

PATTON TOWNSHIP

YEAR ENDED DECEMBER 31, 2023



PATTON TOWNSHIP

YEAR ENDED DECEMBER 31, 2023

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Independent Auditor's Report

Board of Supervisors
Patton Township
State College, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Patton 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 basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Patton Township as of December 31, 2023 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and 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.

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 Patton 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 Patton 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 Patton Township's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Brown Plus

Camp Hill, Pennsylvania
April 10, 2024

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2023

As management of Patton Township, we offer readers of these financial statements this narrative overview and analysis of the financial performance of the Township for the fiscal year ended December 31, 2023. Please read this management's discussion and analysis in conjunction with the financial statements, which follow, in order to obtain a thorough understanding of the Township's financial condition at December 31, 2023. The intent of this MD&A is to summarize Patton Township's financial performance overall, by using comparative information from the current and prior years.

USING THESE FINANCIAL STATEMENTS

The financial statements are organized to provide an understanding of Patton Township as an entire operating entity, while also providing a detailed look at specific financial activities. The first two statements, the statement of net position and the statement of activities, are government-wide financial statements. They provide short-term and long-term information about the Township's overall financial status. The remaining statements provide information at the fund level and focus on individual aspects of the Township's operation. The governmental funds' statements describe how general Township services are financed in the short term, as well as what resources are available for future spending. The other kind of funds shown in the financial statements are the fiduciary funds. The fiduciary fund statements provide financial information regarding funds where the Township acts solely as a trustee for the benefit of others.

Financial highlights

- The Township has a net pension liability at December 31, 2023 of \$354,532. At December 31, 2023, the Township must also report \$867,945 deferred outflows of resources related to the pension plan, with \$44,604 representing the difference in projected and actual experience, \$351,864 representing a change in actuarial assumptions and \$471,477 representing the difference between the projected and actual earnings on pension plan investments. Lastly, the Township must also report a \$464,835 deferred inflow of resources related to the pension plan which represents the difference in projected and actual experience.
- In 2023, real estate tax millage was 9.5 mils. The millage rate will increase to 9.9 mils for 2024.
- The 2023 real estate tax collections, which represent the single largest source of revenue for the Township, came in at 99.3% of budget.
- Actual real estate transfer tax collections for 2023 were 133.8% of budget.
- To assist with financial planning and to guide longer-term capital projects, the Township utilized two multi-year analysis and planning tools. The Financial Trends Monitoring Report illustrates financial trends for the prior ten years. This tool helps identify shifts in financial conditions and provides alerts to management if trends are becoming unfavorable. The Board received the initial Capital Improvements Plan (CIP) in October and adopted the five-year CIP for the period 2024 through 2028 in December. The plan is a companion piece to the budget documents, forecasting trends in revenues and expenditures and providing a forum to consider and prioritize capital projects and staffing changes.
- In 2023, the Township issued zoning permits for \$20.5 million of development, down from \$141.57 million in 2022.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2023

Financial highlights (continued)

- A four-year police contract was signed in September 2022 and is in effect for the period 2023-2026. The main terms consist of a 3.25% annual wage increase, employee contribution to pension of 2% of wages and employee healthcare contributions of 9%.
- The Township has \$6,964,869 in outstanding debt as of December 31, 2023. This amount was comprised of three borrowings. Outstanding debt of \$5,131,470 was on the General Obligation Note, Series of 2017, which was secured to purchase open space land and to refund General Obligation Bond, Series of 2010 and General Obligation Note, Series of 2012. Outstanding debt of \$326,097 was on the loan from Pennsylvania Infrastructure Bank, which was secured to be used for traffic improvements at Valley Vista Drive. Outstanding debt of \$1,507,302 was on a loan from Pennsylvania Infrastructure Bank, which was secured to be used for improvements to the intersection of Fox Hill Road and Bernel Road.
- In addition to the Township's direct borrowing obligations, the Township is also guarantor on two intermunicipal loans for the Centre Region Recreation Authority. The total maximum obligation for these two loans at December 31, 2023 is \$1,523,153.
- The Township was awarded a number of state and federal grants for current and future construction projects.
 - The Township was notified that it would be the recipient of a Pennsylvania Department of Conservation & Natural Resources Grant of \$155,000 to provide funding for the construction of the Bernel Road Park Phase 2A project. Construction was completed in 2023.
 - The Township was notified that it would be the recipient of a Pennsylvania Commonwealth Financing Authority Multimodal Transportation Fund Grant of \$1,500,000 to improve the intersection of North Atherton and Woodycrest Streets and construct an access road into the Patton Crossing redevelopment. Construction began in 2023.
 - The Township received a grant from the Department of Environmental Protection in the amount of \$350,000 to fund the purchase of a leaf collection unit and one-man leaf truck with an installed leaf collection unit. The equipment will be purchased between 2023 and 2024.
 - The Township received a Green Light Go Grant in the amount of \$684,138 to fund upgrades to the traffic signals along Atherton Street. Work began in 2023 and should be completed in 2024.
 - The Township received a Pennsylvania Department of Transportation Traffic Signal Technology Grant in the amount of \$32,061 to fund a conversion of the existing Waddle Road corridor from Centracs to Kinetic signals. Work was completed in 2023.
 - The Township received a Green Light Go Grant in the amount of \$70,838 to fund pedestrian upgrades to Colonnade Blvd. at multiple intersections. Work will be completed in 2024, following the completion of the Penn Highlands Micro-Hospital.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2023

Financial highlights (continued)

- The fund balance for the Township's General Fund at December 31, 2023 decreased to \$(118,298) from \$1,266,409 in 2022. Of this amount, \$(155,022) is unassigned and represents -1.3% of General Fund expenditures. The remainder of the fund balance in the General Fund, \$36,724, is assigned or committed to future projects and purchases. Aside from an unassigned balance of \$(55,323) for the Hydrant Fund, the fund balances for all other funds is fully assigned, committed or reserved for future projects and obligations. The Township Manager and Director of Finance and Administration have created a program to monitor and adjust expenditures to address this deficit in General Fund and Hydrant Fund balance. Included in this program is to reevaluate projects previously planned to determine the necessity of the projects. During 2024, this program, in addition to increase real estate tax rates, will bring the General Fund balance to within the Township's policy of 8% to 12% of General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This section is intended to serve as an introduction to the Township's basic financial statements which are comprised of the following components: management's discussion and analysis, government-wide financial statements, fund financial statements and notes to the financial statements. The report also contains other required supplementary information.

Government-wide financial statements

The two government-wide financial statements are designed to provide the reader with a broad overview of the Township's financial position, in a manner that uses accounting methods similar to a private-sector company. These statements report the effects on the Township's net position over the fiscal period.

The statement of net position presents information pertaining to the Township's assets and deferred outflows and liabilities and deferred inflows. Changes in net position over time may be a useful indicator of the Township's financial position.

The statement of activities presents information regarding how the Township's net position changed during the fiscal year by reporting all of the current year's revenues and expenses. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (full accrual accounting). For example, revenues and expenses are recorded for some items yet the cash flow will occur in a future period (e.g., uncollected taxes and earned but unused vacation leave).

The Township's financial statements report on functions that are principally supported by taxes and intergovernmental revenue. There are no business-type (proprietary) activities operated by the Township.

Fund financial statements

A fund is a grouping of related accounts that is 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.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2023

Fund financial statements (continued)

The fund financial statements include:

- *Governmental funds* financial statements, which explain how services such as public safety and public works are financed and focus on near-term inflows and outflows of spendable resources. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds include the General Fund, the Parks and Recreation Fund, the Open Space Bond Fund, the Debt Service Fund and nonmajor funds.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

- *Fiduciary funds* are used to account for resources held for the benefit of others outside of this government. Fiduciary funds are not reflected in the government-wide financial statements because these funds are not available to support Township programs. The Township's fiduciary funds are the pension trust funds for Township employees and the custodial fund used to account for taxes collected by the Township's tax office.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in all the financial statements.

Other supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the Township's progress in funding its obligation to provide pension benefits to its uniformed employees. Required supplementary information can be found after the notes to the financial statements. Additional supplementary information concerning nonmajor funds combining statements can also be found after the RSI.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2023

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

As noted earlier, over time net position may serve as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows exceeded liabilities and deferred inflows by \$22,091,039 at the end of 2023 (\$22,459,014 for 2022).

A condensed summary of the Township's assets and deferred outflows and liabilities, deferred inflows and net position at December 31, 2023 and 2022 is shown below.

