\$ 3,418,588
Per capita taxes ²									381	29,957
Real estate transfer taxes	751,148	423,458	629,663	458,277	604,085	590,323	481,571	481,457	361,481	317,435
Earned income taxes ³	3,517,136	2,896,660	3,502,795	3,070,467	3,793,076	2,905,841	2,597,703	2,265,263	2,390,115	1,843,666
Occupational taxes ⁴										260,065
Local services taxes ⁵	709,508	628,723	860,358	818,877	916,938	850,345	750,909	581,619	701,461	646,669
Franchise taxes	317,315	340,046	341,944	343,880	361,876	357,190	343,514	330,979	350,068	280,704
Public utility realty taxes	10,425	10,297	8,114	8,033	8,826	7,109	8,954	7,685	8,293	8,695
Amusement taxes	15,801	16,314	7,972	5,306	6,437	6,778	7,127	8,037	8,406	8,602
Investment earnings	36,587	111,207	306,802	197,785	67,171	34,007	7,518	7,414	12,453	5,030
Intergovernmental revenue and contributions (not restricted to a specific purpose)	479,728	507,155	471,086	430,524	623,766	342,471	322,075	364,775	348,102	329,477
Developer contributions		118,800								
Gain on sale of assets	66,951	80,637	91,284	273	240	215	410	170	295	377
Other unrestricted revenue	8,882	139	170							
Total primary government	\$ 13,350,244	\$ 12,515,993	\$ 11,760,189	\$ 10,757,276	\$ 10,718,121	\$ 9,361,902	\$ 8,723,528	\$ 8,198,322	\$ 8,262,343	\$ 7,149,265
Change in net position, total primary government	\$ 4,559,683	\$ 5,058,877	\$ 2,054,142	\$ 1,121,022	\$ 3,553,421	\$ 1,665,410	\$ 1,432,204	\$ 2,330,385	\$ 3,313,947	\$ 1,298,904
Inter-period equity [revenue + expenses]	130.9%	135.7%	113.3%	107.9%	130.9%	114.1%	112.2%	122.5%	131.7%	113.0%
Funding ratio (Penna. Act 205)										
Police	94.1%	101.7%		97.8%		101.8%		106.5%		69.2%
Non-Uniform	95.5%	100.1%		95.3%		80.4%		105.2%		78.7%

¹ Real estate tax rates or assessed values were altered in 2020, 2013, and 2011.

² Per capita taxes were eliminated in 2013.

³ Earned income tax rates increased from 0.5% to 0.6% in 2013 to offset the discontinuation of occupation taxes.

⁴ Ibid

⁵ In 2005, the tax was changed to the Emergency and Municipal Services Tax and a maximum rate was set of \$52 per person employed in the Township. Aggregate income threshold of \$12,000 must be met before the tax is imposed. In 2008, the name was changed from the Emergency and Municipal Services Tax to the Local Services Tax.

LOWER ALLEN TOWNSHIP

SCHEDULE 3 FUND BALANCES - GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Modified Accrual Basis of Accounting)

	Fiscal year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General fund:										
Nonspendable	\$ 306,109	\$ 284,920	\$ 256,498	\$ 241,049	\$ 58,343	\$ 199,379	\$ 128,834	\$ 180,507	\$ 236,811	\$ 199,957
Restricted	430,025	852,905	893,931							
Committed	10,435,475	8,846,988								
Assigned							43,290	488,188	216,375	145,097
Unassigned	1,000,000	1,000,000	9,188,186	7,716,466	6,401,050	5,837,651	4,593,760	4,633,891	3,960,222	2,209,940
Total general fund	\$ 12,171,609	\$ 10,984,813	\$10,338,615	\$ 7,957,515	\$ 6,459,393	\$ 6,037,030	\$ 4,765,884	\$ 5,302,586	\$ 4,413,408	\$ 2,554,994
All other governmental funds:										
Nonspendable	\$ 22,342	\$ 45,836	\$ 34,819	\$ 24,001	\$ 16,112	\$ 11,332	\$ 11,039	\$ 10,894	\$ 12,023	\$ 11,244
Restricted for:										
Debt service	1,324,266	1,130,914	851,860	651,789	521,145	475,560	376,367	353,865	236,010	238,156
Public safety	847,184	472,167	511,971	327,765	310,589	434,418	241,624	79,592		351,670
Public works	1,230,659	807,216	757,831	406,031	662,146	281,232	183,378	721,745	567,484	638,626
Parks and recreation	396,910	316,814	278,838	215,700	278,866	276,381	275,560	221,861	445,271	240,539
Capital projects								64,898	62,134	156,646
Committed for fire equipment		817,265								
Assigned for capital projects ¹	967,005	1,030,265	772,822	832,315	1,092,675	1,067,270	1,057,624			
Unassigned	4,686	(21,323)	(21,422)	(21,938)	(22,332)	(22,832)	(22,970)	(23,060)	(96,223)	
Total all other governmental funds	\$ 4,793,052	\$ 4,599,154	\$ 3,186,719	\$ 2,435,663	\$ 2,859,201	\$ 2,523,361	\$ 2,122,622	\$ 1,429,795	\$ 1,226,699	\$ 1,636,881

