

Penn Township

Financial Statements and
Supplementary Information

Year Ended December 31, 2023
with Independent Auditor's Report

MaherDuessel

The logo for MaherDuessel features the company name in a serif font. The word "Maher" is in black, and "Duessel" is in blue. Below the text is a horizontal bar that is black on the left and blue on the right, matching the color of the text.

PENN TOWNSHIP

YEAR ENDED DECEMBER 31, 2023

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PENN TOWNSHIP

YEAR ENDED DECEMBER 31, 2023

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Independent Auditor's Report

**Board of Supervisors
Penn Township**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Penn Township (Township), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Township's modified cash basis financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2023, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting as described in the Notes of the Financial Statements.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Township, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to the Notes of the financial statements, which describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in the Notes of the financial

statements, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 the 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 the 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.

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. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information listed in the table of contents. The other information listed in the table of contents does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Maher Duessel

Harrisburg, Pennsylvania
May 9, 2024

PENN TOWNSHIP

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

DECEMBER 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Penn Industrial Development Authority
Assets				
Current assets:				
Cash and cash equivalents	\$ 6,617,187	\$ 4,103,985	\$ 10,721,172	\$ 123,906
Investments	1,907,015	-	1,907,015	-
Restricted investments	-	99,486	99,486	-
Total Assets	8,524,202	4,203,471	12,727,673	123,906
Liabilities				
Developer escrow liabilities	159,288	-	159,288	-
Net Position				
Restricted for:				
Public works	103,868	-	103,868	-
Capital projects	-	99,486	99,486	-
American Rescue Plan grant	812,190	-	812,190	-
Unrestricted	7,448,856	4,103,985	11,552,841	123,906
Total Net Position	8,364,914	4,203,471	12,568,385	123,906
Total Liabilities and Net Position	\$ 8,524,202	\$ 4,203,471	\$ 12,727,673	\$ 123,906

The accompanying notes are an integral part of these financial statements.

PENN TOWNSHIP

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2023

Functions/Programs:	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activity	Total	
Primary Government:							
Governmental activities:							
Public safety	\$ 2,470,589	\$ 361,875	\$ 74,766	\$ (2,033,948)	\$ -	\$ (2,033,948)	\$ -
Community development	52,280	9,061	-	(43,219)	-	(43,219)	-
Public works	2,146,677	8,575	1,064,709	(1,073,393)	-	(1,073,393)	-
Recreation and cultural	61,627	-	-	(61,627)	-	(61,627)	-
Administration	582,583	167,178	17,899	(397,506)	-	(397,506)	-
Debt service payments	346,887	-	-	(346,887)	-	(346,887)	-
Capital outlay	763,644	-	-	(763,644)	-	(763,644)	-
Refund to developers	35,000	-	-	(35,000)	-	(35,000)	-
Total governmental activities	6,459,287	546,689	1,157,374	(4,755,224)	-	(4,755,224)	-
Business-type activity:							
Water and sewer	2,097,877	3,976,688	-	-	1,878,811	1,878,811	-
Total Primary Government	\$ 8,557,164	\$ 4,523,377	\$ 1,157,374	(4,755,224)	1,878,811	(2,876,413)	-
Component Unit:							
Penn Industrial Development Authority	\$ 59,740	\$ 57,285	\$ -	-	-	-	(2,455)
General receipts:							
Real estate taxes				1,264,292	-	1,264,292	-
Real estate transfer taxes				250,320	-	250,320	-
Earned income taxes				1,660,496	-	1,660,496	-
Local services taxes				209,102	-	209,102	-
Franchise taxes				112,066	-	112,066	-
Investment earnings				252,121	63,854	315,975	2,933
Intergovernmental revenue and contributions (not restricted to a specific purpose)				771,165	-	771,165	-
Reimbursement from (to) Authority (Township)				1,800	-	1,800	(1,800)
Transfers				36,900	(36,900)	-	-
Total general receipts and transfers				4,558,262	26,954	4,585,216	1,133
Change in Net Position				(196,962)	1,905,765	1,708,803	(1,322)
Net Position:							
Beginning of year				8,561,876	2,297,706	10,859,582	125,228
End of year	\$ 8,364,914	\$ 4,203,471	\$ 12,568,385	\$ 8,364,914	\$ 4,203,471	\$ 12,568,385	\$ 123,906

The accompanying notes are an integral part of these financial statements.

PENN TOWNSHIP
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

Assets	<u>General</u>	<u>Capital Improvements</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 3,353,579	\$ 2,968,611	\$ 294,997	\$ 6,617,187
Investments	-	990,957	916,058	1,907,015
Total Assets	<u>\$ 3,353,579</u>	<u>\$ 3,959,568</u>	<u>\$ 1,211,055</u>	<u>\$ 8,524,202</u>
Liabilities and Fund Balance				
Liabilities:				
Developer escrow liabilities	\$ 159,288	-	-	\$ 159,288
Fund Balance:				
Restricted for:				
Public works	-	-	103,868	103,868
American Rescue Plan grant	-	-	812,190	812,190
Committed for:				
Community development	-	802,077	-	802,077
Public works	-	1,549,363	294,997	1,844,360
Assigned for:				
Capital projects	-	1,608,128	-	1,608,128
2024 budget	1,467,714	-	-	1,467,714
Unassigned	1,726,577	-	-	1,726,577
Total Fund Balance	<u>3,194,291</u>	<u>3,959,568</u>	<u>1,211,055</u>	<u>8,364,914</u>
Total Liabilities and Fund Balance	<u>\$ 3,353,579</u>	<u>\$ 3,959,568</u>	<u>\$ 1,211,055</u>	<u>\$ 8,524,202</u>

The accompanying notes are an integral part of these financial statements.

