

PATTON TOWNSHIP

YEAR ENDED DECEMBER 31, 2021



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

PATTON TOWNSHIP

YEAR ENDED DECEMBER 31, 2021

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PATTON TOWNSHIP

YEAR ENDED DECEMBER 31, 2021

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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, 2021 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, 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, 2021 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 Schultz Steidman & Fritz

Camp Hill, Pennsylvania
June 7, 2022

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2021

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, 2021. 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, 2021. 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 asset at December 31, 2021 of \$790,721. The Township must also report a \$67,776 deferred outflow of resources related to the pension plan which represents the difference in projected and actual experience and a \$166,849 deferred outflow of resources related to the pension plan which represents a change in actuarial assumptions as of December 31, 2021. Lastly, the Township must also report a \$99,464 deferred inflow of resources related to the pension plan which represents the difference in projected and actual experience and a \$795,048 deferred inflow of resources related to the pension plan which represents the difference between the projected and actual earnings on pension plan investments as of December 31, 2021.
- In 2021, real estate tax millage was 9.5 mils. The millage rate will remain 9.5 mils for 2022.
- The 2021 real estate tax collections, which represent the single largest source of revenue for the Township, came in at approximately 100% of budget.
- Actual real estate transfer tax collections for 2021 were 88.4% of budget. This is a difficult revenue stream to predict.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2021

Financial highlights (continued)

- 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 2022 through 2026 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 2021, the Township issued zoning permits for \$21.19 million of development, down from \$23.88 million in 2020.
- A three-year police contract was signed in September 2019 and is in effect for the period 2020-2022. The main terms consist of a 3.25% annual wage increase, employee contribution to pension from 3% of wages to 2% of wages and employee healthcare contributions from 11.5% to 9%. In addition, there was a change to the healthcare plan to include a deductible, as well as increases to copays. Also, there was an increase in longevity payments. A new contract will be negotiated in 2022.
- The Township has \$8,688,592 in outstanding debt as of December 31, 2021. This amount was comprised of three borrowings. Outstanding debt of \$6,647,390 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 \$503,702 was on the loan from Pennsylvania Infrastructure Bank, which was secured to be used for traffic improvements at Valley Vista Drive. Outstanding debt of \$1,837,500 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, 2021 is \$1,851,165.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2021

Financial highlights (continued)

- 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 will provide funding for the construction of the Bernel Road Park Phase 2A project. Construction is to begin in 2022.
 - The Township was notified that it would be the recipient of a Pennsylvania Department of Community & Economic Development Grant of \$1,500,000 for the construction of Phase 2 of the Nittany Valley Sports Complex on Bernel Road. Construction was completed in 2021.
 - The Township was notified that it would be the recipient of a Pennsylvania Department of Community & Economic Development Grant of \$370,000 for the construction of the Abington Equine Hospital. Construction began in 2021.
 - The Township was notified that it would be the recipient of a Pennsylvania Department of Community & Economic Development Grant of \$500,000 for the upgrade of the intersection of Bernel Road and Fox Hill Road to a classic "T" intersection. Construction was completed in 2021.
 - 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 has not yet begun.
- The fund balance for the Township's General Fund at December 31, 2021 increased to \$898,572 from \$659,243 in 2020. Of this amount, \$815,303 is unassigned and represents 6.9% of General Fund expenditures. The remainder of the fund balance in the General Fund, \$83,269, is assigned or committed to future projects and purchases. In all other funds, the fund balance is fully assigned, committed or reserved for future projects and obligations. The Township has a policy of maintaining a fund balance for the General Fund of between 8% and 12% of General Fund expenditures. However, due to the pandemic, the fund balance for the General Fund has fallen below the policy. Future budgets will reflect an increase in fund balance. Having a healthy fund balance has been accepted by the Board of Supervisors as prudent.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2021

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.

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.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2021

Fund financial statements (continued)

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 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, 2021

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 \$21,629,640 at the end of 2021 (\$20,794,776 for 2020).

A condensed summary of the Township's assets and deferred outflows and liabilities, deferred inflows and net position at December 31, 2021 and 2020 is shown below.

	2021	2020
	Governmental activities	Governmental activities
	<u> </u>	<u> </u>
Current assets	\$ 3,762,672	\$ 3,107,028
Capital assets, net of depreciation	28,296,058	26,772,035
Net pension asset	790,721	385,691
Deferred outflows	<u>383,239</u>	<u>435,299</u>
Total assets and deferred outflows	<u>\$ 33,232,690</u>	<u>\$ 30,700,053</u>
Current liabilities	\$ 2,054,927	\$ 1,373,272
Noncurrent liabilities, other than pension	8,653,611	7,675,964
Deferred inflows	<u>894,512</u>	<u>856,041</u>
Total liabilities and deferred inflows	<u>11,603,050</u>	<u>9,905,277</u>
Net position:		
Net investment in capital assets	20,452,552	19,396,307
Restricted for:		
State Liquid Fuels Tax projects	56,217	390,885
Streetlights	72,220	57,452
Unrestricted	<u>1,048,651</u>	<u>950,132</u>
Total net position	<u>21,629,640</u>	<u>20,794,776</u>
Total liabilities, deferred inflows and net position	<u>\$ 33,232,690</u>	<u>\$ 30,700,053</u>