¹ Capital projects assignment for 2015 reflects money transferred to the Capital Projects Funds for future capital financing.

LOWER ALLEN TOWNSHIP

SCHEDULE 4 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Modified Accrual Basis of Accounting)

	Fiscal year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:										
Taxes ¹	\$ 12,427,079	\$ 11,688,779	\$ 10,512,503	\$ 9,727,214	\$ 8,684,048	\$ 8,569,240	\$ 7,897,335	\$ 7,809,047	\$ 7,552,157	\$ 6,431,261
Licenses, fees and permits	401,409	384,330	379,476	378,605	401,280	387,535	375,391	361,421	414,043	340,363
Fines and penalties	107,735	103,798	94,394	116,458	99,473	85,909	78,048	68,954	82,855	84,612
Charges for services	3,937,308	2,573,377	3,271,078	3,288,016	3,112,507	3,229,646	3,177,036	2,545,848	2,887,389	2,586,291
Intergovernmental	1,787,919	3,682,182	2,642,169	1,253,763	1,141,420	1,283,233	1,017,085	770,363	906,395	768,260
Investment earnings	36,587	111,207	306,802	197,785	67,171	34,007	7,486	7,396	12,442	5,016
Contributions from Lower Allen Township Stormwater Authority	342,635	517,983	192,115							
Other revenues	268,054	169,942	166,913	279,031	274,732	182,292	353,073	435,787	437,922	510,533
Total revenues	\$ 19,308,726	\$ 19,231,598	\$ 17,565,450	\$ 15,240,872	\$ 13,780,631	\$ 13,771,862	\$ 12,905,454	\$ 11,998,816	\$ 12,293,203	\$ 10,726,336
Expenditures:										
General government ²	\$ 2,248,747	\$ 1,897,417	\$ 1,732,442	\$ 1,711,554	\$ 1,653,252	\$ 1,655,352	\$ 1,657,129	\$ 1,426,800	\$ 2,379,434	\$ 1,413,958
Public safety ³	9,349,695	7,667,380	7,471,401	6,760,871	6,697,509	5,753,890	5,784,514	5,114,317	8,190,422	4,955,375
Public works	3,514,466	3,438,491	4,631,005	2,971,027	2,423,714	2,542,486	2,922,300	2,553,447	2,202,998	2,065,252
Parks and recreation	1,096,328	544,764	516,422	719,807	793,172	519,712	768,971	785,522	440,562	511,593
Miscellaneous	67,193	73,171	69,317	65,007	50,887	87,879	69,614	63,363	114,773	102,775
Capital outlay	410,393	1,997,787	292,038	313,162	1,250	12,098	273,021	14,294	279,520	47,962
Debt service:										
Principal	1,252,820	1,350,001	1,314,679	1,360,794	1,538,165	1,446,394	1,505,947	1,350,267	899,622	3,036,563
Interest	112,507	289,841	285,428	292,841	298,954	342,678	361,271	409,007	469,015	447,157
Debt issuance costs		176,750								
Total expenditures	\$ 18,052,149	\$ 17,435,602	\$ 16,312,732	\$ 14,195,063	\$ 13,456,903	\$ 12,360,489	\$ 13,342,767	\$ 11,717,017	\$ 14,976,346	\$ 12,580,635
Excess (deficiency) of revenues over (under) expenditures	\$ 1,256,577	\$ 1,795,996	\$ 1,252,718	\$ 1,045,809	\$ 323,728	\$ 1,411,373	\$ (437,313)	\$ 281,799	\$ (2,683,143)	\$ (1,854,299)
Other financing sources (uses):										
Transfers in	\$ 1,151,799	\$ 1,391,153	\$ 1,248,045	\$ 1,382,541	\$ 1,102,799	\$ 1,149,554	\$ 2,450,733	\$ 1,259,800	\$ 841,460	\$ 973,659
Transfers out	(1,151,799)	(1,391,153)	(1,248,045)	(1,382,541)	(1,102,799)	(1,149,554)	(2,450,733)	(1,259,800)	(841,460)	(973,659)
Proceeds from sale of capital assets	124,117	80,637	96,718	28,775	24,475	13,112	32,598	172,596	44,537	24,438
Insurance proceeds										63,419
Issuance of:										
Debt					410,000	247,400	560,840	505,630	4,060,450	404,396
General long-term debt		6,632,000	1,782,720					8,390,000		2,140,000
Refunding bonds		(6,450,000)						(8,334,003)		
Bond premium								76,252	26,388	18,985
Total other financing sources (uses)	\$ 124,117	\$ 262,637	\$ 1,879,438	\$ 28,775	\$ 434,475	\$ 260,512	\$ 593,438	\$ 810,475	\$ 4,131,375	\$ 2,651,238
Net change in fund balances	\$ 1,380,694	\$ 2,058,633	\$ 3,132,156	\$ 1,074,584	\$ 758,203	\$ 1,671,885	\$ 156,125	\$ 1,092,274	\$ 1,448,232	\$ 796,939
Debt service as a percentage of non-capital expenditures	8%	12%	12%	16%	16%	12%	12%	12%	6%	24%