PENN TOWNSHIP

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2023

	General	Capital Improvements	Non-Major Funds	Total Governmental Funds
Receipts:				
Real estate tax	\$ 1,264,292	\$ -	\$ -	\$ 1,264,292
Realty transfer tax	250,320	-	-	250,320
Earned income tax	1,660,496	-	-	1,660,496
Local service tax	209,102	-	-	209,102
State liquid fuels tax	-	-	385,473	385,473
Licenses and permits	121,127	-	-	121,127
Fines and forfeits	32,181	-	-	32,181
Contributions	331,966	104,884	-	436,850
Investment earnings	59,309	125,272	67,540	252,121
Intergovernmental receipts	131,533	555,632	419,451	1,106,616
Miscellaneous receipts	124,909	-	-	124,909
Charges for services	361,030	-	8,575	369,605
Total receipts	4,546,265	785,788	881,039	6,213,092
Disbursements:				
Current:				
Public safety	2,470,589	-	-	2,470,589
Community development	1,250	51,030	-	52,280
Public works	727,752	957,524	461,401	2,146,677
Recreation and cultural	61,627	-	-	61,627
Administration	575,406	7,177	-	582,583
Debt service:				
Principal	336,000	-	-	336,000
Interest and fiscal charges	10,887	-	-	10,887
Capital outlay	-	-	763,644	763,644
Refunds to developers	-	35,000	-	35,000
Total disbursements	4,183,511	1,050,731	1,225,045	6,459,287
Excess (Deficiency) of Receipts Over (Under) Disbursements	362,754	(264,943)	(344,006)	(246,195)
Other Financing Sources (Uses):				
Sale of general capital assets	10,533	-	-	10,533
Reimbursement from component unit	1,800	-	-	1,800
Transfers in	113,900	132,573	-	246,473
Transfers out	(132,573)	(77,000)	-	(209,573)
Total other financing sources (uses)	(6,340)	55,573	-	49,233
Net Change in Fund Balance	356,414	(209,370)	(344,006)	(196,962)
Fund Balance:				
Beginning of year	2,837,877	4,168,938	1,555,061	8,561,876
End of year	\$ 3,194,291	\$ 3,959,568	\$ 1,211,055	\$ 8,364,914

The accompanying notes are an integral part of these financial statements.

PENN TOWNSHIP
 BALANCE SHEET - MODIFIED CASH BASIS
 PROPRIETARY FUND
 DECEMBER 31, 2023

	Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 4,103,985
Restricted investments	99,486
Total Assets	\$ 4,203,471
Net Position	
Restricted for capital projects	\$ 99,486
Unrestricted	4,103,985
Total Net Position	\$ 4,203,471

The accompanying notes are an integral part of these financial statements.

PENN TOWNSHIP

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2023

	<u>Water and Sewer Fund</u>
Operating Receipts:	
Charges for services	\$ 1,732,922
Miscellaneous receipts	<u>6,666</u>
Total operating receipts	<u>1,739,588</u>
Operating Disbursements:	
Operation and administration	1,272,890
Materials and supplies	<u>137,954</u>
Total operating disbursements	<u>1,410,844</u>
Operating Income	<u>328,744</u>
Nonoperating Receipts (Disbursements):	
Tapping fees	2,237,100
Debt service:	
Principal	(597,000)
Interest and fiscal charges	(90,033)
Investment earnings	<u>63,854</u>
Total nonoperating receipts (disbursements)	<u>1,613,921</u>
Change in net position before transfers	1,942,665
Transfers out	<u>(36,900)</u>
Change in Net Position	1,905,765
Net Position:	
Beginning of year	<u>2,297,706</u>
End of year	<u><u>\$ 4,203,471</u></u>

The accompanying notes are an integral part of these financial statements.

PENN TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS PENSION TRUST FUND

DECEMBER 31, 2023

Assets	
Cash and cash equivalents	\$ 62,089
Investments, at fair value:	
Exchange-traded funds	378,808
Mutual funds	1,900,750
Total investments	2,279,558
Total Assets	2,341,647
Net Position	
Restricted for employees' pension benefits	2,341,647
Total Net Position	\$ 2,341,647

The accompanying notes are an integral part of these financial statements.

PENN TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS PENSION TRUST FUND

YEAR ENDED DECEMBER 31, 2023

Additions:

Contributions:

Employer contributions	\$ 44,537
Employee contributions	<u>2,566</u>

Total contributions 47,103

Investment income:

Net appreciation in fair value of investments	<u>312,196</u>
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Total additions 359,299

Deductions:

Benefits	32,972
Administrative expenses	<u>8,271</u>

Total deductions 41,243

Change in Plan Net Position

318,056

Net Position:

Beginning of year	<u>2,023,591</u>
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End of year	<u><u>\$ 2,341,647</u></u>
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The accompanying notes are an integral part of these financial statements.

PENN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

1. Nature of Activity and Significant Accounting Policies

A. Financial Reporting Entity

Penn Township (Township), Lancaster County, Pennsylvania, was formed in 1846. The Township operates under a form of government which is comprised of an elected Board of Supervisors (five members) under the administration of an appointed Township Manager.

The Governmental Accounting Standards Board (GASB) requires that the reporting entity include the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in the governmental accounting standards has been considered. The component units, as determined under the above criteria and as discussed below, are included in the Township's reporting entity.

Blended Component Unit

The Northwestern Lancaster County Authority (Authority) is a financing authority organized under the Municipality Authority Act of 1945, as amended. The Authority owns the water and sewer systems of the Township, which it leases to the Township, who is responsible for operation and use of the water and sewer system. The Authority is governed by a Board of Directors consisting of five members appointed by the Township Board of Supervisors. The Authority is reported as a blended component unit of the proprietary fund.

Discretely Presented Component Unit

The Penn Industrial Development Authority (IDA) is an authority organized under the Economic Development Financing Law, as amended. The IDA's purposes are to enhance the economic development of Lancaster County and the Township, and to promote and assist in the growth and development of business and industry therein, including small business concerns, through the issuance of conduit debt. However, the activities of the Authority shall not be limited to Lancaster County nor the Township and shall only be limited by applicable law. The surplus assets of the IDA not reasonably required to meet or provide for the obligations or operations of the IDA are to be transferred, upon the written direction of the Township, to the Township from time to time. The IDA is governed by a Board of Directors consisting of five members appointed by the Township Board of Supervisors.

PENN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

The discretely presented component unit is reported as a separate column in the government-wide financial statements. Separate financial statements of the IDA can be obtained by contacting the Township.

Joint Venture

On September 21, 2011, the Township entered into a charter agreement with Clay Township and Warwick Township for the formation of the Northern Lancaster County Regional Police Department (Department) for the purpose of providing comprehensive, quality police protection for its participating municipalities in the most efficient manner. The Department is under the direction and control of the Northern Lancaster County Regional Police Commission (Commission), which is the governing body of the Department. The Commission consists of two representatives from the Township, Clay Township, and Warwick Township, one of which must be a member of each Township's Board of Supervisors. The Township contributed certain assets, including vehicles, firearms, and equipment, to the formation of the Department. All costs of the Department for police services, including employee payroll and benefits and vehicle and headquarter operating expenses, are to be apportioned to each participating municipality using a police protection unit (unit) basis.