	2023	2022
	Governmental activities	Governmental activities
	<u> </u>	<u> </u>
Current assets	\$ 2,715,570	\$ 4,593,283
Capital assets, net of depreciation	28,414,847	27,863,997
Deferred outflows	<u>997,983</u>	<u>1,439,544</u>
Total assets and deferred outflows	<u>\$ 32,128,400</u>	<u>\$ 33,896,824</u>
Current liabilities	\$ 2,268,881	\$ 2,307,901
Noncurrent liabilities, other than pension	6,949,113	7,878,199
Net pension liability	354,532	685,078
Deferred inflows	<u>464,835</u>	<u>566,632</u>
Total liabilities and deferred inflows	<u>10,037,361</u>	<u>11,437,810</u>
Net position:		
Net investment in capital assets	22,093,022	20,892,617
Restricted for:		
State Liquid Fuels Tax projects		4,208
Haugh Tract and Gray's Woods Preserve	132,574	164,429
Streetlights	69,486	72,162
Unrestricted	<u>(204,043)</u>	<u>1,325,598</u>
Total net position	<u>22,091,039</u>	<u>22,459,014</u>
Total liabilities, deferred inflows and net position	<u>\$ 32,128,400</u>	<u>\$ 33,896,824</u>

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2023

By far, the largest portion of the Township's net position pertains to its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related outstanding debt used to acquire said assets. The Township uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally would not be used to liquidate these liabilities.

The \$202,060 externally imposed restrictions on the balance of net position at December 31, 2023 are restricted for state liquid fuel projects, streetlights and forest management. At the end of the fiscal year, the Township reports a positive balance in net position for the government as a whole.

The Township's total assets and deferred outflows were \$32,128,400 of which 88.4% or \$28,414,847 is accounted for by its capital assets, which includes infrastructure deeded to the Township.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

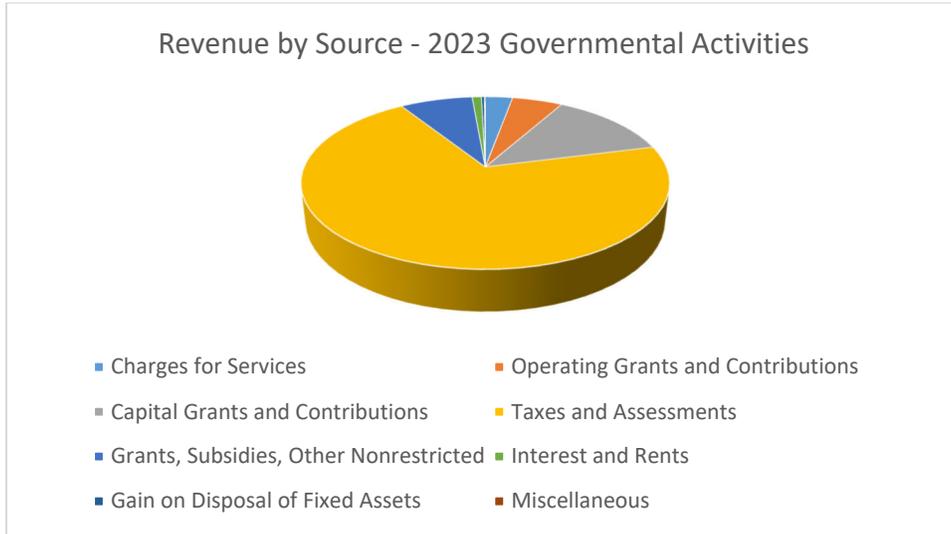
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2023

A condensed summary of the Township's change in net position for the years ended December 31, 2023 and 2022 follows:

	2023	2022
	Governmental	Governmental
	<u>activities</u>	<u>activities</u>
Revenues:		
Program revenues:		
Charges for services	\$ 355,990	\$ 900,198
Operating grants and contributions	655,042	596,160
Capital grants and contributions	1,600,589	1,070,246
General revenues:		
Taxes and assessments	8,714,549	8,322,021
Grants, subsidies, other nonrestricted	1,045,163	829,381
Interest and rents	121,470	68,166
Transfers out	(31,087)	(31,859)
Gain on disposal of fixed assets	37,746	110,605
Miscellaneous	12,020	6,211
Total revenues	<u>12,511,482</u>	<u>11,871,129</u>
Expenses:		
General government	2,111,931	2,120,071
Police department	4,494,294	4,363,094
Public works	4,360,371	2,903,087
Community services	1,533,762	1,403,860
Human services	215,085	69,451
Debt service	154,726	172,904
Amortization	9,288	9,288
Total expenses	<u>12,879,457</u>	<u>11,041,755</u>
Increase (decrease) in net position	<u>\$ (367,975)</u>	<u>\$ 829,374</u>

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2023



FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of 2023, the Township's governmental funds reported combined ending fund balances of \$1,371,525 (\$3,186,216 in 2022). Approximately -15.3% of this total amount, or \$(210,345), constitutes *unassigned fund balance*, which is available for spending at the Township's discretion and debt service payments. The remainder of the fund balance is assigned, committed or restricted for specific uses such as vehicle replacements, road resurfacing projects and park projects; therefore, it is not available for new spending.

The General Fund is the principal operating fund of the Township. As a measure of the General Fund's liquidity, it may be useful to compare both the *unassigned fund balance* and the total fund balance to the total fund expenditures. The General Fund's *unassigned fund balance* represents -1.3% of total General Fund expenditures while the total General Fund's fund balance represents -1% of the same amount. This represents planning for identified future expenditures and projects. Except for the unassigned fund balance in the Hydrant Fund, in all of the other funds, the fund balance is assigned or restricted for specific purposes such as park construction or open space preservation and maintenance. The philosophy of the Township is to prudently spend fund balance to balance expenditures rather than increase real estate tax rates beyond what is minimally necessary. Our longer term planning tools, such as the financial trend analysis and the capital improvement plan, allow us to look at tax rates into the future for better planning of the use of fund balance. In addition to evaluation of ongoing projects and capital improvements, the real estate tax millage rate will increase to 9.9 mils for 2024, to better balance Township expenditures.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2023

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues, as reported in these financial statements, were slightly less than budgetary estimates mainly because of grants of approximately \$2.5 million being budgeted for 2023 that were not awarded or have been deferred into future years.

There are a number of items that are reflected in the General Fund budget such as taxes that ultimately, for financial reporting purposes, get recorded as receipts in other funds. Examples are real estate taxes allocated to the Park Fund. In total, tax collections from all sources came in at 97.2% of budget. Total taxes collected for all funds were \$8,720,537.

Also budgeted this way, affecting intergovernmental revenues, is state pension aid which is shown in the Pension Trust Fund, and Liquid Fuels Tax revenue shown as revenue in a special revenue fund. These combined amounts account for \$829,820. These items are budgeted in the General Fund, yet for financial reporting purposes, they are shown in other funds.

As for expenditures in total, they were below budget. Again, based on budgeting versus financial reporting differences, certain actual expenditures are grouped somewhere other than where they were budgeted. For example, engineering expenditures are grouped with general government expenditures, but budgeted in Public Works. In addition to the differences noted above, Public Works expenditures are below budget because certain projects that were dependent on grant financing did not occur because the grants were not awarded or have been deferred. Pension expenditures are not included in the General Fund for financial reporting purposes, but they are included in the General Fund budget. Pension expenditures and related items are reported in the Fiduciary Funds.

Overall, staff is satisfied with the Township's financial position at the end of 2023. However, due to the decrease in fund balance, staff is closely monitoring the expenditures for 2024.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets for its governmental activities as of December 31, 2023 amounts to \$28,414,847, net of accumulated depreciation. This investment in capital assets includes land, buildings, equipment and infrastructure.

A condensed summary of the Township's capital assets at December 31, 2023 and 2022 follows:

	2023	2022
	Governmental activities	Governmental activities
	<u> </u>	<u> </u>
Land and land improvements	\$ 9,940,186	\$ 9,940,186
Buildings	5,946,032	5,894,171
Infrastructure	12,988,408	12,816,858
Park equipment	7,473,108	7,473,108
Tools and equipment	1,425,846	1,362,159
Traffic signals	1,962,362	1,962,362
Vehicles	2,664,457	2,555,957
Construction in progress	<u>1,554,314</u>	<u>572,570</u>
Total capital assets	<u>43,954,713</u>	<u>42,577,371</u>
Less accumulated depreciation for:		
Land improvements	44,229	42,820
Buildings	3,412,060	3,250,810
Infrastructure	2,715,680	2,452,760
Park equipment	5,592,204	5,347,221
Tools and equipment	839,031	786,455
Traffic signals	1,345,540	1,288,146
Vehicles	<u>1,591,122</u>	<u>1,545,162</u>
Total accumulated depreciation	<u>15,539,866</u>	<u>14,713,374</u>
Total capital assets, net	<u>\$ 28,414,847</u>	<u>\$ 27,863,997</u>

More detailed information can be found in Note 6 of the financial statements.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2023

Long-term debt

At the end of 2023, the Township had outstanding long-term debt obligations of \$6,964,869; plus \$876,060 in obligations for accrued compensated absences. More information about the Township's general long-term debt can be found in Note 7 of the financial statements.

A condensed summary of the Township's long-term debt obligations at December 31, 2023 and 2022 follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 8,746,153	\$ 9,509,380
Increase (decrease) in compensated absences	(37,270)	92,542
Principal retirement	<u>(867,954)</u>	<u>(855,769)</u>
Ending balance	<u>\$ 7,840,929</u>	<u>\$ 8,746,153</u>

Economic factors and next year's budget and rates

The 2024 budget shows an increase in revenues, including a 4.2% increase in real estate taxes, with a modest increase in expenditures. The resulting increase in fund balance brings the total in line with the Township's policy of maintaining a fund balance for the General Fund of between 8% and 12% of General Fund expenditures. Having a healthy fund balance has been accepted by the Board of Supervisors as prudent.