¹ See Schedule 5 for explanation of increases.

² Increase for 2013 includes \$937,537 transfer to pension trust fund paid from proceeds of a pension obligation bond.

³ Increase for 2013 includes new Pierce Velocity rescue truck and includes a \$2,620,826 transfer to pension trust fund paid from proceeds of a pension obligation bond.

LOWER ALLEN TOWNSHIP

SCHEDULE 5
TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

Fiscal year	Real estate ¹	Earned income ²	Other	Total
2021	\$ 7,433,480	\$ 3,517,136	\$ 1,476,463	\$ 12,427,079
2020	7,384,093	3,157,962	1,146,724	11,688,779
2019	5,534,149	3,433,650	1,544,704	10,512,503
2018	5,419,393	3,050,097	1,257,724	9,727,214
2017	4,334,574	2,912,357	1,437,117	8,684,048
2016	4,303,398	2,740,499	1,525,343	8,569,240
2015	4,218,501	2,492,318	1,186,516	7,897,335
2014	4,131,103	2,477,010	1,200,934	7,809,047
2013	4,074,359	2,357,101	1,120,697	7,552,157
2012	3,411,244	1,704,963	1,315,054	6,431,261
Change 2012 to 2021	117.91%	106.29%	12.27%	93.23%

¹ The tax rate decreased from 2.50 to 2.05 in 2011, increased from 2.05 to 2.45 in 2013, increased from 2.45 to 3.03 in 2018 and increased from 3.03 to 4.00 in 2020.

² The tax rate increased from 0.5% to 0.6% in 2013.