The Township may withdraw from the agreement provided that notice to withdraw is provided to the Commission at least 15 months prior to the effective date of the withdrawal. In the event of withdrawal, the Township would be responsible for paying the following amounts to the Commission as full and complete payment of its withdrawal liability: (1) within three months after the effective date of separation, 50% of the units purchased in the last calendar year of full participation; (2) within 15 months after the effective date of separation, 25% of the units purchased in the last calendar year of full participation; and (3) within 27 months after the effective date of separation, 25% of the units purchased in the last calendar year of full participation. In addition, upon withdrawal, the Township would be responsible for paying, over a 24-month period after the effective date of withdrawal, 100% of the Township's share, based on units purchased, of the unfunded actuarially accrued liability for the police pension, if any, on the effective date of withdrawal.

The agreement was amended in July 2014 to change the withdrawal date for any participating township and to change the termination date of the agreement from December 31, 2016 to December 31, 2021. In addition, the amendment provides that the participating townships will not reduce the units of service purchased during the prior fiscal year by more than five percent.

PENN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

In November 2018, the Township approved extending the agreement to December 31, 2026. The agreement will renew automatically from year to year thereafter, subject to the dissolution provisions outlined in the agreement.

During the year ended December 31, 2023, the Township paid the Department \$1,968,542 for its share of police services. Residual assets upon dissolution of the Commission would be distributed equitably among the remaining member municipalities. Separate financial statements were issued by the Department and can be obtained by contacting the Township.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for the fiduciary fund. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, receipts, and disbursements. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- Total assets, liabilities, receipts, or disbursements of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type.
- Total assets, liabilities, receipts, or disbursements of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

PENN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund – established to account for resources devoted to financing the general services that the Township provides and always classified as a major fund. General tax receipts and other receipts used to finance the fundamental operations of the Township are recorded in this fund. The fund is charged with all costs of operating the Township for which there is not a separate fund.

Special Revenue Funds – are used to account for proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

American Rescue Plan Act Fund – is used to account for the proceeds from the U.S. Department of the Treasury's American Rescue Plan Act. Cash disbursements are restricted in accordance with the U.S. Department of the Treasury regulations.

State Liquid Fuels Fund – is used to account for the proceeds from the State Motor License Fund. Under the Act of June 1, 1956, P.L. 1944, No. 145, this fund must be kept separate from all other funds and no other funds shall be commingled with this fund. Cash disbursements are legally restricted for highway purposes in accordance with Department of Transportation regulations.

Storm Water Management Fund – is used to account for the fees charged by the Township committed for the inspection, repair, and maintenance of the existing storm water management facilities or for the construction and installation of new storm water facilities.

Capital Improvements Fund – is used to account for the acquisition, construction, and improvement of major capital assets.

Proprietary Fund

Enterprise Funds – are used to account for business-like activities provided to the general public. These activities are financed primarily through user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The major enterprise fund is the Water and Sewer Fund.

PENN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Fiduciary Fund

Pension Trust Fund – is established to provide pension benefits for Township employees. The principal receipt sources for this fund are employer and employee contributions and returns on investments.

Township Pension Fund – provides post-retirement pension benefits to all employees who have provided certain levels of service.

Major and Non-major Funds

The funds are classified as major or non-major. The General Fund, Capital Improvements Fund, and Water and Sewer Fund are considered major funds. The American Rescue Plan Act Fund, State Liquid Fuels Fund, and Storm Water Management Fund are considered non-major funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

If the Township utilized the measurement focus recognized as generally accepted, the government-wide financial statements would have been presented using the “economic resources” measurement focus as defined below. Additionally, the fund financial statements would have been presented using the “current financial resources” measurement focus or the “economic resources” measurement focus, as appropriate.

- All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available financial resources during a given period. These funds use fund balance as their measure of available financial resources at the end of the period.
- The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position,

PENN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

- The pension trust fund utilizes an “economic resources” measurement focus. Accordingly, all assets and liabilities are included on the balance sheet and the fund equity reflects the economic net worth of the fund. The operating statement reflects the change in total economic net worth for the period presented through the additions and deductions of the fund.

Basis of Accounting

The financial statements are presented using the modified cash basis of accounting. This basis recognizes assets, net position/fund equity, receipts, and disbursements when they result from cash transactions, except that:

- Investment assets are recorded at fair value and changes in fair value are recognized as a component of receipts.
- Developer escrow deposits withheld, but not remitted, are treated as liabilities.

This basis is a special purpose framework other than accounting principles generally accepted in the United States of America.

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for the governmental funds would use the modified accrual basis of accounting, while the government-wide financial statements and the fund financial statements for the proprietary fund types and pension trust fund would use the accrual basis of accounting.

Modified Accrual Basis – Revenues would be recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) would be recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

Accrual Basis – Revenues would be recognized when earned. Expenses (including depreciation and amortization) would be recorded when the liability was incurred or

PENN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions would be recognized when the exchange took place.

D. Assets, Liabilities, and Equity

Cash and Cash Equivalents

The Township considers amounts held in checking, savings, and certificates of deposit to be cash and cash equivalents.

Restricted Assets

Restricted assets represent monies required to be restricted under the terms of bond indentures.

Investments

The Township is authorized by state statute to deposit governmental funds in the following:

- a. U.S. Treasury bills.
- b. Short-term U.S. government obligations.
- c. Short-term commercial paper issued by a public corporation.
- d. Banker's acceptances.
- e. Insured or collateralized time deposits.
- f. Shares of mutual funds whose investments are restricted to the above categories.

The statutes also allow pooling of a government's funds for investment purposes. When making investments, the Township can combine monies from more than one fund under the Township's control for the purchase of a single investment and join with other political subdivisions and municipal authorities in the purchase of a single investment.

Pension trust funds are not restricted to the above requirements and may invest in other financial instruments.

The Township's investment in the external investment pool is valued at amortized cost, which approximates fair value. All other Township investments are valued at fair value. The Township categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America.

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The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Capital Assets

As a result of the use of the modified cash basis of accounting, capital assets are recorded as disbursements, upon acquisition, in the financial statements. Disbursements for infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are recorded as disbursements in the fund types expending the funds.

Long-Term Debt

As a result of the use of the modified cash basis of accounting, long-term debt arising from cash transactions is not reported as a liability in the financial statements. In the governmental funds, debt proceeds are reported as other financing sources and the payment of principal and interest are reported as disbursements. Additionally, debt issuance costs are recognized as fiscal charges during the period of issuance.

Compensated Absences

Vacation days are granted to employees in various amounts, depending on years of service. Vacation days may be accumulated and carried over to the next year, up to a defined maximum number of accrual days, based on years of service. In the event of voluntary termination with the Township, an employee is entitled to payment of earned vacation days that remain unused for that current year. If the Township terminates an employee for just cause, he/she will not be entitled to the payment of their unused/unearned vacation time for the current year.