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2021

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 \$128,437 externally imposed restrictions on the balance of net position at December 31, 2021 are restricted for state liquid fuel projects and streetlights. 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 \$33,232,690 of which 85.1% or \$28,296,058 is accounted for by its capital assets, which includes infrastructure deeded to the Township.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

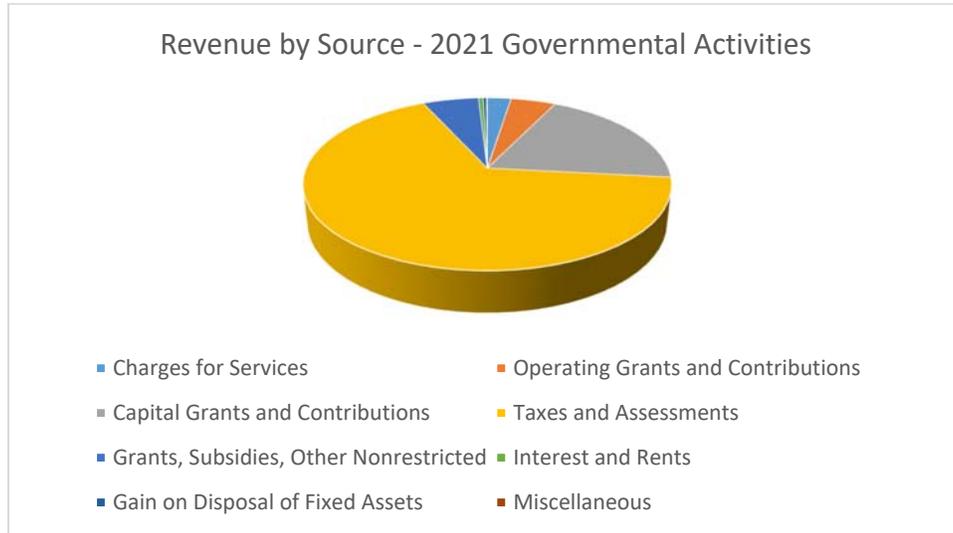
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2021

A condensed summary of the Township's change in net position for the years ended December 31, 2021 and 2020 follows:

	<u>2021</u>	<u>2020</u>
	Governmental activities	Governmental activities
Revenues:		
Program revenues:		
Charges for services	\$ 301,331	\$ 249,151
Operating grants and contributions	567,111	609,392
Capital grants and contributions	2,355,669	1,613,957
General revenues:		
Taxes and assessments	8,032,370	7,815,998
Grants, subsidies, other nonrestricted	705,223	915,917
Interest and rents	57,913	60,766
Transfers out	(50,670)	(44,470)
Gain on disposal of fixed assets	42,381	27,793
Miscellaneous	9,793	8,560
Total revenues	<u>12,021,121</u>	<u>11,257,064</u>
Expenses:		
General government	36,136	1,433,288
Police department	3,561,779	3,589,967
Public works	5,959,637	2,870,980
Community services	1,377,427	1,316,483
Human services	52,988	65,211
Debt service	189,002	155,305
Amortization	9,288	9,288
Total expenses	<u>11,186,257</u>	<u>9,440,522</u>
Increase in net position	<u>\$ 834,864</u>	<u>\$ 1,816,542</u>

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2021



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 2021, the Township's governmental funds reported combined ending fund balances of \$2,604,713 (\$2,383,023 in 2020). Approximately 30% of this total amount, or \$789,901, 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.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2021

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 6.9% of total General Fund expenditures while the total General Fund's fund balance represents 7.6% of the same amount. This represents planning for identified future expenditures and projects. 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, given the healthy ending fund balance, 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues, as reported in these financial statements, were slightly more than budgetary estimates mainly because of grants of approximately \$1.8 million being budgeted for 2021 that were not awarded or have been deferred into future years, offset by approximately \$1.8 million Pennsylvania Infrastructure Bank loan proceeds. In addition, the Township received a grant of approximately \$207,000 for a hydra-dig excavator.

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 94% of budget. Total taxes collected for all funds were \$7,954,157.

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 \$744,153. 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 2021.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets for its governmental activities as of December 31, 2021 amounts to \$28,296,058, 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, 2021 and 2020 follows:

	2021 Governmental activities	2020 Governmental activities
	<u> </u>	<u> </u>
Land and land improvements	\$ 9,940,186	\$ 9,940,186
Buildings	5,836,550	5,817,058
Infrastructure	10,892,469	10,795,734
Park equipment	7,276,325	5,817,040
Tools and equipment	1,324,364	1,030,610
Traffic signals	1,962,362	1,873,091
Vehicles	2,403,634	2,388,174
Construction in progress	2,466,495	2,053,711
	<u> </u>	<u> </u>
Total capital assets	42,102,385	39,715,604
Less accumulated depreciation for:		
Land improvements	41,411	40,002
Buildings	3,094,706	2,943,719
Infrastructure	2,210,800	1,989,051
Park equipment	5,122,244	4,835,868
Tools and equipment	700,597	623,588
Traffic signals	1,227,863	1,168,999
Vehicles	1,408,706	1,342,342
	<u> </u>	<u> </u>
Total accumulated depreciation	13,806,327	12,943,569
Total capital assets, net	\$ 28,296,058	\$ 26,772,035
	<u> </u>	<u> </u>

More detailed information can be found in Note 5 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, 2021

Long-term debt

At the end of 2021, the Township had outstanding long-term debt obligations of \$8,688,592; plus \$820,788 in obligations for accrued compensated absences. More information about the Township's general long-term debt can be found in Note 6 of the financial statements.