The local economy continues to recover, as many businesses and the Pennsylvania State University continue reacting to labor and supply shortages.

Request for information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Director of Finance and Administration
Patton Township
100 Patton Plaza
State College, PA 16803-2304

PATTON TOWNSHIP

STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Governmental activities</u>
Current assets:	
Cash	\$ 2,167,682
Taxes receivable, net	257,757
Accounts receivable	<u>290,131</u>
Total current assets	<u>2,715,570</u>
Noncurrent assets, property, plant and equipment, net:	
Land and land improvements	9,895,957
Buildings and improvements	2,533,972
Park equipment	1,880,904
Vehicles	1,073,335
Infrastructure	10,272,728
Tools	586,815
Traffic signals	616,822
Construction in progress	<u>1,554,314</u>
Total noncurrent assets, property, plant and equipment, net	<u>28,414,847</u>
Total assets	31,130,417
Deferred outflows of resources:	
Deferred charge on refunding	130,038
Pensions	<u>867,945</u>
Total assets and deferred outflows of resources	<u>\$ 32,128,400</u>

See notes to financial statements.

PATTON TOWNSHIP

STATEMENT OF NET POSITION
DECEMBER 31, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>Governmental activities</u>
Current liabilities:	
Accrued liabilities	\$ 726,609
Developer escrow	40,060
Deferred revenue	559,527
Current portion of notes payable	891,816
Interest payable	<u>50,869</u>
Total current liabilities	<u>2,268,881</u>
Noncurrent liabilities:	
Notes payable	6,073,053
Compensated absences	876,060
Net pension liability	<u>354,532</u>
Total noncurrent liabilities	<u>7,303,645</u>
Total liabilities	<u>9,572,526</u>
Deferred inflows of resources, pensions	<u>464,835</u>
Net position:	
Net investment in capital assets	22,093,022
Restricted for:	
Haugh Tract and Gray's Woods Preserve	132,574
Streetlights	69,486
Unrestricted deficit	<u>(204,043)</u>
Total net position	<u>22,091,039</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 32,128,400</u>

See notes to financial statements.

PATTON TOWNSHIP

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Program revenues			Governmental activities - (net expense), revenues and change in net position
Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	
Governmental activities:				
General government	\$ 2,111,931	\$ 27,098	\$ 1,280,589	\$ (804,244)
Police department	4,494,294	183,231		(4,311,063)
Public works	4,360,371	64,650	\$ 640,283	(3,655,438)
Community services	1,533,762	81,011	14,759	320,000
Human services	215,085			(215,085)
Interest	154,726			(154,726)
Amortization	9,288			(9,288)
	\$ 12,879,457	\$ 355,990	\$ 655,042	\$ 1,600,589
Total primary government	\$ 12,879,457	\$ 355,990	\$ 655,042	\$ 1,600,589
General revenues:				
Taxes:				
Property				5,755,956
Other				2,958,593
Grants, subsidies, other nonrestricted				1,045,163
Interest and rents				121,470
Gain on sale of assets				37,746
Transfers out				(31,087)
Miscellaneous				12,020
				9,899,861
Total general revenues and transfers				9,899,861
Change in net position				(367,975)
Net position:				
January 1, 2023				22,459,014
December 31, 2023				\$ 22,091,039

See notes to financial statements.

PATTON TOWNSHIP

BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	Major funds			Nonmajor funds	Total governmental funds
	General fund	Parks and recreation fund	Open space bond fund		
ASSETS					
Cash	\$ 1,406,707	\$ 4,039	\$ 685,160	\$ 71,776	\$ 2,167,682
Receivables:					
Taxes	239,039			869	239,908
Other	290,131				290,131
Due from other funds	614,880	494,793	778,438	3,249	1,891,360
Total assets	\$ 2,550,757	\$ 498,832	\$ 1,463,598	\$ 75,894	\$ 4,589,081
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accrued:					
Liabilities	\$ 597,781	\$ 545		\$ 29,219	\$ 627,545
Wages and taxes	99,064				99,064
Developer escrow	40,060				40,060
Due to other funds	1,372,623	458,121	\$ 28,104	32,512	1,891,360
Deferred revenue	559,527				559,527
Total liabilities	2,669,055	458,666	28,104	61,731	3,217,556
Fund balance (deficit):					
Restricted			132,574	69,486	202,060
Assigned	36,724	40,166	1,302,920		1,379,810
Unassigned deficit	(155,022)			(55,323)	(210,345)
Total fund balance (deficit)	(118,298)	40,166	1,435,494	14,163	1,371,525
Total liabilities and fund balance (deficit)	\$ 2,550,757	\$ 498,832	\$ 1,463,598	\$ 75,894	\$ 4,589,081

See notes to financial statements.

PATTON TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

Total fund balances, governmental funds		\$ 1,371,525
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources; therefore, they are not reported as assets in governmental funds. The cost of assets is \$43,954,713 and the accumulated depreciation is \$15,539,866.		28,414,847
Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures; therefore, they are not recorded in the funds.		17,849
Certain government-wide amounts are not included in government funds because government funds use current financial resources:		
Notes payable	\$ (6,964,869)	
Accrued interest on the debt	(50,869)	
Compensated absences	(876,060)	
Net pension liability	<u>(354,532)</u>	
		(8,246,330)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources:		
Refunding	130,038	
Pensions	867,945	
Deferred inflows of resources, pensions	<u>(464,835)</u>	
		<u>533,148</u>
Total net position, governmental activities		<u><u>\$ 22,091,039</u></u>

See notes to financial statements.

PATTON TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

	Major funds				Nonmajor funds	Total governmental funds
	General fund	Parks and recreation fund	Open space bond fund	Debt service fund		
Revenues:						
Taxes and assessments	\$ 7,954,833	\$ 354,793	\$ 304,042		\$ 106,869	\$ 8,720,537
Licenses and permits	302,036					302,036
Fines	48,942					48,942
Intergovernmental	2,201,546				474,319	2,675,865
Interest and rents	68,330	7,226	45,822		92	121,470
Charges for services	65,087					65,087
Contributions	105,079	140,000	14,759			259,838
Miscellaneous	6,060					6,060
Total revenues	10,751,913	502,019	364,623		581,280	12,199,835
Expenditures:						
General government	1,687,811					1,687,811
Police department	4,459,963					4,459,963
Public works	3,956,821				514,116	4,470,937
Community services	1,165,038	946,433	81,841		93,330	2,286,642
Human services	215,085					215,085
Debt service:						
Principal retirement				\$ 867,954		867,954
Interest				160,574		160,574
Total expenditures	11,484,718	946,433	81,841	1,028,528	607,446	14,148,966
Excess of revenues over (under) expenditures	(732,805)	(444,414)	282,782	(1,028,528)	(26,166)	(1,949,131)
Other financing sources (uses):						
Proceeds from:						
General long-term debt						
Sale of assets	45,117					45,117
Refunds of prior year:						
Expenditures	139,426					139,426
Revenues	(19,016)					(19,016)
Interfund operating transfer	(817,429)		(245,435)	1,028,528	3,249	(31,087)
Total other financing sources (uses)	(651,902)		(245,435)	1,028,528	3,249	134,440
Net change in fund balances	(1,384,707)	(444,414)	37,347	-	(22,917)	(1,814,691)
Fund balances (deficit):						
January 1	1,266,409	484,580	1,398,147		37,080	3,186,216
December 31	\$ (118,298)	\$ 40,166	\$ 1,435,494	\$ -	\$ 14,163	\$ 1,371,525

See notes to financial statements.

PATTON TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Total net change in fund balances, governmental funds		\$(1,814,691)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded net capital outlays for the year.</p>		
Capital outlays, net	\$ 1,567,470	
Depreciation expense	<u>(1,016,620)</u>	550,850
<p>Because some property taxes will not be collected for several months after the Township's year end, they are not considered to be available revenues in the governmental funds. Unavailable tax revenues increased by this amount this year.</p>		
		(5,988)
<p>Changes in compensated absences are not recorded as expenditures in the governmental funds, but are included in the statement of activities. Compensated absences decreased by this amount.</p>		
		37,270
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, these transactions have no effect on net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these transactions in the statement of activities is shown below:</p>		
Repayment of debt, notes payable	867,954	
Amortization of deferred charge on refunding	<u>(9,288)</u>	858,666
<p>Change in accrued interest</p>		
		5,848
<p>Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense.</p>		
Net pension contributions	259,056	
Cost of benefits earned	<u>(258,986)</u>	<u>70</u>
Change in net position of governmental activities		<u><u>\$ (367,975)</u></u>

See notes to financial statements.