Sick days are accrued at a rate of 2.5 hours per pay period. Employees may accumulate up to a total of 400 hours each year and are not paid for unused accrued sick leave at termination.

PENN TOWNSHIP

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Equity Classification

Government-Wide Financial Statements:

Equity is classified as net position and displayed in two components:

- Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – All other net position that does not meet the definition of “restricted.”

The Township’s policy is to first use restricted net position prior to the use of unrestricted net position when a disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide financial statements.

Fund Balance:

In the fund financial statements, governmental funds report fund balance in categories based on the level of constraint placed upon the funds. These levels are as follows:

- 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 limited in use due to the constraints on purpose and circumstances of spending imposed by the Board of Supervisors (Board). Such commitment is made via a Board resolution and must be made prior to the end of the calendar year. Removal of the commitment requires a Board resolution.

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- Assigned – This category represents intentions of the Township Manager to use the funds for specific purposes. Through a resolution of the Board, the Township Manager or his/her designee has been delegated the responsibility to assign funds.
- Unassigned – This category represents all other funds not otherwise defined.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, 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, committed fund balance is applied first and assigned fund balance is applied second. Unassigned fund balance is applied last.

E. Receipts and Disbursements

Property Taxes

The Township's real estate taxes are based on assessed values established by Lancaster County's Board of Assessments. The taxes are collected by the Treasurer's Office of Lancaster County. Real estate taxes attach an enforceable lien on property when levied on March 1. A discount of 2% is applied to payments made prior to April 30. A penalty of 10% is added to the face amount of taxes paid after June 30. Lancaster County collects delinquent real estate taxes on behalf of itself and other taxing authorities.

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the Township's taxpayers are reported as program receipts. The Township has the following program receipts in each activity:

Public Safety – Police services and building and zoning permits.

Community Development – Miscellaneous fees.

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NOTES TO FINANCIAL STATEMENTS

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Public Works – Road improvement grants; commercial vehicle and gasoline excise tax shared by the State.

Administration – Engineering and review and miscellaneous fees.

All other governmental receipts are reported as general.

Operating Receipts and Disbursements

Operating receipts and disbursements for the proprietary fund are those that result from providing services and producing and delivering goods and/or services. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Disbursements

In the government-wide financial statements, disbursements are classified by function for both governmental and business-type activities. There have been certain allocations of indirect expenses to functions in the Statement of Activities. In the fund financial statements, disbursements are classified as follows:

Governmental Funds – By Character:

- Current (further classified by activity)
- Debt Service
- Capital Outlay

Proprietary Fund – By Operating and Non-Operating

F. Interfund Activities

Interfund transfers represent the flow of assets from one fund to another where repayment is not expected. In the fund financial statements, these transactions are reported as “transfers in/out.” Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as “Transfers.”

PENN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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G. Pending Pronouncements

GASB has issued statements that will become effective in future years including 100 (Accounting Changes and Error Corrections), 101 (Compensated Absences), and 102 (Certain Risk Disclosures). Management has not yet determined the impact of these statements on the financial statements.

2. Cash and Cash Equivalents

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 and IDA do not have a formal deposit policy for custodial credit risk.

As of December 31, 2023, the Township's book balance was \$10,783,261 and the bank balance was \$10,969,734. Of the bank balance, \$1,089,875 was covered by federal depository insurance and \$9,879,859 was collateralized under Act No. 72 (Act) of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

Deposits:	
Governmental activities	\$ 6,617,187
Business-type activities	4,103,985
Fiduciary funds	<u>62,089</u>
	<u>\$ 10,783,261</u>

As of December 31, 2023, the IDA's book and bank balance was \$123,906. The IDA's bank balance was covered by federal depository insurance.

PENN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

3. Investments

The fair value of the Township's investments at December 31, 2023 was:

Investments:		
Money market funds	\$	10,561
U.S. government obligations		49,478
U.S. government agency obligations		608,841
Exchange-traded funds:		
Equity		378,808
Mutual funds:		
Domestic		822,803
Foreign		351,661
Debt		726,286
		<u>2,948,438</u>
Investments measured at net asset value:		
External investment pool		<u>1,337,621</u>
Total investments measured at fair value	\$	<u><u>4,286,059</u></u>
Reconciliation of Total Investments:		
Governmental activities		1,907,015
Business-type activities		99,486
Fiduciary funds		2,279,558
	\$	<u><u>4,286,059</u></u>

All Township investments are valued using quoted market prices (Level 1).

The Township uses Pennsylvania Local Government Investment Trust (PLGIT), an external investment pool, to ensure safety and maximize efficiency, liquidity, and yield for Township funds. PLGIT was created to meet the investment needs of local governments, school districts, municipal authorities, and other types of governments in the Commonwealth of Pennsylvania (Commonwealth). PLGIT's investment objective is to seek high current income, consistent with preservation of capital and maintenance of liquidity. PLGIT issues separately audited financial statements that are available to the public. Further information regarding PLGIT and its investment strategies can be found at www.plgit.com.

PENN TOWNSHIP

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The fair value of the Township's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth provides external regulatory oversight for the external investment pool. These funds totaling \$1,337,621 are invested by PLGIT. The Township is invested \$42,725, \$1,195,410, and \$99,486 in PLGIT-Class shares, PLGIT/PRIME shares, and PLGIT/Reserve-Class shares, respectively.

The PLGIT-Class shares require no minimum balance, no minimum initial investment, and have a one-day minimum investment period. The PLGIT/PRIME is a variable rate investment portfolio which requires no minimum balance, no minimum initial investment, and limits redemptions or exchanges to two per calendar month. The PLGIT/Reserve-Class shares require a minimum investment of \$50,000, a one-day minimum investment period, and limits redemptions or exchanges to two per calendar month.

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 an investment policy for custodial credit risk. All investments in the Township's pension plan are held in the pension plan's name under a custodial agreement with TD Ameritrade. The remaining investments of the Township are not exposed to custodial credit risk because they are not evidenced by securities in book entry or paper form.

Concentration of Credit Risk. The Township places no limit on the amount the Township may invest in any one issuer. At December 31, 2023, there were no investments held by the Township that exceeded five percent of the Township's total portfolio.

PENN TOWNSHIP

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Credit Risk. The following is each investment type’s credit quality rating for securities with credit exposure as of December 31, 2023. The Township does not have a formal policy stating an acceptable credit quality rating for its investments.