LOWER ALLEN TOWNSHIP

SCHEDULE 6 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

Fiscal year	Residential property	Commercial property	Industrial property	Less: Tax-exempt property	Total taxable assessed value	Total direct tax rate ¹	Estimated actual taxable value ²	Taxable assessed value as a percentage of actual taxable value
2021	\$ 1,095,644,200	\$ 960,097,700	\$ 38,693,600	\$ 245,033,500	\$ 1,849,402,000	4.00	\$ 2,163,800,340	85.47 %
2020	1,072,647,700	972,076,600	38,693,600	245,213,200	1,838,204,700	4.00	1,985,261,076	92.59
2019	1,066,832,900	943,304,100	38,693,600	247,133,900	1,801,696,700	3.03	1,927,815,469	93.46
2018	1,042,847,700	948,902,900	38,693,600	244,483,800	1,785,960,400	3.03	1,857,398,816	96.15
2017	1,019,686,900	927,412,000	38,593,700	247,829,200	1,737,863,400	2.45	1,772,606,487	98.04
2016	1,008,962,700	909,799,000	38,593,700	244,975,000	1,712,380,400	2.45	1,715,812,024	99.80
2015	1,000,713,700	905,678,300	38,593,700	249,555,400	1,695,430,300	2.45	1,695,430,300	100.00
2014	998,610,700	902,404,100	38,593,700	252,275,800	1,687,332,700	2.45	1,687,669,278	99.98
2013	980,176,000	870,220,600	31,996,300	245,353,700	1,637,039,200	2.45	1,687,669,278	97.00
2012	1,018,965,890	851,784,410	31,996,300	245,353,700	1,657,392,900	2.05	1,657,392,900	100.00

Source: Cumberland County Assessment Office

¹ Tax rate per \$1,000 assessed value. The year 2010 was a reassessment year for Cumberland County (with the new values going into effect in 2011), which impacted the tax rate.

² Estimate based on a countywide common level ratio provided by the Pennsylvania Tax Equalization Board.

LOWER ALLEN TOWNSHIP

SCHEDULE 7 DIRECT AND OVERLAPPING PROPERTY TAX RATES LAST TEN FISCAL YEARS (Rate per \$1,000 of Assessed Value)

Fiscal year	Lower Allen Township Direct Rates				Overlapping Rates	
	General purposes	Debt service	Fire service	Total direct rate ¹	West Shore School District	Cumberland County
2021	2.64	0.41	0.95	4.00	12.75	2.36
2020	2.64	0.41	0.95	4.00	12.32	2.36
2019	1.99	0.41	0.63	3.03	11.95	2.36
2018	1.99	0.41	0.63	3.03	11.65	2.36
2017	1.60	0.41	0.44	2.45	11.20	2.36
2016	1.60	0.41	0.44	2.45	10.92	2.34
2015	1.60	0.41	0.44	2.45	10.18	2.34
2014	1.60	0.41	0.44	2.45	9.68	2.05
2013	1.60	0.41	0.44	2.45	9.30	2.05
2012	1.23	0.41	0.41	2.05	9.30	2.05

Source: Cumberland County Assessment Office Township tax ordinances

¹ The Cumberland County reassessment occurred in 2010, which affected the tax rate in 2011.

LOWER ALLEN TOWNSHIP

SCHEDULE 8 PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Type of business	2021			2012		
		Taxable assessed value	Rank	Percentage of total Township taxable assessed value	Taxable assessed value	Rank	Percentage of total Township taxable assessed value
Asbury Atlantic, Inc.	Commercial	\$ 93,462,200	1	5.08 %	\$ 48,475,900	2	2.99 %
PR CC Limited Partnership (Capital City Mall)	Commercial rental	85,700,000	2	4.66	74,923,100	1	4.62
Arcona Strand Partners	Real estate development	26,072,900	3	1.42			
Lisburn Devco LLP	Land development	21,000,000	4	1.14			
High Hotels, LTD	Commercial rental	18,960,000	5	1.03	13,211,800	5	0.81
Exeter 4501 Westport LLC	Warehousing	17,500,000	6	0.95			
High Properties	Commercial rental	13,734,900	7	0.75	14,668,500	4	0.90
2850 Appleton Associates, Inc.	Commercial	12,728,600	8	0.69	11,500,700	7	0.71
VS Woods Holdings, Inc.	Real estate rental	12,557,200	9	0.68			
Brooks Edge Apartments LP	Commercial rental	11,295,000	10	0.61			
TRT-DCT Westport, LLC	Warehousing				17,500,000	3	1.08
Lower Allen Township Development Authority (formerly Alstores Realty Corp.)	Commercial rental				13,050,400	6	0.80
Reva PBC Wesley Tic 16, LLC	Commercial rental				10,314,200	8	0.64
Century Park Investments, LP	Commercial rental				10,155,600	9	0.63
Pennsylvania HRT, Inc.	Medical rehabilitation				9,777,400	10	0.60
Total		<u>\$ 313,010,800</u>		<u>17.01 %</u>	<u>\$ 223,577,600</u>		<u>13.78 %</u>