A condensed summary of the Township's long-term debt obligations at December 31, 2021 and 2020 follows:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 8,358,502	\$ 9,052,532
Increase (decrease) in compensated absences	(4,084)	205,204
Debt proceeds	1,837,500	
Principal retirement	<u>(682,538)</u>	<u>(899,234)</u>
Ending balance	<u><u>\$ 9,509,380</u></u>	<u><u>\$ 8,358,502</u></u>

Economic factors and next year's budget and rates

With the ongoing pandemic, the 2022 budget shows a very modest decrease in revenues, with a corresponding modest decrease in expenditures. During January 2021, President Joseph Biden signed the American Rescue Plan Act into law, which provides state and local governments funds to address costs of the ongoing pandemic. The second tranche of these funds appear in the 2022 budget in the amount of \$827,148.

The local economy has been slow to recover, as many businesses and the Pennsylvania State University are reacting to labor and supply shortages.

PATTON TOWNSHIP
STATE COLLEGE, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED DECEMBER 31, 2021

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:

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

PATTON TOWNSHIP

STATEMENT OF NET POSITION
DECEMBER 31, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Governmental activities</u>
Current assets:	
Cash	\$ 3,525,099
Taxes receivable, net	118,024
Accounts receivable	<u>119,549</u>
Total current assets	<u>3,762,672</u>
Noncurrent assets:	
Property, plant and equipment, net:	
Land and land improvements	9,898,775
Buildings and improvements	2,741,844
Park equipment	2,154,081
Vehicles	994,928
Infrastructure	8,681,669
Tools	623,767
Traffic signals	734,499
Construction in progress	<u>2,466,495</u>
Total property, plant and equipment, net	28,296,058
Net pension asset	<u>790,721</u>
Total noncurrent assets	<u>29,086,779</u>
Total assets	32,849,451
Deferred outflows of resources:	
Deferred charge on refunding	148,614
Pensions	<u>234,625</u>
Total assets and deferred outflows of resources	<u>\$ 33,232,690</u>

See notes to financial statements.

PATTON TOWNSHIP

STATEMENT OF NET POSITION
DECEMBER 31, 2021

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>Governmental activities</u>
Current liabilities:	
Accrued liabilities	\$ 225,696
Developer escrow	85,665
Deferred revenue	827,148
Current portion of notes payable	855,769
Interest payable	<u>60,649</u>
Total current liabilities	<u>2,054,927</u>
Noncurrent liabilities:	
Notes payable	7,832,823
Compensated absences	<u>820,788</u>
Total noncurrent liabilities	<u>8,653,611</u>
Total liabilities	<u>10,708,538</u>
Deferred inflows of resources, pensions	<u>894,512</u>
Net position:	
Net investment in capital assets	20,452,552
Restricted for:	
State Liquid Fuels Tax projects	56,217
Streetlights	72,220
Unrestricted	<u>1,048,651</u>
Total net position	<u>21,629,640</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 33,232,690</u>

See notes to financial statements.

PATTON TOWNSHIP

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Expenses	Program revenues		Governmental activities - net expense, revenues and change in net position
		Charges for services	Operating grants and contributions	
Governmental activities:				
General government	\$ 36,136	\$ 30,361		\$ (1,570,048)
Police department	3,561,779	163,544		3,398,235
Public works	5,959,637	59,720	\$ 554,318	5,138,676
Community services	1,377,427	47,706	12,793	744,005
Human services	52,988			52,988
Interest	189,002			189,002
Amortization	9,288			9,288
Total primary government	\$ 11,186,257	\$ 301,331	\$ 567,111	7,962,146
General revenues:				
Taxes:				
Property				5,453,226
Other				2,579,144
Grants, subsidies, other nonrestricted				705,223
Interest and rents				57,913
Gain on sale of assets				42,381
Transfers out				(50,670)
Miscellaneous				9,793
Total general revenues and transfers				8,797,010
Change in net position				834,864
Net position:				
January 1, 2021				20,794,776
December 31, 2021				\$ 21,629,640

See notes to financial statements.

PATTON TOWNSHIP

BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	Major funds			Nonmajor funds	Total governmental funds
	General fund	Parks and recreation fund	Open space bond fund		
ASSETS					
Cash	\$ 2,517,859	\$ 156	\$ 888,501	\$ 118,583	\$ 3,525,099
Receivables:					
Taxes	97,741			833	98,574
Other	104,599		14,950		119,549
Due from other funds	297,102	691,227	297,751	20,034	1,306,114
Total assets	\$ 3,017,301	\$ 691,383	\$ 1,201,202	\$ 139,450	\$ 5,049,336
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accrued:					
Liabilities	\$ 98,859	\$ 26		\$ 28,766	\$ 127,651
Wages and taxes	98,045				98,045
Developer escrow	85,665				85,665
Due to other funds	1,009,012	254,812	\$ 34,641	7,649	1,306,114
Deferred revenue	827,148				827,148
Total liabilities	2,118,729	254,838	34,641	36,415	2,444,623
Fund balance:					
Restricted				128,437	128,437
Committed	14		197,354		197,368
Assigned	83,255	436,545	969,207		1,489,007
Unassigned	815,303			(25,402)	789,901
Total fund balance	898,572	436,545	1,166,561	103,035	2,604,713
Total liabilities and fund balance	\$ 3,017,301	\$ 691,383	\$ 1,201,202	\$ 139,450	\$ 5,049,336

See notes to financial statements.