	Fair Value	Rating
External investment pool	\$ 1,337,621	AAA
Money market funds	10,561	Unrated
U.S. government obligations	49,478	Unrated
U.S. government agency obligations	608,841	Unrated
Mutual funds - debt	259,504	A+
Mutual funds - debt	250,978	A
Mutual funds - debt	128,781	BBB
Mutual funds - debt	87,023	B+

Interest Rate Risk. The Township does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates. The following is each investment type’s average maturity as of December 31, 2023:

Investment Type	Fair Value	Investment Maturity			
		2024	2025-2029	2030-2034	2035+
External investment pool	\$ 1,337,621	\$ 1,337,621	\$ -	\$ -	\$ -
U.S. government obligations	49,478	49,478	-	-	-
U.S. government agency obligations	608,841	410,919	197,922	-	-
Debt mutual funds	726,286	-	87,024	509,236	130,026
Total	\$ 2,722,226	\$ 1,798,018	\$ 284,946	\$ 509,236	\$ 130,026

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4. Transfers

The composition of interfund transfers for the year ended December 31, 2023 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 113,900	\$ 132,573
Capital Improvements Fund	132,573	77,000
Enterprise Fund:		
Water and Sewer Fund	-	36,900
	<u>\$ 246,473</u>	<u>\$ 246,473</u>

Interfund transfers were made primarily to fund capital improvements. In addition, the Water and Sewer Fund makes transfers to reimburse the General Fund for payroll, postage, and streetlights.

5. Long-Term Debt

General Obligation Note, Series of 2017

In August 2017, the Township issued the direct borrowing General Obligation Note, Series of 2017 (2017 Note), in the amount of \$4,760,000. The proceeds of the 2017 Note were used for 1) the current refunding of the outstanding portion of the General Obligation Note, Series of 2014, (2) the current refunding of the outstanding portion of the General Obligation Bonds, Series of 2012, and (3) the costs of issuance of the note.

The 2017 Note bears interest ranging between 2.15% and 3.50% and is due in semi-annual installments on the fifteenth calendar day of May and November. Principal payments are due annually on the fifteenth calendar day of May ranging from \$15,000 to \$805,000. Final maturity was to occur on or before May 15, 2033. The debt service was to be paid from the General Fund and the Water and Sewer Fund. During the year ended December 31, 2020, the Water and Sewer Fund portion of the 2017 Note was currently refunded with the General Obligation Note, Series of 2020. The remaining debt service will be paid from the General Fund. Final maturity to occur on or before May 15, 2024.

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In the event of default by the Township, the holders are entitled to certain remedies provided by the Debt Act. No events of default by the Township took place during the year ended December 31, 2023.

Principal and interest payments of \$190,000 and \$3,440, respectively, for the 2017 Note for the year ended December 31, 2023 were allocated and funded from the General Fund.

The remaining maturities of borrowings under the 2017 Note are principal and interest payment of \$65,000 and \$699, respectively due during the year ended December 31, 2024.

General Obligation Note, Series of 2020

In August 2020, the Township issued the direct borrowing General Obligation Note, Series of 2020 (2020 Note), in the amount of \$9,406,000. The proceeds of the 2020 Note were used for 1) the current refunding of the outstanding portion of the General Obligation Bonds, Series of 2013, (2) the current refunding of the outstanding Water and Sewer Fund portion of the General Obligation Note, Series of 2017, (3) the financing of a road project, and (4) the costs of issuance of the 2020 Note.

The 2020 Note bears interest of 1.26% and is due in semi-annual installments on the fifteenth calendar day of May and November. Principal payments are due annually on the fifteenth calendar day of May ranging from \$182,000 to \$835,000 with final maturity to occur on or before May 15, 2033. The debt service will be paid from the General Fund and the Water and Sewer Fund.

In the event of default by the Township, the holders are entitled to certain remedies provided by the Debt Act. No events of default by the Township took place during the year ended December 31, 2023.

Principal and interest payments for the 2020 Note for the year ended December 31, 2023, were allocated and funded from the following funds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General Fund	\$ 146,000	\$ 7,447	\$ 153,447
Water and Sewer Fund	597,000	90,033	687,033
Total debt service expenditures	<u>\$ 743,000</u>	<u>\$ 97,480</u>	<u>\$ 840,480</u>

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The remaining amount of maturities of borrowings under the 2020 Note is as follows:

	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 71,000	\$ 6,080	\$ 708,000	\$ 81,812	\$ 779,000	\$ 87,892
2025	72,000	5,179	706,000	72,904	778,000	78,083
2026	73,000	4,265	724,000	63,895	797,000	68,160
2027	74,000	3,339	728,000	54,747	802,000	58,086
2028	75,000	2,400	737,000	45,518	812,000	47,918
2029-2033	153,000	1,934	3,244,000	88,036	3,397,000	89,970
	\$ 518,000	\$ 23,197	\$ 6,847,000	\$ 406,912	\$ 7,365,000	\$ 430,109

Changes in Long-Term Debt

During the year ended December 31, 2023, the following changes occurred in the long-term debt of the Township:

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023	Due Within One Year
Governmental activities:					
General obligation notes	\$ 919,000	\$ -	\$ (336,000)	\$ 583,000	\$ 136,000
Total governmental activities	\$ 919,000	\$ -	\$ (336,000)	\$ 583,000	\$ 136,000
Business-type activities:					
General obligation notes	\$ 7,444,000	\$ -	\$ (597,000)	\$ 6,847,000	\$ 708,000
Total business-type activities	\$ 7,444,000	\$ -	\$ (597,000)	\$ 6,847,000	\$ 708,000

6. Retirement Plan

Description and Administration

The Penn Township Non-Uniform Pension Plan (pension plan) is a single-employer defined benefit pension plan that covers all full-time non-uniformed employees of Penn Township and which is controlled by the provisions of the Township Ordinance 2008-01, as amended, adopted pursuant to Act 69. The plan is governed by the Township Supervisors which is responsible for the management of plan assets. The Township Supervisors have appointed the Pension Committee (committee) as the official body to which all related investment

PENN TOWNSHIP

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matters are delegated. The committee consists of three members, which shall consist of two duly appointed Township representatives and one Non-Uniformed Employee Pension Plan Member. The committee may amend pension plan provisions within the scope of its authority, subject to approval by the Township's Board. The Township has delegated the authority to manage certain plan assets to TD Ameritrade. The pension plan does not issue a separate report.