Source: Cumberland County Assessment Office

LOWER ALLEN TOWNSHIP

SCHEDULE 9
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collection in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2021	\$ 7,386,660	\$ 7,213,609	97.66 %		\$ 7,213,609	97.66 %
2020	7,352,819	7,162,359	97.41	\$ 80,294	7,242,653	98.50
2019	5,439,567	5,325,491	97.90	83,484	5,408,975	99.44
2018	5,411,460	5,252,879	97.07	69,151	5,322,030	98.35
2017	4,257,765	4,183,435	98.25	55,640	4,239,075	99.56
2016	4,195,334	4,111,955	98.01	40,850	4,152,805	98.99
2015	4,133,970	4,034,758	97.60	82,577	4,117,335	99.60
2014	4,078,378	3,967,115	97.27	75,378	4,042,493	99.12
2013	4,005,087	3,924,870	98.00	50,912	3,975,782	99.27
2012	3,466,141	3,361,505	96.98	43,765	3,405,270	98.24

Source: Cumberland County Assessment Office
Lower Allen delinquent tax records

LOWER ALLEN TOWNSHIP

SCHEDULE 10
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal year	Governmental activities			Total primary government	Percentage of personal income	Per capita
	General obligation bonds	Capital leases	Premium (discount)			
2021	\$ 6,071,000	\$ 1,734,951		\$ 7,805,951	1.33 %	\$ 385
2020	7,122,000	1,936,771		9,058,771	1.72	447
2019	8,055,000	2,171,772	\$ 23,907	10,250,679	1.79	570
2018	9,140,000	618,731	31,603	9,790,334	1.93	545
2017	10,205,000	1,002,690	49,638	11,257,328	2.32	626
2016	11,245,000	1,002,690	49,638	12,297,328	2.69	684
2015	12,270,000	1,176,684	59,734	13,506,418	3.25	751
2014	13,285,000	1,106,791	70,255	14,462,046	3.50	804
2013	13,840,000	986,428	(49,017)	14,777,411	3.76	822
2012	10,710,000	955,600	(56,132)	11,609,468	3.40	646

Note: The percentage of personal income is calculated using the personal income figure taken from Schedule 14.

LOWER ALLEN TOWNSHIP

SCHEDULE 11
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal year	General bonded debt outstanding			Percentage of actual taxable value of property	Per capita
	General obligation bonds net of discounts/premiums	Fund balance restricted for debt service	Net general obligation bonds		
2021	\$ 6,071,000	\$ 1,324,266	\$ 4,746,734	0.28 %	\$ 234
2020	7,122,000	1,130,914	5,991,086	0.36	296
2019	8,078,907	851,860	7,227,047	0.46	402
2018	9,171,603	651,789	8,519,814	0.51	474
2017	10,254,638	521,145	9,733,493	0.58	541
2016	11,294,638	475,560	10,819,078	0.64	602
2015	12,329,734	376,367	11,953,367	0.72	665
2014	13,355,255	353,865	13,001,390	0.79	723
2013	13,790,983	236,010	13,554,973	0.81	754
2012	10,653,868	238,156	10,415,712	0.65	597

Note: See Schedule 6 for actual taxable value of property.

LOWER ALLEN TOWNSHIP

SCHEDULE 12
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2021

<u>Governmental unit</u>	<u>Debt outstanding</u>	<u>Estimated percentage applicable ¹</u>	<u>Estimated share of direct and overlapping debt</u>
West Shore School District ²	\$ 130,877,665	33.73 %	\$ 44,145,036
Mechanicsburg School District ³	133,279,729	0.54	719,711
Cumberland County	<u>22,162,058</u>	7.15	<u>1,584,587</u>
Subtotal, overlapping debt	286,319,452	12.35	46,449,334
Lower Allen Township direct debt	7,805,951	100.00 %	<u>7,805,951</u>
Total direct and overlapping debt			<u><u>\$ 54,255,285</u></u>

Sources: West Shore School District
Mechanicsburg Area School District
Cumberland County

¹ Percent applicable to the Township is calculated by using the assessed valuation of the Township divided by the assessed valuation of the taxing district.