PATTON TOWNSHIP

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

Total fund balances, governmental funds		\$ 2,604,713
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 \$42,102,385, and the accumulated depreciation is \$13,806,327.		28,296,058
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.		19,450
Certain government-wide amounts are not included in government funds because government funds use current financial resources:		
Notes payable	\$ (8,688,592)	
Accrued interest on the debt	(60,649)	
Compensated absences	(820,788)	
Net pension asset	790,721	
	<hr/>	(8,779,308)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources:		
Refunding	148,614	
Pensions	234,625	
Deferred inflows of resources, pensions	(894,512)	
	<hr/>	(511,273)
Total net position, governmental activities		\$ 21,629,640

See notes to financial statements.

PATTON TOWNSHIP

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

	Major funds				Nonmajor funds	Total governmental funds
	General fund	Parks and recreation fund	Open space bond fund	Debt service fund		
Revenues:						
Taxes and assessments	\$ 7,308,876	\$ 347,530	\$ 297,751		\$ 105,212	\$ 8,059,369
Licenses and permits	310,801					310,801
Fines	42,260					42,260
Intergovernmental	2,580,572				456,316	3,036,888
Interest and rents	42,222	7	15,414		270	57,913
Charges for services	65,358					65,358
Contributions	63,465		12,753			76,218
Miscellaneous	5,553				360	5,913
Total revenues	10,419,107	347,537	325,918		562,158	11,654,720
Expenditures:						
General government	1,495,801					1,495,801
Police department	3,765,432					3,765,432
Public works	5,445,844				820,990	6,266,834
Community services	1,078,559	94,223	24,860		72,744	1,270,386
Human services	52,988					52,988
Debt service:						
Principal retirement				\$ 682,538		682,538
Interest				141,531		141,531
Total expenditures	11,838,624	94,223	24,860	824,069	893,734	13,675,510
Excess of revenues over (under) expenditures	(1,419,517)	253,314	301,058	(824,069)	(331,576)	(2,020,790)
Other financing sources (uses):						
Proceeds from:						
General long-term debt	1,837,500					1,837,500
Sale of assets	53,961					53,961
Refunds of prior year, expenditures	401,729					401,729
All other financing uses	(40)					(40)
Interfund operating transfer	(634,304)		(240,435)	824,069		(50,670)
Total other financing sources (uses)	1,658,846		(240,435)	824,069		2,242,480
Net change in fund balances	239,329	253,314	60,623	-	(331,576)	221,690
Fund balances:						
January 1	659,243	183,231	1,105,938		434,611	2,383,023
December 31	\$ 898,572	\$ 436,545	\$ 1,166,561	\$ -	\$ 103,035	\$ 2,604,713

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, 2021

Total net change in fund balances, governmental funds \$ 221,690

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

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 net capital outlays exceeded depreciation expense for the period.

Capital outlays, net	\$ 2,500,190	
Depreciation expense	<u>(976,167)</u>	1,524,023

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. (26,999)

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. 4,084

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:

Issuance of debt, notes payable	(1,837,500)	
Repayment of debt, notes payable	682,538	
Amortization of deferred charge on refunding	<u>(9,288)</u>	(1,164,250)

Change in accrued interest (47,471)

Governmental funds report pension contributions as expenditures.

However, in the statement of activities, the cost of pension benefits earned is reported as pension expense.

Net pension contributions	267,526	
Cost of benefits earned	<u>56,261</u>	<u>323,787</u>

Change in net position of governmental activities \$ 834,864

See notes to financial statements.

PATTON TOWNSHIP

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

ASSETS

	Pension trust funds		Custodial fund
	Police pension	Nonuniform pension	Tax office
Cash			\$ 45,587
Investments	\$ 9,040,576	\$ 5,405,272	
Taxes receivable			391,372
Investment in transit	1,110		
Total assets	\$ 9,041,686	\$ 5,405,272	\$ 436,959

LIABILITIES AND NET POSITION HELD IN TRUST FOR PENSION BENEFITS

Taxes collected due to:

Patton Township general fund			\$ 56,936
Other governments			380,023
Net position, restricted for pension benefits	\$ 9,041,686	\$ 5,405,272	
Total liabilities and net position	\$ 9,041,686	\$ 5,405,272	\$ 436,959

See notes to financial statements.

PATTON TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – ALL FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Pension trust funds		Custodial fund
	Police pension trust fund	Nonuniform pension trust fund	Tax office
Additions:			
Investment income and gains	\$ 916,838	\$ 688,481	
Taxes and assessments			\$ 31,605,319
Contributions:			
State	216,014	102,656	
Employer	50,670		
Employee	29,422	55,261	
Total additions	1,212,944	846,398	31,605,319
Deductions:			
Taxes remitted			31,605,319
Administrative expense	57,307		
Distributions	193,285	112,918	
Total deductions	250,592	112,918	31,605,319
Net increase	962,352	733,480	
Net position held in trust for pension benefits:			
January 1	8,079,334	4,671,792	
December 31	\$ 9,041,686	\$ 5,405,272	\$ -

See notes to financial statements.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

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.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

1. Organization and significant accounting policies (continued):

Basis of presentation, fund accounting and measurement focus:

Basis of presentation:

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.