PATTON TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION – ALL FIDUCIARY FUNDS
DECEMBER 31, 2023

ASSETS

	Pension trust funds		Custodial fund
	Police pension	Nonuniform pension	Tax office
Cash			\$ 535,156
Investments	\$ 8,556,136	\$ 4,402,683	
Taxes receivable			48,269
Investment in transit	214	_____	_____
Total assets	\$ 8,556,350	\$ 4,402,683	\$ 583,425

LIABILITIES AND NET POSITION HELD IN TRUST FOR PENSION BENEFITS

Taxes collected due to:			
Patton Township general fund			\$ 87,628
Other governments			495,797
Net position, restricted for pension benefits	\$ 8,556,350	\$ 4,402,683	_____
Total liabilities and net position	\$ 8,556,350	\$ 4,402,683	\$ 583,425

See notes to financial statements.

PATTON TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – ALL FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2023

	<u>Pension trust funds</u>		<u>Custodial fund</u>
	<u>Police pension trust fund</u>	<u>Nonuniform pension trust fund</u>	<u>Tax office</u>
Additions:			
Investment income	\$ 563,148	\$ 717,001	
Unrealized gains on investments	621,560		
Taxes and assessments			\$ 33,762,795
Contributions:			
State	227,969	102,956	
Employer	31,087		
Employee	35,873	80,543	
Total additions	<u>1,479,637</u>	<u>900,500</u>	<u>33,762,795</u>
Deductions:			
Taxes remitted			33,762,795
Administrative expense	51,130	240	
Forfeitures		19,686	
Distributions	273,940	917,839	
Total deductions	<u>325,070</u>	<u>937,765</u>	<u>33,762,795</u>
Net increase (decrease)	1,154,567	(37,265)	-
Net position held in trust for pension benefits:			
January 1	7,401,783	4,439,948	
December 31	<u>\$ 8,556,350</u>	<u>\$ 4,402,683</u>	<u>\$ -</u>

See notes to financial statements.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2023

1. Organization and significant accounting policies:

Patton Township (the Township) was incorporated in 1794. It is a second class township under the provisions of the Commonwealth of Pennsylvania's Second Class Township Code, P.L. 103, No. 69 as amended by P.L. 1481, No. 567. The Township is governed by a board of supervisors and provides or secures the following services as authorized by the Township Code: public safety, public works, culture, recreation and community development.

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

Reporting entity:

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

The definition of reporting entity is based primarily on the notion of financial accountability. The Township is financially accountable to an organization if it appoints a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Township. The Township would also include any organization fiscally dependent on it. Based upon the criteria above, the Township has no agencies or entities which should be presented with the Township.

Basis of presentation, fund accounting and measurement focus:

Basis of presentation:

Government-wide statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Township. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

Fund financial statements are also provided in the report for all of the governmental funds and the fiduciary funds of the Township. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2023

1. Organization and significant accounting policies (continued):

Basis of presentation, fund accounting and measurement focus:

Fund accounting:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprising each fund's assets, liabilities, fund equity, revenues and expenditures or expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

Governmental funds:

Governmental funds are used to account for the Township's expendable financial resources and related liabilities. The measurement focus is based upon determination of changes in financial position. The following are the Township's governmental fund types:

General fund - The general fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to specified purposes. These funds include the liquid fuels fund, the streetlight fund and the hydrant fund. These three funds are recorded as nonmajor funds.

Capital project funds - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. These funds include the parks and recreation fund and the open space bond fund, both included as major funds.

Debt service fund – The debt service fund accounts for the general obligation debt of the Township. Financing is provided through transfers from other funds. The debt service fund is also included as a major fund.

Fiduciary funds:

These are the funds that account for the assets held by the Township as a trustee or custodian for a governmental unit or for pension benefits and are, therefore, not available to support the Township's own programs. The funds included in this category are:

Pension trust fund - These funds include the police and nonuniform pension trusts.

Custodial fund - This fund includes the tax office.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2023

1. Organization and significant accounting policies (continued):

Basis of presentation, fund accounting and measurement focus:

Measurement focus and basis of accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property 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. Net position (total assets and deferred outflows less total liabilities and deferred inflows) is used as a practical measure of economic resources and the statement of activities includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations, and accumulated depreciation is reported on the statement of net position.

The 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Amounts received from federal, state and other grants designated for payment of specific Township expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interfund transactions:

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services.

Investments:

Investments at Pennsylvania Local Government Investment Trust (PLGIT) and in the money market fund are stated at cost. The Township invests its pension assets in funds managed by two separate administrators.

Deferred outflows of resources:

The statement of net position reports a separate section for deferred outflows of resources, which represents a consumption of net position or fund balance that applies to future periods, and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for this reporting:

A deferred charge on refunding resulting from the difference between the reacquisition price and the net carrying amount of the refunded debt which is amortized on the straight-line basis over the life of the issue.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2023

1. Organization and significant accounting policies (continued):

Deferred outflows of resources:

Deferred outflows of resources related to the police pension plan represent a change of assumptions, amortized over a closed period using the average of the expected remaining service lives of all active and inactive employees that are provided pensions through the plan, including the current year, the difference in projected and actual experience, amortized over a closed period using the average of the expected remaining service lives of all active and inactive employees that are provided pensions through the plan, including the current year and the net difference between the projected and actual earnings on police pension plan investments amortized over a five-year period, including the current year.

Deferred inflows of resources:

The statement of net position reports a separate section for deferred inflows of resources, which represents the acquisition of net position or fund balance that applies to future periods, and thus, will not be recognized as an inflow of resources until then. The Township has one item that qualifies for this reporting:

Deferred inflows of resources related to the police pension represents the difference in projected and actual experience, amortized over a closed period using the average of the expected remaining service lives of all active and inactive employees that are provided pensions through the plan, including the current year.

Capital assets:

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Only infrastructure assets acquired after December 31, 2003 are capitalized. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	50
Buildings	40
Vehicles	10 to 20
Tools and equipment	5 to 20
Park equipment	10
Traffic signals	25

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2023

1. Organization and significant accounting policies (continued):

Accrued compensated absences:

The Township allows employees to accumulate an unlimited amount of sick leave. Upon retirement or termination, the employee would be paid a certain amount, according to their contract, for these accumulated sick days. Earned vacation time is generally required to be used within one year of accrual. The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability as it matures and becomes due.

Pension plans:

The Township provides separate pension plans for nonuniformed employees and uniformed police personnel. The nonuniformed employees participate in a defined contribution plan in which both the employee and employer contribute annually. The employee is vested completely in the employer contributions by the end of the seventh year of employment. The uniformed police plan is a defined benefit plan. It is the policy of the Township to fund, after employee and state contributions, the amounts intended to cover normal cost and amortization of the unfunded actuarial accrued liability of the uniformed police plan as determined by the Township's actuary.

The financial information on the Township's plans is presented on 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 contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the individual plans.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Funds are valued at quoted market prices.

Use of estimates:

The preparation of 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, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

The most sensitive accounting estimates affecting the financial statements are:

- Pension obligations based on life expectancy tables and asset rate of return discount rates, along with rates of benefit increases.
- Estimated useful lives over which to depreciate capital assets.

Fund balance classification:

The Township follows GASB Statement No. 54, which defines how fund balances of the governmental funds are presented in the financial statements.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2023

1. Organization and significant accounting policies (continued):

Fund balance classification:

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: Includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. None of the Township's fund balances were classified as nonspendable at December 31, 2023.

Restricted: Includes amounts that can be spent only for specific purposes because of the Township Ordinance, the city code, state or federal laws or externally imposed conditions by grantors, contributors or creditors.

Committed: Includes amounts that can be used only for specific purposes determined by a formal action by the Township's board (highest level of decision-making authority) resolution. These amounts cannot be used for any other purpose unless the Township's board removes or changes the specified use by taking the same action (resolution) that was employed when the funds were initially committed. None of the Township's fund balances were classified as committed at December 31, 2023.

Assigned: Includes amounts that are designated by the Township's board for a specific purpose, but are not spendable until a formal action by the Township's board or an ordinance is passed. This classification includes amounts that are constrained by the Township's intent to be used for a specific purpose, but are neither restricted nor committed. This intent can be expressed by the Township's board or through the Township's board delegating this responsibility to the Township's manager through the budgetary process.

Unassigned: All amounts not included in other spendable classifications are considered to be available for general use by the Township.

Use of fund balance:

The restricted fund balance would typically be reduced to the extent that the underlying reason for the restriction has been eliminated. Assigned funds are reduced to the extent that expenditure authority has been budgeted or the assignment has been changed. Decreases to fund balance first reduce committed fund balance. In the event that committed fund balance becomes zero, then assigned and unassigned fund balances are used in that order.

Net position classifications:

Government-wide statements – Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. This amount is increased by any such unspent borrowings.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2023

1. Organization and significant accounting policies (continued):

Net position classifications:

- b. 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 or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Pending Government Accounting Standards Board (GASB) statements:

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

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

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The provisions of GASB Statement No. 102 are effective for the Township’s December 31, 2025 financial statements.

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

2. Adoption of new accounting pronouncement:

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 Statement establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability.