Plan Membership

At January 1, 2023, the Township Pension Plan's membership consisted of:

Active members	10
Inactive members or beneficiaries currently receiving benefits	6
Inactive members entitled to but not yet receiving benefits	<u>4</u>
Total	<u>20</u>

Benefit Provisions

The Township Pension Plan benefit provisions are as follows:

Eligibility requirements	All full-time employees as of date of hire
Normal retirement	Attained age 65
Early retirement	Attained age 55 with 6 years of vesting service
Vesting	If hired before February 22, 2010, 20% after two years of service plus 20% each year thereafter, up to 100%. If hired on or after February 22, 2010, 100% after six years.
Retirement benefit	1.6% of average monthly compensation multiplied by years of service to date of determination. Average monthly compensation is the monthly average of total pay over the last 36 months of employment.

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Survivor benefit	If a vested participant dies before beginning to receive pension benefits, the surviving spouse will receive a 50% survivor benefit, if they have been married for at least one year. Payment will begin on the date which the participant would have been eligible for retirement. The amount of the survivor benefit is equal to the 50% survivor benefit payable under the joint and 50% survivor pension option, based upon the pension accrued to the date of death and reduced for early commencement of benefits.
Disability benefits	None

Contributions

Act 205 requires that annual contributions to the pension plan be based upon the pension plan's Minimum Municipal Obligation (MMO), which is based on the pension plan's biennial actuarial valuation. The pension plan 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.

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.

Each active participant shall make required bi-weekly contributions of up to 0.5% of compensation. The participant's required contribution account is 100% vested at all times. The Township may, on an annual basis, by resolution, reduce or eliminate required contributions. The employee contributions are currently at 0.5% of pay. During the year ended December 31, 2023, the Township made its required contribution of \$44,537 to the pension plan based upon the MMO.

Investments

As described in Note 3, investments of the pension plan are reported at fair value.

PENN TOWNSHIP

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In order to meet its needs, the investment strategy of the pension plan is to responsibly and prudently maximize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Allowable investments include cash equivalents (U.S. Treasury bills and money market funds), fixed income securities, equity securities, and mutual funds. Aggregate fund asset allocation guidelines of the pension plan are as follows:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Equities	60%	70%	65%
Fixed income	30%	40%	35%
Cash equivalents	0%	5%	0%

Actuarial Assumptions

The Township Pension Plan's actuarial valuation at January 1, 2023, the most recently filed actuarial valuation report, was based upon the entry age normal cost method and the following significant actuarial assumptions:

Actuarial Assumptions:

Investment rate of return

6.5%

Inflation rate

Moderate inflation based on long-term historical average rates

Salary increases

3.5%

Cost-of-living adjustment

None

Mortality:

Pre-retirement

PubG-2010 Employee Mortality

Post-retirement

PubG-2010 Healthy Retiree Mortality

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The Township’s funded status and related information for the plan as of the latest actuarial valuation date, January 1, 2023, under Act 205, is as follows:

(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (2)-(1)	Funded Ratio (1)/(2)	Annual Covered Payroll	Assets in Excess of Actuarial Accrued Liability as a Percent of Payroll (3)/(5)
\$ 2,023,830	\$ 1,797,236	\$ (226,594)	112.61%	\$ 603,319	-37.56%

7. Risk Management

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township is covered from significant losses through fully-insured commercial insurance policies except medical insurance, property and general liability insurance, and worker’s compensation insurance for which the Township retains some levels of risk through its participation in a number of intergovernmental, self-insured, insurance cooperatives. There were no significant reductions in insurance coverage in 2023. Settlement amounts have not exceeded insurance coverage of the current year or the three prior years.

8. Municipal Host Agreement

Recognizing the impact of the Manheim Auto Auction’s (Auto Auction) operations on the infrastructure of the Township, on police services and police protection, and on the residents of the Township, the Auto Auction has agreed to pay the Township an annual host municipality fee for each year the Auto Auction’s facility is in operation in the Township. The fee for calendar year December 31, 2023 was \$314,067. This fee will be adjusted upwards annually by three percent. The increase is cumulative. In the event that the Auto Auction can verify, to the satisfaction of the Township, that in any year the number of motor vehicles sold at the Auto Auction has decreased by more than ten percent in comparison to the number of motor vehicles sold during 1995, the fee will be reduced on a pro rata basis for that particular year based on the percentage decreases for that year in comparison to 1995.

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9. Commitments, Guarantees, and Contingencies

Water and Wastewater Operation and Maintenance Agreement

In September 2008, the Township entered into a three-year agreement with Inframark, LLC (formerly Severn Trent Environmental Services, Inc.) (Operator) for the operations and maintenance of the water treatment plant, wastewater treatment plant, sewer pumping stations, and all associated facilities owned by the Authority. The agreement shall be automatically renewed for successive three-year periods unless cancelled in writing by either party.

Per the agreement, in 2009, the Township is to pay the Operator an annual base compensation of \$272,741 payable in equal monthly installments. The base compensation is to be adjusted each year based on the consumer price index in effect for April of the current agreement year. In addition to the base compensation, the Township is required to pay an Annual Repairs and Maintenance Budget payable in monthly installments of \$2,500, an Annual Process Residue Budget payable in monthly installments of \$4,167, an Annual Chemical Budget payable in monthly installments of \$1,453; and an Annual Electric Power Budget payable in monthly installments of \$6,667. The budgeted allowances are to be reviewed and, if necessary, adjusted annually based on prior year expenditures and anticipated expenditures in the subsequent year contingent upon the mutual agreement of the Township and the Operator.

In December 2009, the operations and maintenance agreement was amended, with an effective date of October 1, 2009. The amendment increased the monthly installment for the Annual Repairs and Maintenance Budget to \$3,000, increased the monthly installment for the Annual Chemical Budget to \$2,000, decreased the monthly installment for the Annual Process Residue Budget to \$3,000, and deleted the Annual Electric Power Budget.

In November 2010, a second amendment was made to the operations and maintenance agreement, with an effective date of December 1, 2010. The amendment increased the operator's annual base compensation to \$320,492 payable in equal monthly installments; changed the annual adjustment date of base compensation to January 1st based on the consumer price index for all urban consumers (CPI-U) published in September; added the responsibilities of meter reading and repair and industrial wastewater monitoring to the Operator's scope of provided services; increased the number of facilities that the Operator is responsible to operate and maintain; extended the term of the agreement through December 31, 2016; increased the monthly installment for the Annual Repairs and Maintenance Budget to \$4,500, increased the monthly installment for the Annual Chemical

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Budget to \$4,000, and increased the monthly installment for the Annual Process Residue Budget to \$3,750.

On February 9, 2015, the Township and Operator entered into an agreement, which amended and restated the terms and conditions of the original agreement between the parties. In addition to changing the compensation and methods used to calculate future compensation of the Operator, the amended and restated agreement extends the terms of the agreement through December 31, 2019, with automatic renewal for successive five-year periods, unless cancelled by either party. At December 31, 2019, the automatic renewal extended the terms of the agreement through December 31, 2024.