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.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

1. Organization and significant accounting policies (continued):

Basis of presentation, fund accounting and measurement focus:

Governmental 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.

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.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

1. Organization and significant accounting policies (continued):

Basis of presentation, fund accounting and measurement focus:

Measurement focus and basis of accounting:

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, 2021

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, and 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.

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 qualify for this reporting:

Deferred inflows of resources related to the police pension represent 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.

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.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

1. Organization and significant accounting policies (continued):

Capital assets:

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

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.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

1. Organization and significant accounting policies (continued):

Pension 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.
- Allocation of program revenues to the various functions in the statement of activities.

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.

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, 2021.

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.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

1. Organization and significant accounting policies (continued):

Fund balance classification:

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.

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.
- 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."

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

1. Organization and significant accounting policies (continued):

Pending Government Accounting Standards Board (GASB) statements:

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments by requiring all leases be reported as assets and liabilities, thereby enhancing the relevance and consistency of information about the government's leasing activities. The provisions of GASB Statement No. 87 are effective for the Township's December 31, 2022 financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. The provisions of GASB Statement No. 91 are effective for the Township's December 31, 2022 financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions of GASB Statement No. 92 are effective for the Township's December 31, 2022 financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate is effective for the Township's December 31, 2022 financial statements. All other requirements of the Statement are effective for the Township's December 31, 2023 financial statements.

In January 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement is to improve financial reporting by addressing issues related to public-private and public-public partnerships arrangements (PPPs). The provisions of GASB Statement No. 94 are effective for the Township's December 31, 2023 financial statements.

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

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

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

2. 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, 2021, \$3,819,330 of the Township's bank balance of \$4,332,377 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.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

2. Cash deposits (continued):

Reconciliation to the financial statements:

Collateral held by the pledging bank under Act 72 but not in the Township's name	\$ 3,819,330
PLGIT investments, money market	40,215
Insured by Federal Deposit Insurance Corporation	513,047
Deposits in transit	32
Outstanding checks	(802,015)
Petty cash	77
	<hr/>
Total cash deposits	<u>\$ 3,570,686</u>
Reconciliation to financial statements, cash:	
Governmental funds	\$ 3,525,099
Fiduciary funds	45,587
	<hr/>
	<u>\$ 3,570,686</u>

3. 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.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

3. Investments (continued):

As of December 31, 2021, the Township had the following Level 1 investments:

	<u>Ratings</u>	<u>Maturities</u>	<u>Fair value</u>
Pension trust funds' investments:			
Wilmington Trust:			
Cash			\$ 92
Money market	N/A	N/A	50,171
Mutual funds:			
Fixed income funds	Unrated	N/A	2,841,799
Domestic equity funds	Unrated	N/A	3,696,140
International funds	Unrated	N/A	1,127,636
Closed-end equity funds	Unrated	N/A	538,069
Closed-end international funds	Unrated	N/A	786,669
Total Wilmington Trust			<u>9,040,576</u>
ICMA-RC, mutual funds:			
Stable value funds	Unrated	N/A	38,559
Bond funds	Unrated	N/A	401,431
Guaranteed lifetime income	Unrated	N/A	64,954
Balanced funds	Unrated	N/A	2,550,112
U.S. stock funds	Unrated	N/A	2,120,764
International stock funds	Unrated	N/A	220,123
Specialty funds	Unrated	N/A	9,329
Total ICMA-RC mutual funds			<u>5,405,272</u>
Total investments			<u>\$ 14,445,848</u>

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

4. 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, 2021, upon which the 2021 levy was based, was \$501,582,905 with an estimated current market value of \$2,072,656,632.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

4. 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, 2021 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, 2021 were 97.8% of the tax levy.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

5. Capital assets:

	<u>January 1, 2021</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>December 31, 2021</u>
Governmental activities:				
Land and land improvements	\$ 9,940,186			\$ 9,940,186
Buildings	5,817,058	\$ 19,492		5,836,550
Infrastructure	10,795,734	93,853	\$ 2,882	10,892,469
Park equipment	5,817,040		1,459,285	7,276,325
Tools and equipment	1,030,610	293,754		1,324,364
Traffic signals	1,873,091	89,271		1,962,362
Vehicles	2,388,174	140,449	(124,989)	2,403,634
Construction in progress	2,053,711	1,874,951	(1,462,167)	2,466,495
	<u>39,715,604</u>	<u>2,511,770</u>	<u>(124,989)</u>	<u>42,102,385</u>
Less accumulated depreciation for:				
Land improvements	40,002	1,409		41,411
Buildings	2,943,719	150,987		3,094,706
Infrastructure	1,989,051	221,749		2,210,800
Park equipment	4,835,868	286,376		5,122,244
Tools and equipment	623,588	77,009		700,597
Traffic signals	1,168,999	58,864		1,227,863
Vehicles	1,342,342	179,773	(113,409)	1,408,706
Total accumulated depreciation	<u>12,943,569</u>	<u>976,167</u>	<u>(113,409)</u>	<u>13,806,327</u>
Governmental activities, capital assets, net	<u>\$ 26,772,035</u>	<u>\$ 1,535,603</u>	<u>\$ (11,580)</u>	<u>\$ 28,296,058</u>