² This is the percent applicable to the Township using the assessed valuation less the assessed valuation for the Shiremanstown Annex.

³ This is the percent applicable to the Shiremanstown Annex only.

LOWER ALLEN TOWNSHIP

SCHEDULE 13 LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS

Legal debt margin calculation for fiscal year 2021

Borrowing base ¹	\$ 18,351,014
Debt limit (250% of borrowing base)	\$ 45,877,535
Debt applicable to limit:	
General obligation bonds	3,962,000
Capital leases	3,048,786
Less, amount set aside for repayment of general obligation debt	<u>-</u>
Legal debt margin	<u><u>\$ 38,866,749</u></u>

	Fiscal year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Debt limit	\$ 45,877,535	\$ 42,773,185	\$ 37,897,853	\$ 35,808,318	\$ 33,862,138	\$ 32,293,653	\$ 31,034,686	\$ 29,201,890	\$ 27,843,963	\$ 25,943,852
Total net debt applicable to limit	<u>7,010,786</u>	<u>6,709,771</u>	<u>7,776,772</u>	<u>7,083,731</u>	<u>8,224,656</u>	<u>9,137,690</u>	<u>10,126,684</u>	<u>10,866,791</u>	<u>11,096,428</u>	<u>11,665,600</u>
Legal debt margin	<u><u>\$ 38,866,749</u></u>	<u><u>\$ 36,063,414</u></u>	<u><u>\$ 30,121,081</u></u>	<u><u>\$ 28,724,587</u></u>	<u><u>\$ 25,637,482</u></u>	<u><u>\$ 23,155,963</u></u>	<u><u>\$ 20,908,002</u></u>	<u><u>\$ 18,335,099</u></u>	<u><u>\$ 16,747,535</u></u>	<u><u>\$ 14,278,252</u></u>
Total net debt applicable to the limit as a percentage of debt limit	15.28%	15.69%	20.52%	19.78%	24.29%	28.30%	32.63%	37.21%	39.85%	44.96%

The Township adopted a debt policy in 2014. This policy strives to keep total long-term liabilities (from the statement of net position/assets) below the limits shown below in parentheses.

Percent of legal debt limit (max 75%)	28.1%	30.2%	34.0%	36.9%	29.4%	39.9%	43.8%	49.6%	52.8%	44.7%
Percent of taxable real estate market value (max 1.25%)	0.6%	0.6%	0.8%	0.7%	0.6%	0.8%	0.8%	0.9%	0.9%	0.7%

¹ Borrowing base is the average of the total revenues and other financing sources of the most current three years combined less the proceeds from disposition of capital assets and other non-recurring items, including bonds or note proceeds, of the same most current three years combined.

LOWER ALLEN TOWNSHIP

SCHEDULE 14
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Calendar year</u>	<u>Population</u>	<u>Personal income</u>	<u>Per capita personal income</u>	<u>Unemployment rate</u>
2021	20,260	\$ 586,189,333	\$ 28,933	4.40 %
2020	20,260	526,327,000	25,979	5.10
2019	17,980	572,275,000	31,828	3.10
2018	17,980	508,349,500	28,273	3.00
2017	17,980	485,392,833	26,996	3.40
2016	17,980	456,749,833	25,403	3.50
2015	17,980	415,386,333	23,103	3.62
2014	17,980	412,835,000	22,961	4.20
2013	17,980	392,850,167	21,849	5.70
2012	17,980	340,992,600	18,965	6.30

Source: Center for Workforce Information and Analysis.