In January 2019, based on the CPI-U adjustment, the operator's annual base compensation was increased to \$429,018. In January 2020, based on the CPI-U adjustment, the operator's annual base compensation was increased to \$440,649. In January 2021, based on the CPI-U adjustment, the operator's annual base compensation was increased to \$451,098. In January 2022, based on the CPI-U adjustment, the operator's annual base compensation was increased to \$473,653. In January 2023, based on the CPI-U adjustment, the operator's annual base compensation was increased to \$497,335. For the year ended December 31, 2023, the Township paid the Operator \$821,644 for operations and maintenance costs.

Solar Energy Power Service Agreement

On February 14, 2011, the Township entered into a Solar Energy Power Service Agreement (power agreement) with Solar Properties—Penn Township I, LLC (Solar Properties). The term of the power agreement is 20 years unless otherwise terminated in accordance with the provisions of the power agreement. The power agreement required Solar Properties to construct, at its sole cost, a 200 kilowatt ground-mounted solar PV system on lands owned by the Authority. During the term of the power agreement, the Township shall pay a fixed amount of \$53,000 annually to Solar Properties. In exchange for this annual payment, the Township shall retain ownership of all electricity generated by the system and all Solar Renewable Energy Credits (SRECs), which are generated as a result of system production. Under the terms of the power agreement, Solar Properties pledges a minimum annual system output of 150,000 kilowatt hours. On February 22, 2011, the Authority joined in the execution of this power agreement as the owner of the property on which the system was built. For the year ended December 31, 2023, the Township paid \$53,000 under this agreement. The power agreement also provides the Township with the option of purchasing the system at the conclusion of the 7th year, 10th year, 15th year, and end of the term for the fair market value of the system, as determined in accordance with the provisions of the agreement upon written notice provided at least 180 days prior to the

PENN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

conclusion of the 7th year, 10th year, 15th year, and end of the term. No such option has been exercised as of December 31, 2023.

Waiver and Consent Agreement - Solar Properties' Financing

On April 11, 2011, the Township entered into a waiver and consent agreement with the Authority, Solar Properties, and Metro Bank (bank). Under the terms of the waiver and consent agreement, the parties each acknowledge and agree that, if applicable, upon the Solar Properties' default under any of the loan documents between Solar Properties and the bank, the Township is hereby authorized and directed to remit payments under the power agreement directly to the bank until Solar Properties obligations to the bank are paid in full. So long as the Township is not in default under the terms of the power agreement and is making the payments to the bank as required by the waiver and consent agreement, the bank agrees that the Township shall be entitled to the continued use of the equipment on the premises in accordance with the terms of the power agreement. No such defaults have occurred as of December 31, 2023.

Other Commitments

The Township entered into maintenance and construction contracts totaling \$1,792,848. The commitments remaining on the contracts at December 31, 2023 were \$115,451.

In the opinion of management, the Township is not a defendant in any lawsuit, where the ultimate disposition of such will have a materially adverse effect on the Township's net position.

10. Insurance Cooperatives

The Township entered into an intergovernmental cooperation agreement with other local municipalities for the purpose of selecting and contracting with a common insurance carrier to realize certain economies of scale in providing for the various types of insurance required to be maintained by the Township.

PENN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Health and welfare benefits

The Township participates in the Intergovernmental Insurance Cooperative (IIC). The IIC is a public entity risk pool established by certain units of local government in Pennsylvania to provide health and welfare plan benefits directly to eligible employees, their families, and dependents.

The agreement has a perpetual duration and shall continue until terminated pursuant to terms and conditions as defined therein. The contract with the insurance carrier includes a \$45,000 maximum loss per occurrence per policy year. The Township pays premiums for reinsurance, as there is an overall plan loss limitation, which is recalculated annually. The Township is responsible for its share of cross recovery of all municipalities. In 2020, the Township started a qualified high deductible health plan with employee health savings accounts (HSA). The Township agreed each year to pay \$1,000 for family coverage or \$500 for single coverage into each employee's HSA account.

The IIC receives, processes, and pays such claims as may come within the benefit program of each member. Management consists of a Board of Directors comprised of seven representatives from seven member municipalities.

The following is a reconciliation of changes in estimated claims for health and welfare plan costs for the current fiscal year.

Township funding	\$ 172,877
Reimbursement received	43,804
Claims paid	(243,449)
Cross recovery	-
Surplus for benefits	<u>\$ (26,768)</u>

Worker's compensation

The Township is a member of the Susquehanna Municipal Trust (SMT). The trust provides coverage for workers' compensation insurance through member-employer self-insurance and by purchasing stop-loss insurance. The workers' compensation limit is at the level required by the Pennsylvania's workers' compensation statutes and supporting regulations. The trust retains responsibility for the payment of claims within the self-insured aggregate loss retention limit of \$1,000,000 prior to the application of coverage provided by its reinsurance contract.

PENN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

SMT's Board of Trustees is made up of representatives from seven-member municipalities. All member municipalities are entitled to vote for Board members. The operating policies are set by the Board of Trustees. Annual member contributions are based on amounts recommended by an actuarial study. The Township's portion of the total 2023 member contributions for SMT was \$14,321. This amount is available for benefits for the year ended December 31, 2023, as there were no estimated claims for worker's compensation costs during the current year.

SMT covers all medical and indemnity costs for the member in any plan year. The Township is not responsible for additional funding beyond the actuarial determined amount regardless of the amount of claims incurred. During the year ended December 31, 2023, the Township received \$2,388 in dividend distributions from the trust.

The Township also must pay for and provide worker's compensation insurance for the Penryn Volunteer Fire Company members, through the Pennsylvania State Worker's Insurance Fund.

11. Non-recourse Debt Issues

The IDA participates in various bond issues for which it has limited liability. Acting solely in an agency capacity, the IDA serves as a financing conduit, bringing the ultimate borrower and the ultimate lender together to do business. Although the IDA is a party to the trust indentures with the trustees, the agreements are structured such that there is no recourse against the IDA in the case of default. As such, the corresponding debt is not reported in the IDA's financial statement. At December 31, 2023, the balance of the outstanding conduit debt was \$86,380,339.