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

5. Capital assets (continued):

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

Governmental activities:	
General government	\$ 425,840
Police department	69,724
Community services	287,785
Public works	<u>192,818</u>
Total governmental activities	<u><u>\$ 976,167</u></u>

6. Long-term debt:

The following is a summary of debt transactions for the Township for the year ended December 31, 2021:

	Principal balance, January 1, 2021	Additions	Repayments	Principal balance, December 31, 2021
	<u>2021</u>	<u> </u>	<u> </u>	<u>2021</u>
General Obligation Note, Series 2017	\$ 6,943,420		\$ (596,030)	\$ 6,347,390
Pennsylvania Infrastructure Bank loan	590,210		(86,508)	503,702
Pennsylvania Infrastructure Bank loan		<u>\$ 1,837,500</u>		<u>1,837,500</u>
	<u>\$ 7,533,630</u>	<u>\$ 1,837,500</u>	<u>\$ (682,538)</u>	<u>\$ 8,688,592</u>
Current maturities, governmental activities, notes payable				\$ 855,769
Noncurrent debt, governmental activities, notes payable				<u>7,832,823</u>
Total maturities				<u><u>\$ 8,688,592</u></u>

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

6. 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, 2021 are listed below:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 855,769	\$ 176,837	\$ 1,032,606
2023	867,954	160,573	1,028,527
2024	891,815	142,131	1,033,946
2025	853,681	180,002	1,033,683
2026	822,114	210,679	1,032,793
2027-2031	2,576,350	688,035	3,264,385
2032-2036	1,581,280	257,274	1,838,554
2037	239,629	5,811	245,440
	<u>\$ 8,688,592</u>	<u>\$ 1,821,342</u>	<u>\$ 10,509,934</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, 2021, there was no electoral debt outstanding. Non-electoral debt of \$8,688,592 is outstanding at December 31, 2021.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

6. Long-term debt (continued):

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.

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. At December 31, 2020, the Township's portion of the loan is \$680,766 principal and \$52,837 interest. The Township's annual share of principal and interest payments is 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, 2021, the Township's portion of the loan is \$621,632 of principal and \$28,101 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.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

6. Long-term debt (continued):

Regional parks loan:

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, 2021, the Township's portion of the loan is \$1,229,533 of principal and \$108,983 of interest. The Township's annual share of principal and interest payments is approximately \$94,000.

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

7. 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.

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 2021, the employer and employee contributions amounted to \$102,656, or 6.5%, and \$55,261, 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.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

7. Pension plans (continued):

Defined contribution plan:

Plan membership:

As of January 1, 2021, the most recent actuarial valuation available, the Employees Pension Plan membership consisted of the following:

Active members	29
New members	4
Terminated with full vesting	(2)
Terminated without vesting	<u>(3)</u>
Total	<u>28</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 2021.

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.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

7. Pension plans (continued):

Contributory defined benefit plan:

Plan description and funding policy:

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 2021, the annual required contribution was equal to 17.46% of covered payroll of \$1,527,742.

Funding of the plan was provided as follows for 2021:

<u>Description</u>	
Annual covered payroll	\$1,527,742
Employee contribution rate	2.0% of annual base pay compensation
Employee contributions paid in 2021	28,312
Employer and state aid contributions paid in 2021	266,684
Total contributions made as a percentage of payroll	17.46%

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

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

7. Pension plans (continued):

Contributory defined benefit plan:

Plan membership:

As of December 31, 2021, the Police Pension Plan membership consisted of the following:

Active members	18
Terminated members entitled to benefits but not yet receiving them	1
Retirees and beneficiaries currently receiving benefits (including DROP members)	<u>8</u>
Total	<u><u>27</u></u>

Net pension asset:

The Township's net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The components of the net pension asset of the Township measured as of December 31, 2021, were as follows:

Total pension liability	\$ 8,250,965
Plan fiduciary net position	9,041,686
Net pension asset	790,721
Plan fiduciary net position as a percentage of the total pension liability	109.58%

Actuarial assumptions:

The total pension liability as of December 31, 2021 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 - 7.0% (including inflation)

Mortality rates were based on the RP-2014 mortality tables for males and females, projected using Scale MP-2018.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

7. Pension plans (continued):

Contributory defined benefit plan:

Actuarial assumptions:

The annual money-weighted rate of return for 2021 was 10.67%.

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.

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return</u>
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%
	<u>100%</u>	

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

7. Pension plans (continued):

Contributory defined benefit plan:

Discount rate:

The discount rate used to measure the total net pension liability was 7.0%. 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.

Changes in the net pension liability (asset):

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) - (b)
Balances at January 1, 2021	\$ 7,693,643	\$ 8,079,334	\$ (385,691)
Service cost	205,908		205,908
Interest cost	545,963		545,963
Difference between expected and actual experience	(1,264)		(1,264)
Employer contributions		266,684	(266,684)
Employee contributions		28,312	(28,312)
Net investment income		917,948	(917,948)
Benefit payments, including contribution refunds	(193,285)	(193,285)	-
Administrative expense		(57,307)	57,307
Net changes	557,322	962,352	(405,030)
Balance at December 31, 2021	\$ 8,250,965	\$ 9,041,686	\$ (790,721)

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

7. Pension plans (continued):

Contributory defined benefit plan:

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 6.00%	Current discount rate 7.00%	1% increase in discount rate 8.00%
Plan's net pension liability (asset)	\$ 298,071	\$ (790,721)	\$ (1,691,603)

