

Warwick Township

Year Ended December 31, 2022



Warwick Township

Financial Statements with Supplementary Information - Modified Cash Basis

Year Ended December 31, 2022

TABLE of CONTENTS

	Page
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 9
Basic Primary Government Financial Statements	
Statement of Net Position - Modified Cash Basis	10
Statement of Activities - Modified Cash Basis	11
Balance Sheet - Governmental Funds - Modified Cash Basis	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Modified Cash Basis	13 & 14
Notes to Financial Statements	15 - 30
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds - Modified Cash Basis	31
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Modified Cash Basis	32
Concise Statement for Publication - Modified Cash Basis	33
Other Information (Unaudited)	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund - Modified Cash Basis	34 & 35



INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Warwick Township
Lititz, Pennsylvania

Adverse and Unmodified Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the discretely presented component unit (except as described below), each major fund, and the aggregate remaining fund information of **Warwick Township** (the Township), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statements referred to above do not present fairly the modified cash basis financial position of the discretely presented component unit of **Warwick Township** as of December 31, 2022, or the changes in the modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Unmodified Opinions on Governmental Activities, Each Major Fund, and the Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **Warwick Township**, as of December 31, 2022, and the respective changes in the modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Adverse and Unmodified 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on the Discretely Presented Component Unit

The financial statements do not include financial data for the Township's legally separate component unit, Warwick Township Municipal Authority. The modified cash basis of accounting requires financial data for this component unit to be reported with the financial data of the Township's primary government unless the Township also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Township has not issued such reporting entity financial statements. The effects of not including the Township's legally separate component unit on the discretely presented component unit has not been determined.

Emphasis of Matter

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our adverse and unmodified opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Warwick Township's** basic financial statements. The combining fund financial statements - modified cash basis, and the concise statement for publication - modified cash basis (the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and the budgetary comparison information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Trout CPA

March 1, 2023
Lancaster, Pennsylvania

Warwick Township
MANAGEMENT'S DISCUSSION and ANALYSIS
Year Ended December 31, 2022

As management of **Warwick Township** (the Township), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented in conjunction with the notes to the basic financial statements and the financial statements to enhance the understanding of the Township's financial performance.

Financial Highlights

- The Township's net position at December 31, 2022, was \$14,681,150 which is an increase of \$5,138,822 in comparison with the prior year. Of this amount, \$8,598,112 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The significant increase in net position was related to the receipt of funding through the DCED Marketing to Attract Tourists Grant, as well the American Rescue Plan funding.
- At December 31, 2022, the unassigned fund balance for the general fund was \$3,663,070.
- The 2022 budget incurred no real estate tax increase. The last increase was in 1990.
- Collection of real estate tax, earned income tax and local services tax remained strong with a high level of accuracy and accountability.
- There continued to be a significant level of building activity due to related land development projects.
- The Township continued to see strong revenue from the issuance of building permits.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements can be found on pages 10 and 11. The statement of net position - modified cash basis presents information on all Township assets and liabilities, with the difference between the two reported as net position.

Net position represents the difference between the Township's total assets and total liabilities. The statement of net position - modified cash basis identifies the specific components of net position as it relates to the Township. The two possible components of net position are:

- Restricted - those assets that have restrictions either externally imposed by a creditor, grantors, contributors, or laws or regulation of other governments or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - assets that are not classified as restricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Over time, increases and decreases may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

See independent auditors' report.

Warwick Township
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended December 31, 2022

Government-Wide Financial Statements (Continued)

The statement of activities - modified cash basis presents information showing how the Township's net position changed during the most recent fiscal year. Revenues are recorded when received and expenses are recorded when paid.

The government-wide financial statements distinguish functions of **Warwick Township** and are based on the Township's budget, which conforms to the Commonwealth of Pennsylvania Chart of Accounts. They also distinguish, in general, activities that are principally supported by taxes and intergovernmental revenues (governmental activities).

Governmental activities for the Township include general government (administration and finance), public safety (police, planning, zoning), public works (streets and winter road maintenance), culture and recreation and community development. A general financial overview is illustrated in the statement of activities - modified cash basis which can be found on page 11.

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. **Warwick Township**, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township include governmental funds.

Fund balance represents the difference between the Township's assets and liabilities. The three designations for fund balance are:

- Restricted Fund Balance - identifies the portion of fund balance for which the Township is restricted by external factors, such as regulations or grantor requirements, in how the funds can be spent.
- Assigned Fund Balance - represents portions of the fund balance identified by management or Township supervisors to reflect tentative plans for the future use of governmental resources.
- Unassigned Fund Balance - is the residual balance not restricted or assigned.

Warwick Township maintains the following major governmental funds: general fund, capital reserve fund, sixth street roundabout fund, fire companies fund, highway aid fund, and Marketing to Attract Tourists Grant fund. Information is presented separately in the governmental funds balance sheet - modified cash basis and in the governmental funds statement of revenues, expenditures, and changes in fund balances - modified cash basis for these funds. The Township also has other governmental funds which are combined and presented as nonmajor funds in a combined format balance sheet - modified cash basis and in the governmental funds statement of revenues, expenditures, and changes in fund balances - modified cash basis. The funds include the storm water system replacement fund, park and recreation fund, street light fund, agricultural easement fund, street improvement fund, Balmer farm BMP fund, and escrow fund.