OTHER INFORMATION

PENN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS GENERAL FUND

YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Receipts:			
Real estate tax	\$ 1,259,823	\$ 1,264,292	\$ 4,469
Realty transfer tax	257,816	250,320	(7,496)
Earned income tax	1,502,704	1,660,496	157,792
Local service tax	160,614	209,102	48,488
Public utility realty tax	32,343	-	(32,343)
Licenses and permits	120,594	121,127	533
Fines and forfeits	23,318	32,181	8,863
Contributions	331,944	331,966	22
Investment earnings	2,318	59,309	56,991
Intergovernmental receipts	117,123	131,533	14,410
Miscellaneous receipts	10,000	124,909	114,909
Charges for services	338,484	361,030	22,546
Total receipts	<u>4,157,081</u>	<u>4,546,265</u>	<u>389,184</u>
Disbursements:			
Current:			
Public safety	2,412,314	2,470,589	(58,275)
Community development	1,250	1,250	-
Public works	752,678	727,752	24,926
Recreation and cultural	71,460	61,627	9,833
Administration	630,458	575,406	55,052
Debt service:			
Principal	336,000	336,000	-
Interest and fiscal charges	10,887	10,887	-
Total disbursements	<u>4,215,047</u>	<u>4,183,511</u>	<u>31,536</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(57,966)</u>	<u>362,754</u>	<u>420,720</u>
Other Financing Sources (Uses):			
Sale of general capital assets	-	10,533	10,533
Reimbursement from component unit	1,800	1,800	-
Transfers in	82,479	113,900	31,421
Transfers out	(132,573)	(132,573)	-
Total other financing sources (uses)	<u>(48,294)</u>	<u>(6,340)</u>	<u>41,954</u>
Net Change in Fund Balance	<u>\$ (106,260)</u>	<u>\$ 356,414</u>	<u>\$ 462,674</u>

See accompanying notes to other information - budgetary comparison schedule.

PENN TOWNSHIP

NOTES TO OTHER INFORMATION BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2023

1. Budgetary Accounting

The Township prepares its budget for the General Fund on the modified cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the General Fund in the basic financial statements.

2. Budget Matters

The Township Board of Supervisors annually adopts a budget for the General Fund, American Rescue Plan Act Fund, State Liquid Fuels Fund, Storm Water Management Fund, Capital Improvements Fund, and the Water and Sewer Fund. Budgetary control is legally maintained at the fund level. No budget is adopted for the fiduciary fund.

Since grant periods may differ from the Township's fiscal year, a comparison of budgetary information for Special Revenue Funds would not be meaningful and has not been presented in the financial statements.

Appropriations, except open project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year.

3. Stewardship, Compliance, and Accountability

Excess of Disbursements Over Appropriations

No individual fund, which was budgeted, contained an excess of disbursements over appropriations that was not covered by the cash balance at December 31, 2022 and the cash received for the year ended December 31, 2023.

SUPPLEMENTARY INFORMATION

PENN TOWNSHIP

COMBINING BALANCE SHEET - MODIFIED CASH BASIS PROPRIETARY FUND

DECEMBER 31, 2023

	Water and Sewer Fund	Northwestern Lancaster County Authority Water Project Fund	Northwestern Lancaster County Authority	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,866,985	\$ 237,000	\$ -	\$ 4,103,985
Restricted investments	-	99,486	-	99,486
Total Assets	\$ 3,866,985	\$ 336,486	\$ -	\$ 4,203,471
Net Position				
Restricted for capital projects	\$ -	\$ 99,486	\$ -	\$ 99,486
Unrestricted	3,866,985	237,000	-	4,103,985
Total Net Position	\$ 3,866,985	\$ 336,486	\$ -	\$ 4,203,471

PENN TOWNSHIP

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2023

	Water and Sewer Fund	Northwestern Lancaster County Authority Water Project Fund	Northwestern Lancaster County Authority	Total
Operating Receipts:				
Charges for services	\$1,732,922	\$ -	\$ -	\$1,732,922
Miscellaneous receipts	6,666	-	-	6,666
Total operating receipts	<u>1,739,588</u>	<u>-</u>	<u>-</u>	<u>1,739,588</u>
Operating Disbursements:				
Operation and administration	1,272,534	356	-	1,272,890
Materials and supplies	137,954	-	-	137,954
Total operating disbursements	<u>1,410,488</u>	<u>356</u>	<u>-</u>	<u>1,410,844</u>
Operating Income (Loss)	<u>329,100</u>	<u>(356)</u>	<u>-</u>	<u>328,744</u>
Nonoperating Receipts (Disbursements):				
Tapping fees	2,237,100	-	-	2,237,100
Debt service:				
Principal	(597,000)	-	-	(597,000)
Interest and fiscal charges	(90,033)	-	-	(90,033)
Investment earnings	58,413	5,441	-	63,854
Total nonoperating receipts (disbursements)	<u>1,608,480</u>	<u>5,441</u>	<u>-</u>	<u>1,613,921</u>
Change in net position before transfers	1,937,580	5,085	-	1,942,665
Transfers out	(36,900)	-	-	(36,900)
Change in Net Position	<u>1,900,680</u>	<u>5,085</u>	<u>-</u>	<u>1,905,765</u>
Net Position:				
Beginning of year	1,966,305	331,401	-	2,297,706
End of year	<u>\$3,866,985</u>	<u>\$ 336,486</u>	<u>\$ -</u>	<u>\$4,203,471</u>

PENN TOWNSHIP

COMBINING BALANCE SHEET - MODIFIED CASH BASIS NON-MAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2023

	American Rescue Plan Act	State Liquid Fuels	Storm Water	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 294,997	\$ 294,997
Investments	812,190	103,868	-	916,058
Total Assets	\$ 812,190	\$ 103,868	\$ 294,997	\$ 1,211,055
 Fund Balance				
Restricted for:				
Public works	\$ -	\$ 103,868	\$ -	\$ 103,868
American Rescue Plan grant	812,190	-	-	812,190
Committed for:				
Public works	-	-	294,997	294,997
Total Fund Balance	\$ 812,190	\$ 103,868	\$ 294,997	\$ 1,211,055

PENN TOWNSHIP

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2023

	American Rescue Plan Act	State Liquid Fuels	Storm Water	Total
Receipts:				
State liquid fuels tax	\$ -	385,473	\$ -	\$ 385,473
Investment earnings	45,965	13,821	7,754	67,540
Intergovernmental receipts	-	18,720	400,731	419,451
Charges for services	-	-	8,575	8,575
Total receipts	45,965	418,014	417,060	881,039
Disbursements:				
Current:				
Public works	-	384,633	76,768	461,401
Capital outlays	206,838	-	556,806	763,644
Total disbursements	206,838	384,633	633,574	1,225,045
Net Change in Fund Balance	(160,873)	33,381	(216,514)	(344,006)
Fund Balance:				
Beginning of year	973,063	70,487	511,511	1,555,061
End of year	\$ 812,190	\$ 103,868	\$ 294,997	\$1,211,055