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

For the year ended December 31, 2021, pension expense (income) was comprised of the following:

Service cost	\$ 205,908
Interest cost	545,963
Differences between expected and actual experience	(20,994)
Changes in assumptions	31,186
Employee contributions	(28,312)
Projected earnings on pension plan investments	(566,955)
Difference between projected and actual earnings on investments	(280,364)
Administrative expense	57,307
Total pension expense (income)	\$ (56,261)

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

7. Pension plans (continued):

Contributory defined benefit plan:

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

At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 67,776	\$ 99,464
Change in assumptions	166,849	
Net difference between projected and actual earnings on pension plan investments		<u>795,048</u>
Totals	<u>\$ 234,625</u>	<u>\$ 894,512</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2021 will be recognized in pension expense as follows:

<u>Year ended</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
2022	\$ 42,772	\$ 219,556
2023	42,772	373,685
2024	42,772	214,733
2025	42,772	81,942
2026	42,772	4,292
thereafter	<u>20,765</u>	<u>304</u>
	<u>\$ 234,625</u>	<u>\$ 894,512</u>

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

8. Interfund activity:

Individual fund receivable and payable balances at December 31, 2021 were as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General fund	\$ 297,102	\$ 1,009,012
Parks and recreation fund	691,227	254,812
Open space bond fund	297,751	34,641
Liquid fuels fund	20,034	
Hydrant fund		7,649
	<u>\$ 1,306,114</u>	<u>\$ 1,306,114</u>

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. The liquid fuels fund's due from general fund is related to a reimbursement check for a liquid fuels project being mistakenly deposited into the general fund.

During the year ended December 31, 2021, the general fund transferred \$50,670 to the police pension trust fund to cover employer contributions to the Police Pension Plan.

9. 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.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

10. Fund balances:

As of December 31, 2021, fund balances were composed of the following:

	<u>General fund</u>	<u>Parks and recreation fund</u>	<u>Open space bond fund</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
Restricted:					
Liquid fuels				\$ 56,217	\$ 56,217
Streetlights				72,220	<u>72,220</u>
Total restricted fund balances					<u>128,437</u>
Committed, capital projects	\$ 14		\$ 197,354		<u>197,368</u>
Assigned:					
Reserve funds:					
Revenue assigned to open space			969,207		969,207
Parks and recreation		\$ 436,545			436,545
Surety	83,255				<u>83,255</u>
Total assigned fund balances					<u>1,489,007</u>
Unassigned fund balances	<u>815,303</u>			<u>(25,402)</u>	<u>789,901</u>
Total fund balances	<u>\$ 898,572</u>	<u>\$ 436,545</u>	<u>\$ 1,166,561</u>	<u>\$ 103,035</u>	<u>\$ 2,604,713</u>

The Township has a fund deficit in the fire protection fund of \$25,402 as a result of not assessing enough revenue compared to the increased expenses. The Township will increase its assessments revenue in 2022 to cover this deficit.

11. 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 \$1,654,574 for the year ended December 31, 2021.

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 \$14,402 and \$97,568, respectively, for the year ended December 31, 2021.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

11. Jointly governed organizations (continued):

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 2021, the Township contributed \$304,624 for the operations of the library.

12. 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, 2021, the Township was limited in liability for claims to \$50,000 per enrollee per claim and a maximum claims liability of \$1,097,884. Actual claims paid by the cooperative on behalf of the Township for the year ended December 31, 2021 were \$1,221,719, with none 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.

13. Risks and uncertainties:

The Township is currently subject to risks and uncertainties resulting from the novel coronavirus (COVID-19) pandemic. While the Township expects this matter may negatively impact its results, the extent of the impact of COVID-19 on the Township's operational and financial performance will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions and the impact of COVID-19 on overall demand for the Township's services, all of which are highly uncertain and cannot be predicted.

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 \$1,654,296 in funding from the American Rescue Plan, which will be disbursed to the Township in two tranches of \$827,148 each. The Township will have until December 31, 2024 to spend these funds. Any funds not spent by December 31, 2024 are to be turned back over to the federal treasury.

The Township received the first tranche of \$827,148 during 2021. As of December 31, 2021, the unused portion of \$827,148 was recorded as unearned revenue.

PATTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

14. American Rescue Plan (continued):

The American Rescue Plan second tranche of \$827,148 will be received by the Township during 2022.

15. Subsequent events:

The Township has evaluated subsequent events through June 7, 2022, 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, 2021
(See independent auditor's report)

	Budgeted amounts		Actual budgetary activities	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes and assessments	\$ 8,219,590	\$ 8,219,590	\$ 7,308,876	\$ (910,714)
Licenses and permits	334,310	334,310	310,801	(23,509)
Fines	58,795	58,795	42,260	(16,535)
Intergovernmental	4,949,163	4,949,163	2,580,572	(2,368,591)
Interest and rents	42,683	42,683	42,222	(461)
Charges for services	60,854	60,854	65,358	4,504
Contributions	64,474	64,474	63,465	(1,009)
Miscellaneous	175,470	175,470	5,553	(169,917)
Total revenues	13,905,339	13,905,339	10,419,107	(3,486,232)
Expenditures:				
General government	1,460,792	1,460,792	1,495,801	(35,009)
Police department	4,197,617	4,197,617	3,765,432	432,185
Public works	6,906,086	6,906,086	5,445,844	1,460,242
Community service	1,500,500	1,500,500	1,078,559	421,941
Human services	87,984	87,984	52,988	34,996
Debt service	824,069	824,069		824,069
Total expenditures	14,977,048	14,977,048	11,838,624	3,138,424
Excess of expenditures over revenues	\$ (1,071,709)	\$ (1,071,709)	(1,419,517)	\$ (347,808)
Other financing sources			2,293,190	
Other financing uses			(634,344)	
Net change in fund balances			\$ 239,329	