Effective January 1, 2023, the Township adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. There was no quantitative impact as a result of adopting this Statement to the Township’s financial statements.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2023

3. Cash deposits:

The cash and investment policies of the Township are governed by Section 3204 of the Second Class Township Code. Cash must be held in insured depositories approved by the board of supervisors and must be fully collateralized. Permissible investments include United States treasury bills and short-term obligations of the United States government or its agencies or instrumentalities, bank common trust funds, government pools and fully insured or collateralized certificates of deposit issued by banks or savings and loan associations. For pension trust funds, any investment authorized by 20 PA C.S. Chapter 73 (relating to fiduciary investments) is a permissible investment, including corporate bonds and mutual funds.

Custodial credit risk:

For deposits, custodial credit risk is the risk that, in the event of bank failure, the Township's deposits may not be returned to it. For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that is in the possession of an outside party (specific to PLGIT). The Township does not currently have an investment policy for custodial credit risk for either its deposits or investments. As of December 31, 2023, \$1,875,279 of the Township's bank balance of \$2,375,279 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.

Interest rate and credit risk:

The Township does not have a formal policy to monitor either interest rate risk or credit risk.

Reconciliation to the financial statements:

Collateral held by the pledging bank under Act 72 but not in the Township's name	\$ 1,875,279
PLGIT investments, money market	1,136,882
Insured by Federal Deposit Insurance Corporation	500,000
Outstanding checks	(809,400)
Petty cash	<u>77</u>
Total cash deposits	<u>\$ 2,702,838</u>
Reconciliation to financial statements, cash:	
Governmental funds	\$ 2,167,682
Fiduciary funds	<u>535,156</u>
	<u>\$ 2,702,838</u>

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

4. Investments:

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted market 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.

As of December 31, 2023, the Township had the following Level 1 investments:

	Ratings	Maturities	Fair value
Pension trust funds' investments:			
Wilmington Trust:			
Cash			\$ 637
Money market	N/A	N/A	72,421
Mutual funds:			
Fixed income funds	Unrated	N/A	2,899,955
Domestic equity funds	Unrated	N/A	2,661,132
International funds	Unrated	N/A	1,368,233
Closed-end equity funds	Unrated	N/A	1,275,562
Closed-end international funds	Unrated	N/A	278,196
Total Wilmington Trust			8,556,136
ICMA-RC, mutual funds:			
Stable value funds	Unrated	N/A	92,089
Bond funds	Unrated	N/A	395,474
Balanced funds	Unrated	N/A	2,193,066
U.S. stock funds	Unrated	N/A	1,541,138
International stock funds	Unrated	N/A	171,305
Specialty funds	Unrated	N/A	9,611
Total ICMA-RC mutual funds			4,402,683
Total investments			\$ 12,958,819

See Note 1 for further description of how the fair value measurements were derived.

5. Property taxes:

The Township's property tax is levied each March 1 on the assessed value as of the prior January 1 for all real property located in the Township. The assessed value at January 1, 2023, upon which the 2023 levy was based, was \$514,947,155 with an estimated current market value of \$2,406,295,117.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

5. Property taxes (continued):

The Township levies taxes by authority of the Township Code of Pennsylvania, Section 3210 at \$9.50 per \$1,000 of assessed valuation. The combined tax rate to finance governmental services other than the payment of principal and interest on long-term debt for the year ended December 31, 2023 was \$8.30 per \$1,000 with an additional \$1.20 per \$1,000 for debt service.

Taxes are collected at a discount until April 30, at their face amount from May 1 until June 30 and include a penalty thereafter. Current tax collections, net of exonerations and exemptions, for the year ended December 31, 2023 were 98.0% of the tax levy.

6. Capital assets:

	January 1, 2023	Additions	Transfers/ Deletions	December 31, 2023
Governmental activities:				
Land and land improvements	\$ 9,940,186			\$ 9,940,186
Buildings	5,894,171	\$ 51,861		5,946,032
Infrastructure	12,816,858	171,550		12,988,408
Park equipment	7,473,108			7,473,108
Tools and equipment	1,362,159	97,019	\$ (33,332)	1,425,846
Traffic signals	1,962,362			1,962,362
Vehicles	2,555,957	272,667	(164,167)	2,664,457
Construction in progress	572,570	981,744		1,554,314
	42,577,371	1,574,841	(197,499)	43,954,713
Less accumulated depreciation for:				
Land improvements	42,820	1,409		44,229
Buildings	3,250,810	161,250		3,412,060
Infrastructure	2,452,760	262,920		2,715,680
Park equipment	5,347,221	244,983		5,592,204
Tools and equipment	786,455	85,908	(33,332)	839,031
Traffic signals	1,288,146	57,394		1,345,540
Vehicles	1,545,162	202,756	(156,796)	1,591,122
Total accumulated depreciation	14,713,374	1,016,620	(190,128)	15,539,866
Governmental activities, capital assets, net	\$ 27,863,997	\$ 558,221	\$ (7,371)	\$ 28,414,847

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

6. Capital assets (continued):

Depreciation expense was charged to the following functions of the government as follows:

Governmental activities:	
General government	\$ 477,018
Police department	77,850
Community services	246,392
Public works	<u>215,360</u>
 Total governmental activities	 <u><u>\$ 1,016,620</u></u>

7. Long-term debt:

The following is a summary of debt transactions for the Township for the year ended December 31, 2023:

	<u>Principal balance, January 1, 2023</u>	<u>Additions</u>	<u>Repayments</u>	<u>Principal balance, December 31, 2023</u>
General Obligation Note, Series 2017	\$ 5,743,410		\$ (611,940)	\$ 5,131,470
Pennsylvania Infrastructure Bank loan	415,673		(89,576)	326,097
Pennsylvania Infrastructure Bank loan	<u>1,673,740</u>		<u>(166,438)</u>	<u>1,507,302</u>
	<u>\$ 7,832,823</u>		<u>\$ (867,954)</u>	<u>\$ 6,964,869</u>
 Current maturities, governmental activities, notes payable				 \$ 891,816
 Noncurrent debt, governmental activities, notes payable				 <u>6,073,053</u>
 Total maturities				 <u><u>\$ 6,964,869</u></u>

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

7. Long-term debt (continued):

On December 5, 2017, General Obligation Note, Series of 2017 was issued in the amount of \$9,126,000. The proceeds of the note were used to pay the costs of issuing the note, refund General Obligation Bond, Series of 2010 and General Obligation Note, Series of 2012 and provide funding for the purchase of open space land. Annual principal payments on the note range from \$239,629 to \$629,650 with final payment due June 2, 2037. Interest rates on the note range from 1.98% to 4.85%. The present value savings from the issue of this note was approximately \$138,000.

In May 2017, the Township entered into a loan agreement with Pennsylvania Infrastructure Bank for \$800,000 to be used for traffic improvements at Valley Vista Drive. The loan requires that interest only payments of \$7,000 were paid on November 1, 2017 and May 1, 2018, followed by semi-annual payments beginning November 1, 2018 of \$48,230, including interest at 1.75% per annum through May 2027. The loan contains a provision that in the event of default, outstanding amounts become immediately due.

On January 1, 2021, the Township entered into a loan agreement with Pennsylvania Infrastructure Bank for \$1,837,500 to be used for infrastructure improvements intended to improve access and safety to University Park Airport and to Penn State University sporting and community complexes by realigning SR3005, Fox Hill Road, and SR3003, Bernel Road. The loan requires ten annual principal and interest payments through January 2031 with an interest rate of 2.75% per annum. The loan contains a provision that in the event of default, outstanding amounts become immediately due.

The total debt service requirements as of December 31, 2023 are listed below:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 891,816	\$ 142,131	\$ 1,033,947
2025	853,681	180,002	1,033,683
2026	822,114	210,679	1,032,793
2027	765,808	177,873	943,681
2028	426,457	153,722	580,179
2029-2033	1,970,995	504,948	2,475,943
2034-2037	1,233,998	114,577	1,348,575
	<u>\$ 6,964,869</u>	<u>\$ 1,483,932</u>	<u>\$ 8,448,801</u>

The Township is subject to the Commonwealth of Pennsylvania's Local Government Unit Debt Act (Act of 1978-52), which limits the amount of non-electoral debt the Township may have outstanding. At December 31, 2023, there was no electoral debt outstanding. Non-electoral debt of \$6,964,869 is outstanding at December 31, 2023.

Regional pools loan:

The Township, as one of the participating municipalities in the Centre Region Council of Governments, has agreed to guarantee its proportionate share, based on the established funding formula, of a \$7.9 million, 20-year fixed bank loan, for the revitalization of two community pools. The maximum extent of the Township's obligation was limited to 20.54% or \$1,622,000. The Centre Region Council of Governments used the Centre Region Recreation Authority to issue this debt.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2023

7. Long-term debt (continued):

Regional pools loan:

In November 2012, the loan was refinanced through the Series 2012 Revenue Bond. The Series 2012 Revenue Bond has a maximum principal amount of \$6,128,000, of which the Township's obligation is 20.54% or \$1,258,691. Interest is fixed at 2.43% until December 1, 2022, followed by a variable rate capped at 3.95% until maturity. The Township's annual share of principal and interest payments was approximately \$92,000.