LOWER ALLEN TOWNSHIP

SCHEDULE 15 PRINCIPAL EMPLOYERS CURRENT YEAR AND TEN YEARS AGO

Employer ²	2021			2012		
	Employees	Percent	Rank ¹	Employees	Percent	Rank ¹
Commonwealth of Pennsylvania	32,645	40.69 %	1	18,782	25.78 %	1
United States Government	18,831	23.47	2	17,500	24.02	2
Pinnacle Health System	11,442	14.26	3			
Highmark, Inc.	3,500	4.36	4			
JFC Staffing	3,111	3.88	5			
Select Medical	2,809	3.50	6	1,548	2.13	10
Keystone Human Services	2,500	3.12	7			
Harrisburg Area Community College	2,032	2.53	8	1,782	2.45	8
Central Dauphin School District	1,695	2.11	9			
Capital Blue Cross	1,654	2.06	10			
Giant Foods				8,902	12.22	3
Wellspan Health				7,853	10.78	4
Hershey Entertainment & Resorts Co.				7,500	10.30	5
Weis Markets, Inc.				4,500	6.18	6
Holy Spirit Health System				2,923	4.01	7
Messiah University				1,554	2.13	9
Total employees	80,219	99.98 %		72,844	100.00 %	
Estimated number of employed Township residents	5,599			5,084		

Source: *Central Penn Business Journal*

Note: The "Employees" column represents the local employees, 16 years old and over, for each business, but not necessarily Lower Allen residents.

¹ The top ten employers are located within a ten-mile radius of the Township.

² More statistical data must be accumulated to determine where Lower Allen residents work. Ratios involving the population of Cumberland County and Lower Allen Township have been used to estimate the number of employed Township residents for 2011. For 2021, the number of earned income tax returns filed was used.

LOWER ALLEN TOWNSHIP

SCHEDULE 16 FULL-TIME-EQUIVALENT TOWNSHIP EMPLOYEES BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/program	Full-time-equivalent employees as of December 31									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General government:										
Administration	2.7	3.1	3.1	3.2	3.2	3.3	3.2	3.2	3.1	3.1
Finance	4.2	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.7
Community and human resources	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Building	2.1	2.2	2.2	2.1	2.1	2.0	2.0	1.0	1.0	1.0
Fleet maintenance	3.0	3.1	2.8	2.1	2.8	2.7	2.5	2.6	2.7	2.5
Public safety:										
Police officers	27.4	26.2	26.1	25.2	24.6	23.4	22.4	20.7	18.1	17.5
Clerical	2.5	2.7	2.8	2.9	2.0	2.0	2.1	2.0	2.0	2.0
Evidence	1.2	1.1	1.2	1.1	1.1	1.1	1.0	0.5	0.5	0.5
Community service officers	2.4	2.1	2.3	2.0	3.0	2.3	2.2	2.8	4.3	6.0
Crossing guards	0.8	0.6	1.0	1.0	1.0	1.2	1.1	1.2	2.5	3.8
Public safety adm and officers	6.8	6.8	6.8	6.8	6.3	6.5	5.6	6.5	7.9	7.8
Emergency medical technicians	17.9	15.5	13.1	10.2	11.0	10.2	10.2	9.7	9.5	10.0
Stormwater	2.1	1.0	1.0	0.9						
Community development	6.5	5.7	6.7	7.9	8.2	9.1	8.1	8.2	8.1	8.0
Public works	9.6	9.2	9.8	9.2	9.4	10.2	11.2	10.5	10.3	10.0
Parks and recreation	4.8	5.6	4.8	5.8	5.6	4.3	3.6	3.8	3.8	3.9
Total	<u>95.0</u>	<u>89.9</u>	<u>88.7</u>	<u>85.4</u>	<u>85.3</u>	<u>83.3</u>	<u>80.2</u>	<u>77.7</u>	<u>78.8</u>	<u>80.8</u>

Source: Township payroll records

Notes: Part-time positions are mainly community services officers, crossing guards and emergency medical technicians (EMTs).