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, 2021
(See independent auditor's report)

	2021	2020	2019	2018	2017	2016	2015
Total pension liability:							
Service cost	\$ 205,908	\$ 177,421	\$ 194,005	\$ 177,273	\$ 182,128	\$ 176,535	\$ 168,129
Interest	545,963	506,412	477,200	436,142	408,238	390,759	363,450
Differences between expected and actual experience	(1,264)	90,948		(98,588)		(170,678)	
Changes of assumptions			260,407				
Benefit payments, including refunds of member contributions	(193,285)	(280,697)	(189,575)	(221,258)	(152,513)	(152,513)	(147,181)
Net change in total pension liability	557,322	494,084	742,037	293,569	437,853	244,103	384,398
Total pension liability:							
Beginning of year	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)	\$ 8,250,965	\$ 7,693,643	\$ 7,199,559	\$ 6,457,522	\$ 6,163,953	\$ 5,726,100	\$ 5,481,997
Plan fiduciary net position:							
Contributions:							
Employer	\$ 266,684	\$ 235,096	\$ 176,554	\$ 175,934	\$ 181,039	\$ 144,040	\$ 171,124
Member	28,312	30,518	41,293	39,822	39,354	68,024	65,424
Net investment income	917,948	1,124,087	1,133,431	(331,907)	846,103	241,360	(16,923)
Benefit payments, including refunds of member contributions	(193,285)	(280,697)	(189,575)	(221,258)	(152,513)	(152,513)	(147,181)
Administrative expense	(57,307)	(50,758)	(49,149)	(48,849)	(44,767)	(39,987)	(38,827)
Net change in plan fiduciary net position	962,352	1,058,246	1,112,554	(386,258)	869,216	260,924	33,617
Total fiduciary net position:							
Beginning of year	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)	\$ 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)	\$ (790,721)	\$ (385,691)	\$ 178,471	\$ 548,988	\$ (130,839)	\$ 300,524	\$ 317,345

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, 2021
(See independent auditor's report)

Description	2021	2020	2019	2018	2017	2016	2015
Actuarially determined employer contribution	\$ 266,684	\$ 234,969	\$ 176,554	\$ 175,934	\$ 177,223	\$ 144,040	\$ 167,443
Contributions in relation to the actuarially determined contribution	266,684	235,096	176,554	175,934	177,223	144,040	167,443
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (127)</u>	<u>\$ -</u>				
Covered employee payroll	\$ 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	17.46%	14.79%	12.01%	12.79%	15.04%	10.36%	11.69%
Money-weighted rate of return	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, 2021 (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 2021, 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, 2021
(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, 2021. Methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method:	Entry Age
Amortization method:	Level Dollar, Closed
Remaining amortization period:	15 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:	7.00%
Retirement age:	Members are assumed retire or join the DROP plan on their normal retirement date, or on the valuation date, if later
Mortality:	RP-2014 tables for males and females, projected using Scale MP-2018
Change in benefit terms:	None since January 1, 2019

PATTON TOWNSHIP

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2021

(See independent auditor's report)

	Liquid fuels fund	Streetlight fund	Hydrant fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Assets:				
Cash	\$ 44,454	\$ 74,129		\$ 118,583
Assessment receivable		358	\$ 475	833
Due from other funds	20,034			20,034
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 64,488</u>	<u>\$ 74,487</u>	<u>\$ 475</u>	<u>\$ 139,450</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 8,271	\$ 2,267	\$ 18,228	\$ 28,766
Due to other funds			7,649	7,649
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>8,271</u>	<u>2,267</u>	<u>25,877</u>	<u>36,415</u>
Fund balances:				
Restricted	56,217	72,220		128,437
Unrestricted			(25,402)	(25,402)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>56,217</u>	<u>72,220</u>	<u>(25,402)</u>	<u>103,035</u>
Total liabilities and fund balances	<u>\$ 64,488</u>	<u>\$ 74,487</u>	<u>\$ 475</u>	<u>\$ 139,450</u>

PATTON TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021
(See independent auditor's report)

	Liquid fuels fund	Streetlight fund	Hydrant fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Intergovernmental	\$ 456,316			\$ 456,316
Interest income	270			270
Assessments		\$ 44,144	\$ 61,068	105,212
Miscellaneous	360			360
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>456,946</u>	<u>44,144</u>	<u>61,068</u>	<u>562,158</u>
Expenditures:				
Hydrant service			72,744	72,744
Highways and streets	791,614			791,614
Electricity		29,376		29,376
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>791,614</u>	<u>29,376</u>	<u>72,744</u>	<u>893,734</u>
Excess of revenues under expenditures	(334,668)	14,768	(11,676)	(331,576)
Fund balances:				
January 1	390,885	57,452	(13,726)	434,611
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
December 31	<u>\$ 56,217</u>	<u>\$ 72,220</u>	<u>\$ (25,402)</u>	<u>\$ 103,035</u>