In June 2021, the loan was refinanced through the Series 2021 Revenue Bond. The Series 2021 Revenue Bond had an original principal amount of \$2,977,800, of which the Township's obligation is 22.32% or \$664,645. Interest is fixed at 1.23% until maturity at December 1, 2028. On December 31, 2023, the Township's portion of the loan is \$450,763 of principal and \$13,327 of interest. The Township's annual share of principal and interest payments is approximately \$92,800.

Regional parks loan:

The Centre Region Recreation Authority issued Guaranteed Project Revenue Bond (regional parks projects), Series of 2011. Originally issued in the amount of \$7,578,000 with a draw period through June 2013, the terms were modified on November 28, 2011 to reduce the maximum amount available to be advanced to \$7,001,869 and extend the draw period through June 1, 2014. The Township's guaranteed share of this loan is 21.08%. Interest was fixed at 3.15% through June 1, 2016 followed by a variable rate with a cap of 6.00%.

A second loan modification agreement reduced the amount available to borrow to \$6,611,300 and reduced the interest rate from 3.15% to 2.80% through December 1, 2022. The maximum variable rate was reduced from 6% to 5.35%, and the minimum variable rate was reduced from 2.36% to 0%.

Third, fourth and fifth loan modification agreements extended the draw period from June 1, 2014 to June 1, 2020 and reduced the initial interest rate from 2.80% to 2.59% through December 1, 2022. As of December 31, 2020, \$3,829,532 was drawn on the bond, of which \$807,265 (21.08%) was the Township's guaranteed portion.

In June 2021, the loan was refinanced through the Series 2021 Revenue Bond. The Series 2021 Revenue Bond had an original principal amount of \$6,022,200, of which the Township's obligation is 21.08% or \$1,269,480. Interest is fixed at 1.33% until September 1, 2031, followed by a variable rate capped at 2.50% until maturity. On December 31, 2023, the Township's portion of the loan is \$1,072,390 of principal and \$80,384 of interest. The Township's annual share of principal and interest payments is approximately \$96,300.

The notes referenced above are not presented on the statement of net position.

8. Pension plans:

The Township has two pension plans, one covering uniformed police and the other covering nonuniformed employees. The uniformed police plan was established by Township ordinance and the nonuniformed plan by resolution of the board of supervisors. The plans are reported as the pension trust funds on the statement of fiduciary net position - all fiduciary funds.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

8. Pension plans (continued):

Defined contribution plan:

Plan description and funding policy:

The Patton Township Employees Pension Plan (nonuniformed) is a single employer defined contribution plan administered by the Township manager. Current Township employer and employee contribution requirements are equal to 6.5% and 3.5% of base covered salary, respectively. For 2023, the employer and employee contributions amounted to \$102,956, or 6.5%, and \$80,543, or 3.5%, of the employee's covered payroll, respectively. The plan provisions have been established and may be amended through a resolution of the board of supervisors.

The Township contributes with general fund cash and foreign casualty insurance premium taxes submitted by the Commonwealth of Pennsylvania, as available. Employees are 100% vested in their own contributions and gradually vest in the Township's contributions over seven years at which time they are 100% vested. Retirement benefits are the vested benefits at retirement, payable in lump sum or installments.

Plan membership:

As of January 1, 2023, the most recent actuarial valuation available, the Employees Pension Plan membership consisted of the following:

Active members	28
New members	8
Terminated with full vesting	(6)
Terminated without vesting	<u>(4)</u>
Total	<u>26</u>

Contributory defined benefit plan:

Plan description and funding policy:

The Patton Township Police Pension Plan is a contributory single employer defined benefit plan that covers all full-time uniformed police officers of the Township and is administered by the Township manager. The plan provides retirement, termination, disability and death benefits to plan members and their beneficiaries, pursuant to Act 600 of 1956, as amended. The plan can be amended by the municipality through its Ordinances and union contracts. Township police employees are required to contribute up to 2% of annual base pay compensation. The Township is required to contribute the remaining amount necessary to fund the plan using the entry age normal cost method. The Township funds its contributions with general fund cash and foreign casualty insurance premium taxes obtained from the Commonwealth of Pennsylvania. The Township complied in full with the Commonwealth of Pennsylvania's Minimum Municipal Obligation (MMO) funding and reporting requirements for 2023.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

8. Pension plans (continued):

Contributory defined benefit plan:

Plan description and funding policy:

Retirement benefits are 50% of the employees' average monthly pay (not including overtime) over the last 36 months of employment. Employees are eligible for retirement at age 55 with 25 years of service. Employees are 100% vested in their own contributions and are vested in the Township's contributions upon completion of 12 years of service. The plan provisions have been established by an ordinance of the board of supervisors and may be amended by same.

A member is eligible to enter the Deferred Retirement Option Program (DROP) on or after normal retirement date. Upon entering the DROP program, the member's retirement benefit is frozen and retirement benefit payments will be deposited into an account that will be credited with interest and paid to the participant in a lump sum at actual retirement in addition to monthly pension payments. The maximum period of participation in the DROP program is 36 months (12 months for members entering the DROP in 2017), and elections to enter the DROP program are irrevocable.

Disability benefits are 50% of the employees' salary at the time of disablement reduced by any Social Security disability benefits payable due to the same illness or injury.

Death benefits for a surviving spouse or eligible dependent of employees killed in the line of duty are 100% of members' salary at the time of death; however, effective October 9, 2009, this benefit will be paid from the general fund of the Commonwealth of Pennsylvania. If an employee dies, but is not killed in the line of duty, the surviving spouse or eligible dependent benefits are 50% of the pension the member would have received had they retired at the time of death.

The Township makes actuarially determined contributions to the pension plan equal to the amount required by state statutes. For 2023, the annual required contribution was equal to 14.80% of covered payroll of \$1,750,897.

Funding of the plan was provided as follows for 2023:

<u>Description</u>	
Annual covered payroll	\$1,750,897
Employee contribution rate	2.0% of annual base pay compensation
Employee contributions paid in 2023	\$35,873
Employer and state aid contributions paid in 2023	\$259,056
Total contributions made as a percentage of payroll	16.84%

There is no stand-alone financial report issued for this plan.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

8. Pension plans (continued):

Contributory defined benefit plan:

Plan membership:

As of December 31, 2023, the Police Pension Plan membership consisted of the following:

Active members	19
Retirees and beneficiaries currently receiving benefits (including DROP members)	<u>10</u>
Total	<u><u>29</u></u>

Net pension liability:

The Township's net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2023 and by rolling forward the liabilities from the valuation date through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The components of the net pension liability of the Township measured as of December 31, 2023, were as follows:

Total pension liability	\$ 8,910,882
Plan fiduciary net position	8,556,350
Net pension liability	354,532
Plan fiduciary net position as a percentage of the total pension liability	96.02%

Actuarial assumptions:

The total pension liability as of December 31, 2023 was determined using the following economic assumptions, applied to all periods included in the measurement.

- Inflation – 2.0%
- Salary increases – 5.0%
- Investment rate of return – 6.75% (including inflation)

Mortality rates were based on the Pub-2010 Mortality table for Safety Employees, projected using Scale MP-2021.

The annual money-weighted rate of return for 2023 was 15.45%.

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

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

8. Pension plans (continued):

Contributory defined benefit plan:

Actuarial assumptions:

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected rate of return
Cash	1%	1.56%
U.S. Inv. Grade - Taxable	29%	2.29%
High Yield Corporate Bonds	1%	4.53%
U.S. Large - Cap Stocks	37%	6.28%
U.S. Small - Cap Stocks	8%	6.86%
Developed International Stocks	15%	6.86%
Emerging Markets Stocks	3%	7.65%
Domestic Inflation - Linked Bonds	2%	2.91%
Domestic Real Estate Investment Trusts	2%	4.22%
Global Real Estate Investment Trusts	2%	6.08%
	100%	

Discount rate:

The discount rate used to measure the total net pension liability was 6.75%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. 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. The employers funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

8. Pension plans (continued):

Contributory defined benefit plan:

Changes in the net pension liability (asset):

	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability (asset)
	(a)	(b)	(a) - (b)
Balances at January 1, 2023	<u>\$ 8,086,861</u>	<u>\$ 7,401,783</u>	<u>\$ 685,078</u>
Service cost	244,340		244,340
Interest cost	572,112		572,112
Changes in actuarial assumptions	281,509		281,509
Employer contributions		259,056	(259,056)
Employee contributions		35,873	(35,873)
Net investment income		1,184,708	(1,184,708)
Benefit payments, including contribution refunds	(273,940)	(273,940)	-
Administrative expense		(51,130)	51,130
Net changes	<u>824,021</u>	<u>1,154,567</u>	<u>(330,546)</u>
Balance at December 31, 2023	<u>\$ 8,910,882</u>	<u>\$ 8,556,350</u>	<u>\$ 354,532</u>

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

The schedule below shows the impact on the net pension liability (asset) if it were calculated using a discount rate 1% higher and lower than the current discount rate:

	1% decrease in discount rate 5.75%	Current discount rate 6.75%	1% increase in discount rate 7.75%
Plan's net pension liability (asset)	<u>\$ 1,532,755</u>	<u>\$ 354,532</u>	<u>\$ (621,597)</u>

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

8. Pension plans (continued):

Contributory defined benefit plan:

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

For the year ended December 31, 2023, pension expense was comprised of the following:

Service cost	\$ 244,340
Interest cost	572,112
Differences between expected and actual experience	(90,211)
Changes in assumptions	65,308
Employee contributions	(35,873)
Projected earnings on pension plan investments	(498,603)
Difference between projected and actual earnings on investments	(49,217)
Administrative expense	<u>51,130</u>
 Total pension expense	 <u><u>\$ 258,986</u></u>

At December 31, 2023, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 44,604	\$ 464,835
Change in assumptions	351,864	
Net difference between projected and actual earnings on pension plan investments	<u>471,477</u>	
Totals	<u><u>\$ 867,945</u></u>	<u><u>\$ 464,835</u></u>

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

8. Pension plans (continued):

Contributory defined benefit plan:

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2023 will be recognized in pension expense as follows:

Year ended	Deferred outflows of resources	Deferred inflows of resources
2024	\$ 171,790	\$ 86,958
2025	298,807	81,184
2026	368,783	73,509
2027	(82,344)	69,377
2028	34,122	69,361
thereafter	76,787	84,446
	\$ 867,945	\$ 464,835

9. Interfund activity:

Individual fund receivable and payable balances at December 31, 2023 were as follows:

	Due from other funds	Due to other funds
General fund	\$ 614,880	\$ 1,372,623
Parks and recreation fund	494,793	458,121
Open space bond fund	778,438	28,104
Liquid fuels fund	3,249	
Hydrant fund		32,512
	\$ 1,891,360	\$ 1,891,360

The general fund's due from the parks and recreation fund and open space fund relate to debt service payments, salaries, wages, benefits and minor miscellaneous expenditures. The general fund's due to the parks and recreation fund and open space fund relate to dedicated real estate tax revenues collected for the respective fund. The hydrant fund's due to general fund relate to the State College Borough Water Authority increasing its rates causing expenses in the hydrant fund to exceed hydrant assessment revenue.

During the year ended December 31, 2023, the general fund transferred \$31,087 to the police pension trust fund to cover employer contributions to the Police Pension Plan.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

10. Deferred compensation plan:

In September 1992, the Township entered into an agreement with ICMA Retirement Corporation to provide a deferred compensation plan in accordance with Internal Revenue Code, Section 457 on a voluntary basis to full-time employees. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is only available to participants at employment termination, retirement, death or unforeseeable emergencies. In 2016, an employee loan provision was added to the plan. The Township does not make any employer contributions to the plan. In accordance with federal law, a trust fund was established for the deposit of Section 457 assets. The trust fund is for the exclusive benefit of plan participants and beneficiaries. Because the assets are not owned by the Township, but are held in a trust, the deferred compensation assets and related liabilities are not recorded in the Township's financial statements. The Township's responsibilities are to submit participant payroll deductions and enrollment change forms to the plan administrator (ICMA Retirement Corporation) and review the quarterly statements for accuracy. Investments are managed by the plan's trustee, with various investment options available. The choice of the investment options is made by the employee.

11. Fund balances (deficit):

As of December 31, 2023, fund balances were composed of the following:

	General fund	Parks and recreation fund	Open space bond fund	Nonmajor funds	Total governmental funds
Restricted:					
Liquid fuels					
Haugh Tract and Gray's Woods Preserve			\$ 132,574		\$ 132,574
Streetlights				\$ 69,486	<u>69,486</u>
 Total restricted fund balances					 <u>202,060</u>
Assigned:					
Reserve funds:					
Revenue assigned to open space			1,302,920		1,302,920
Parks and recreation		\$ 40,166			40,166
Surety	\$ 36,724				<u>36,724</u>
 Total assigned fund balances					 <u>1,379,810</u>
 Unassigned fund deficit	 <u>(155,022)</u>			 <u>(55,323)</u>	 <u>(210,345)</u>
 Total fund balances (deficit)	 <u>\$ (118,298)</u>	 <u>\$ 40,166</u>	 <u>\$ 1,435,494</u>	 <u>\$ 14,163</u>	 <u>\$ 1,371,525</u>

The Township has a fund deficit in the fire protection fund of \$55,323 as a result of not assessing enough revenue compared to the increased expenses. The Township will increase its assessments revenue in 2024 to cover this deficit.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2023

12. Jointly governed organizations:

The Township, in conjunction with College, Ferguson, Halfmoon and Harris Townships and State College Borough, has created the Centre Region Council of Governments (COG) to provide regionwide services such as parks and recreation, library facilities and fire protection. COG's general forum is composed of the board members from each of these municipalities. The Township's expenditures for COG's regional programs were \$1,819,587 for the year ended December 31, 2023.

The Township, in conjunction with College, Ferguson and Harris Townships and State College Borough, created the Centre Area Transportation Authority (CATA). CATA's board consists of five members, one appointed by each of the five participating municipalities. The Township's contributions toward CATA's capital and operating expenses were \$25,611 and \$185,169, respectively, for the year ended December 31, 2023.

In addition to CATA, the above-mentioned townships and borough also operate the Schlow Centre Region Library to serve the educational, recreational, cultural and informational needs of the region. During 2023, the Township contributed \$336,358 for the operations of the library.

13. Participation in risk sharing pool:

The Township participates in a self-funded health insurance cooperative to provide medical benefits to its employees. Under this program, the Township pays monthly premiums to the cooperative to cover medical claims to Capital Blue Cross, as well as to cover reinsurance and administrative management fees. For the year ended December 31, 2023, the Township was limited in liability for claims to \$50,000 per enrollee per claim and a maximum claims liability of \$1,314,160. Actual claims paid by the cooperative on behalf of the Township for the year ended December 31, 2023 were \$1,366,082, with \$212,584 of this amount being reimbursed through reinsurance. In the event that claims exceed the Township's maximum liability, the excess is paid through the cooperative's cross-sharing pool. If claims are less than the maximum claim liability, the Township will receive a refund of the excess contributions less the Township's cross-sharing obligation.

14. American Rescue Plan:

On March 11, 2021, the American Rescue Plan Act of 2021 (American Rescue Plan), a \$1.9 trillion COVID-19 relief package was signed into law. The American Rescue Plan provides additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals and businesses. The American Rescue Plan provides \$130 billion in emergency funding for local governments to enable them to continue to support the public health response and lay the foundation for a strong and equitable economic recovery. The Township was allocated \$1,656,912 in funding from the American Rescue Plan, which was disbursed to the Township in two tranches. 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 \$827,148 during 2021 and the second tranche of \$829,764 during 2022. The Township used \$500,000 of these funds during 2022 and \$600,000 of these funds during 2023 to cover police payroll. As of December 31, 2023, the unused portion of \$559,527 was recorded as unearned revenue.

15. Subsequent events:

The Township has evaluated subsequent events through April 10, 2024, which is the date the financial statements were available to be issued.

PATTON TOWNSHIP

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET COMPARED TO ACTUAL – GENERAL FUND
 (Required supplementary information)
 (unaudited)
 YEAR ENDED DECEMBER 31, 2023
 (See independent auditor’s report)

	Budgeted amounts		Actual	Variance with
	Original	Final	budgetary	final budget
			activities	positive
				(negative)
Revenues:				
Taxes and assessments	\$ 8,612,386	\$ 8,612,386	\$ 7,954,833	\$ (657,553)
Licenses and permits	304,469	304,469	302,036	(2,433)
Fines	31,500	31,500	48,942	17,442
Intergovernmental	4,692,892	4,692,892	2,201,546	(2,491,346)
Interest and rents	47,183	47,183	68,330	21,147
Charges for services	62,110	62,110	65,087	2,977
Contributions	530,464	530,464	105,079	(425,385)
Miscellaneous	34,000	34,000	6,060	(27,940)
Total revenues	14,315,004	14,315,004	10,751,913	(3,563,091)
Expenditures:				
General government	1,792,065	1,792,065	1,687,811	104,254
Police department	4,966,851	4,966,851	4,459,963	506,888
Public works	6,508,487	6,508,487	3,956,821	2,551,666
Community service	1,631,953	1,631,953	1,165,038	466,915
Human services	318,546	318,546	215,085	103,461
Debt service	906,257	906,257		906,257
Total expenditures	16,124,159	16,124,159	11,484,718	4,639,441
Excess of expenditures over revenues	<u>\$ (1,809,155)</u>	<u>\$ (1,809,155)</u>	(732,805)	<u>\$ 1,076,350</u>
Other financing sources			184,543	
Other financing uses			<u>(836,445)</u>	
Net change in fund balances			<u>\$ (1,384,707)</u>	

See notes to required supplementary information.