LOWER ALLEN TOWNSHIP

SCHEDULE 17 OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/program	Fiscal year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public safety:										
Police:										
Motor violations revenue	\$ 56,411	\$ 51,087	\$ 59,146	\$ 52,292	\$ 42,480	\$ 43,161	\$ 44,658	\$ 41,522	\$ 48,210	\$ 54,617
Parking ticket revenue	3,690	2,150	5,670	3,220	1,400	4,410	3,290	2,540	2,385	2,670
Ordinance violation revenue	22,634	25,561	26,578	30,528	35,593	38,338	30,100	24,892	32,260	27,325
Police reports	6,075	4,140	6,195	5,815	5,933	5,877	5,755	4,460	5,455	4,895
Criminal arrests	692	781	728	720	720	623	738	575	619	584
Part I crime clearance ¹	65.90%	64.00%	64.20%	61.40%	55.50%	57.14%	53.20%	47.20%	42.10%	35.50%
Fire:										
Number of responses	682	592	744	644	563	732	768	556	662	502
Structure fires	57	33	30	33	39	44	45	37	79	51
Emergency medical:										
Number of trips	1,906	1,731	1,813	2,082	2,059	2,036	1,994	1,749	1,799	2,356
Ambulance billing revenue	\$ 1,479,869	\$ 644,103	\$ 962,574	\$ 748,496	\$ 857,569	\$ 963,500	\$ 792,901	\$ 640,461	\$ 689,518	\$ 657,653
Community development:										
Building permits issued	769	1,165	1,464	1,483	1,320	1,415	572	475	506	477
Value of construction	\$ 56,092,659	\$ 25,555,051	\$ 48,897,525	\$ 70,429,622	\$ 58,101,975	\$ 54,671,076	\$ 49,067,883	\$ 22,467,205	\$ 50,212,100	\$ 29,999,061
Public works:										
Miles of roads resurfaced	****	3	****	3	****	1	3	****	2	****
Tons of leaves picked up	1,320	1,272	1,000	764	892	978	1,216	1,105	1,229	1,164
Holiday trees collected	1,100	1,233	969	975	970	910	920	970	1,110	1,015
Tons of snow melting salt used	437	477	1,547	1,610	815	1,138	1,902	1,243	1,232	577
Cubic yards of wood chips from recycled yard waste	10,100	9,880	6,157	2,814	2,314	3,769	4,645	7,360	3,519	8,432
Parks and recreation:										
Community barn rental revenue	\$ 16,228	\$ 4,110	\$ 17,440	\$ 18,300	\$ 19,122	\$ 21,102	\$ 19,838	\$ 19,905	\$ 20,382	\$ 16,405
Field rentals	300	3,420	4,120	4,777	2,940	2,650	8,510	11,950	8,040	9,400
Park pavilion rental revenue	32,268	18,415	21,413	18,239	23,400	20,660	15,345	12,147	14,125	15,645

Source: Various Township departments
Township Annual Operating Statements

**** The Township paves every two years.

¹ Percent of reported Part I (formerly Group A) crimes ending with a conviction. Part I crimes are serious offenses, including rape, murder, robbery, assault burglary, larceny, vehicle theft and arson.

LOWER ALLEN TOWNSHIP

SCHEDULE 18 CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/program	Fiscal year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public safety:										
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Vehicles	17	12	12	13	13	13	12	13	13	13
Public safety, vehicles	3	4	4	3	3	3	3	2	4	2
Fire:										
Number of stations	3	3	3	3	3	3	3	3	3	3
Vehicles	13	13	13	13	13	12	12	12	12	12
Emergency medical:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Vehicles	4	4	4	4	4	4	3	3	4	3
Community development, vehicles	4	4	4	4	4	4	4	4	4	4
Public works:										
Paved Township road mileage	66.54	66.54	66.39	66.39	66.39	62.32	62.32	62.32	62.32	60.69
Traffic signals	29	29	29	29	29	29	29	29	28	28
Vehicles	15	17	17	17	15	15	14	13	13	13
Rolling stock equipment	10	10	10	10	18	18	18	17	17	18
Recycling pads	3	3	3	3	3	3	3	3	2	2
Parks and recreation:										
Number of public parks	16	16	16	16	16	16	16	15	15	15
Number of playgrounds	11	11	11	11	11	11	11	11	11	11
Number of ballfields	7	7	7	7	7	7	7	7	7	7
Public park acreage	282	282	282	282	282	282	282	280	280	280
Vehicles	3	3	3	3	3	3	3	3	3	3
Source: Various Township departments fixed assets listing										
Ratio of capital outlay to depreciation	107.7%	55.3%	69.6%	34.6%	139.4%	68.5%	114.5%	181.8%	221.3%	97.4%
Capital asset useful life remaining	46.1%	42.9%	42.9%	40.0%	37.2%	64.5%	66.3%	67.9%	68.7%	69.5%