**PATTON TOWNSHIP
UNIFORMED POLICE PENSION PLAN**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(Required supplementary information)
(unaudited)
YEAR ENDED DECEMBER 31, 2023
(See independent auditor's report)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:									
Service cost	\$ 244,340	\$ 197,243	\$ 205,908	\$ 177,421	\$ 194,005	\$ 177,273	\$ 182,128	\$ 176,535	\$ 168,129
Interest	572,112	578,397	545,963	506,412	477,200	436,142	408,238	390,759	363,450
Differences between expected and actual experience		(568,965)	(1,264)	90,948		(98,588)		(170,678)	
Changes of assumptions	281,509				260,407				
Benefit payments, including refunds of member contributions	(273,940)	(370,779)	(193,285)	(280,697)	(189,575)	(221,258)	(152,513)	(152,513)	(147,181)
Net change in total pension liability	824,021	(164,104)	557,322	494,084	742,037	293,569	437,853	244,103	384,398
Total pension liability:									
Beginning of year	8,086,861	8,250,965	7,693,643	7,199,559	6,457,522	6,163,953	5,726,100	5,481,997	5,097,599
End of year (a)	\$ 8,910,882	\$ 8,086,861	\$ 8,250,965	\$ 7,693,643	\$ 7,199,559	\$ 6,457,522	\$ 6,163,953	\$ 5,726,100	\$ 5,481,997
Plan fiduciary net position:									
Contributions:									
Employer	\$ 259,056	\$ 270,321	\$ 266,684	\$ 235,096	\$ 176,554	\$ 175,934	\$ 181,039	\$ 144,040	\$ 171,124
Member	35,873	30,147	29,422	30,518	41,293	39,822	39,354	68,024	65,424
Net investment income	1,184,708	(1,516,969)	916,838	1,124,087	1,133,431	(331,907)	846,103	241,360	(16,923)
Benefit payments, including refunds of member contributions	(273,940)	(370,779)	(193,285)	(280,697)	(189,575)	(221,258)	(152,513)	(152,513)	(147,181)
Administrative expense	(51,130)	(52,623)	(57,307)	(50,758)	(49,149)	(48,849)	(44,767)	(39,987)	(38,827)
Net change in plan fiduciary net position	1,154,567	(1,639,903)	962,352	1,058,246	1,112,554	(386,258)	869,216	260,924	33,617
Total fiduciary net position:									
Beginning of year	7,401,783	9,041,686	8,079,334	7,021,088	5,908,534	6,294,792	5,425,576	5,164,652	5,131,035
End of year (b)	\$ 8,556,350	\$ 7,401,783	\$ 9,041,686	\$ 8,079,334	\$ 7,021,088	\$ 5,908,534	\$ 6,294,792	\$ 5,425,576	\$ 5,164,652
Net pension (asset) liability, end of year (a) - (b)	\$ 354,532	\$ 685,078	\$ (790,721)	\$ (385,691)	\$ 178,471	\$ 548,988	\$ (130,839)	\$ 300,524	\$ 317,345
Plan fiduciary net position as a percentage of the total pension liability	96.02%	91.53%	109.58%	105.01%	97.52%	91.50%	102.12%	94.75%	94.21%
Covered employee payroll	\$ 1,750,897	\$ 1,662,450	\$ 1,527,742	\$ 1,589,389	\$ 1,469,901	\$ 1,375,199	\$ 1,178,251	\$ 1,390,904	\$ 1,432,794
Net pension liability as a percentage of covered employee payroll	20.25%	41.21%	-51.76%	-24.27%	12.14%	39.92%	-11.10%	21.61%	22.15%

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

See notes to required supplementary information.

**PATTON TOWNSHIP
UNIFORMED POLICE PENSION PLAN**

SCHEDULES OF TOWNSHIP CONTRIBUTIONS AND MONEY-WEIGHTED RATE OF RETURN
(Required supplementary information)
(unaudited)
YEAR ENDED DECEMBER 31, 2023
(See independent auditor's report)

Description	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined employer contribution	\$ 259,056	\$ 270,321	\$ 266,684	\$ 234,969	\$ 176,554	\$ 175,934	\$ 177,223	\$ 144,040	\$ 167,443
Contributions in relation to the actuarially determined contribution	<u>259,056</u>	<u>270,321</u>	<u>266,684</u>	<u>235,096</u>	<u>176,554</u>	<u>175,934</u>	<u>177,223</u>	<u>144,040</u>	<u>167,443</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (127)</u>	<u>\$ -</u>				
Covered employee payroll	\$ 1,750,897	\$ 1,662,450	\$ 1,527,742	\$ 1,589,389	\$ 1,469,901	\$ 1,375,199	\$ 1,178,251	\$ 1,390,904	\$ 1,432,794
Total contributions made as a percentage of payroll	14.80%	16.26%	17.46%	14.79%	12.01%	12.79%	15.04%	10.36%	11.69%
Money-weighted rate of return	15.45%	-17.62%	10.67%	14.97%	18.51%	-6.11%	14.85%	4.68%	-0.33%

The schedule of Township contributions for the required ten-year timeframe will be added as available.

See notes to required supplementary information.

PATTON TOWNSHIP

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED DECEMBER 31, 2023 (See independent auditor's report)

1. Budgetary data:

The Township follows these procedures in establishing the budget:

At least 30 days prior to January 1, the Township manager submits to the board of supervisors a proposed operating budget for the general fund for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted to obtain citizen comments on the proposed budget. Prior to December 31, the budget is adopted through passage of a resolution by the board of supervisors.

The board of supervisors is authorized to transfer unencumbered monies from one Township account to another, but no monies shall be transferred from the fund allocated for the payment of debts or from any fund raised by a special tax levy for a particular purpose. Transfers of unencumbered monies shall not be made during the first three months of the fiscal year. The board of supervisors may at any time by resolution make supplemental appropriations. Actual expenditures and operating transfers out may not legally exceed "budget" appropriations at the individual fund level.

Appropriations lapse at the close of the fiscal year to the extent that they have not been expended. Encumbrances are not reported; however, fund balances are designated in amounts equal to the subsequent year's anticipated budget deficit, if any. The Township prepares its budget on a modified accrual basis of accounting.

The budgetary comparison schedule, included in the required supplementary information, presents a comparison of budgetary data to actual results of operations for the general fund, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results. During 2023, the board of supervisors did not approve any additional budgetary expenditure amendments for the general fund.

Debt service activity budgeted in the general fund was paid out of the debt service fund.

PATTON TOWNSHIP

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2023
(See independent auditor's report)

2. Uniformed Police Pension Plan:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of December 31, 2023. Methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method:	Entry Age
Amortization method:	Level Dollar, Closed
Remaining amortization period:	13 years
Asset valuation method:	

The actuarial value of assets is equal to the market value adjusted to recognize investment gains and losses over a five-year period, limited to 20% above or below the market value

Inflation:	2.00%
Salary increases:	5.00%
Investment rate of return:	6.75%
Retirement age:	

Members are assumed retire or join the DROP plan on their normal retirement date, or on the valuation date, if later

Mortality:	Pub-2010 Mortality table for Safety Employees, projected using Scale MP-2021
Change in benefit terms:	None since January 1, 2023

PATTON TOWNSHIP

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2023
(See independent auditor's report)

	Liquid fuels fund	Streetlight fund	Hydrant fund	Total
ASSETS				
Assets:				
Cash	\$ 87	\$ 71,689		\$ 71,776
Assessment receivable		220	\$ 649	869
Due from other funds	3,249			3,249
Total assets	\$ 3,336	\$ 71,909	\$ 649	\$ 75,894
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,336	\$ 2,423	\$ 23,460	\$ 29,219
Due to other funds			32,512	32,512
Total liabilities	3,336	2,423	55,972	61,731
Fund balances (deficit):				
Restricted		69,486		69,486
Unrestricted			(55,323)	(55,323)
Total fund balances (deficit)		69,486	(55,323)	14,163
Total liabilities and fund balances (deficit)	\$ 3,336	\$ 71,909	\$ 649	\$ 75,894

PATTON TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023
(See independent auditor's report)

	Liquid fuels fund	Streetlight fund	Hydrant fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Intergovernmental	\$ 474,319			\$ 474,319
Interest income	92			92
Assessments		\$ 29,572	\$ 77,297	106,869
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>474,411</u>	<u>29,572</u>	<u>77,297</u>	<u>581,280</u>
Expenditures:				
Hydrant service			93,330	93,330
Highways and streets	481,868			481,868
Electricity		32,248		32,248
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>481,868</u>	<u>32,248</u>	<u>93,330</u>	<u>607,446</u>
Excess of expenditures over revenues	(7,457)	(2,676)	(16,033)	(26,166)
Other financing sources (uses), interfund operating transfer	<u>3,249</u>	<u> </u>	<u> </u>	<u>3,249</u>
Net change in fund balances	(4,208)	(2,676)	(16,033)	(22,917)
Fund balances (deficit):				
January 1	<u>4,208</u>	<u>72,162</u>	<u>(39,290)</u>	<u>37,080</u>
December 31	<u><u>\$ -</u></u>	<u><u>\$ 69,486</u></u>	<u><u>\$ (55,323)</u></u>	<u><u>\$ 14,163</u></u>