Warwick Township adopts an annual appropriated budget for the general fund. Budgetary comparison statements can be found on pages 34 and 35. The basic governmental funds financial statements can be found on pages 12 through 14 of this report.

See independent auditors' report.

Warwick Township
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended December 31, 2022

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets have exceeded liabilities by \$14,681,150 at the close of the fiscal year ended December 31, 2022.

**Warwick Township's Net Position -
Modified Cash Basis
December 31, 2022 and 2021**

	2022	2021
Total Assets	14,698,475	9,561,243
Total Liabilities	17,325	18,915
Restricted	6,083,038	1,812,825
Unrestricted	<u>8,598,112</u>	<u>7,729,503</u>
Total Net Position	14,681,150	9,542,328

The balance of net position - unrestricted as of December 31, 2022, is \$8,598,112 and may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net position. The increase in net position from the prior year is primarily because of non-recurring grants.

Below is a summary of activities for the Township during the fiscal years ended December 31, 2022 and 2021:

	2022	2021
Revenues:		
Program Revenues:		
Charges for Services	1,941,257	1,172,342
Operating Grants and Contributions	1,516,386	1,378,291
Capital Grants and Contributions	5,915,099	1,521,485
General Revenues:		
Taxes:		
Property Taxes, Levied for General Purposes, net	411,781	410,930
Earned Income Tax, Local Service Tax, and Transfer Tax	4,344,501	3,975,965
American Rescue Plan Act Funding	1,028,874	1,022,409
Cable Franchise Fee	276,413	274,346
Miscellaneous Revenue	24,472	22,465
Investment Earnings	218,821	24,293
Sale of Assets	-0-	7,100
Refund of Prior Year Amounts, net	<u>(256,803)</u>	<u>25,503</u>
	15,420,801	9,835,129

See independent auditors' report.

Warwick Township
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended December 31, 2022

Government-Wide Financial Analysis (Continued)

	2022	2021
Expenses:		
General Government	2,018,625	1,909,023
Public Safety	2,797,897	3,003,542
Highways and Streets	2,389,701	3,539,966
Public Works - Other Services	99,431	119,296
Culture and Recreation	400,381	382,442
Community Development	650,000	77,498
Debt Service - Principal	595,000	370,000
Debt Service - Interest	<u>30,944</u>	<u>20,761</u>
	8,981,979	9,422,528
Special Items:		
Proceeds from Long-Term Debt	-0-	4,020,000
Refunding of Warwick Township Municipal Authority Debt	-0-	(3,972,906)
Transfer to Warwick Township Municipal Authority	<u>(1,300,000)</u>	<u>-0-</u>
	(1,300,000)	47,094
CHANGES in NET POSITION	5,138,822	459,695
Net Position - Beginning	<u>9,542,328</u>	<u>9,082,633</u>
Net Position - Ending	14,681,150	9,542,328

Governmental Activities

Governmental activities increased the Township's net position to \$14,681,150. This amount is \$5,138,822 more than 2021. For the year ended December 31, 2022, revenues have increased mainly due to increases in real estate transfer taxes, earned income taxes and funding related to the American Rescue Plan Act and funding through the DCED Marketing to Attract Tourists Grant. Expenses decreased in 2022 due to a decrease in expenses related to the Sixth Street Road Improvement project during the year. During 2022, the Township entered into a subcontractor agreement with Warwick Township Municipal Authority (the Authority) in which the Authority will act as a subcontractor to receive the funds necessary to complete the improvement to Sewer Pumping Station No. 13. The total amount transferred to the Authority for the year ended December 31, 2022 was \$1,300,000. The transfer has been reflected as a special item in financial statements. Refer to Note 1 for more information.

Financial Analysis of the Government's Funds

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

See independent auditors' report.

Warwick Township
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended December 31, 2022

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, unreserved fund balances may serve as a useful measure of a government's net resources for spending at the end of the fiscal year.

At the end of fiscal year 2022 the Township's governmental funds reported combined ending balances of \$14,681,150 an increase of \$5,138,822 over the previous year's ending fund balance.

The general fund is the chief operating fund of the Township. At the end of fiscal year 2022, restricted and unassigned fund balances of the general fund were \$1,041,498 and \$3,633,070, respectively. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 56.8% of general fund expenditures and is partially used to fund capital projects.

The capital reserve fund funds capital projects and acts as an emergency reserve for the Township. At the end of fiscal year 2022, assigned fund balance of the capital reserve fund was \$2,002,069.

The purpose of the Marketing to Attract Tourists Grant Fund is to fund the completion of three infrastructure related projects; Sewer Pumping Station No. 13 replacement, Construction of a 1MGD water storage tank, and intersection improvements. As stated in Note 1, the Township transferred \$1,300,000 to the Authority under a subcontractor agreement for the completion of the improvements to Sewer Pumping Station No. 13. Refer to Note 1 for more information. At the end of fiscal year 2022, the restricted fund balance was \$3,758,813.

The purpose of the fire companies fund is to finance the purchase of capital fire equipment. At the end of fiscal year 2022, assigned fund balance of the fire companies fund was \$1,337,764.

The purpose of the highway aid fund is to allocate liquid fuels monies received from the Commonwealth in support of maintenance and construction efforts on locally owned streets, roads, and bridges. At the end of fiscal year 2022, restricted fund balance of the highway aid fund was \$176,297.

General Fund Budgetary Highlights

- Revenues and other sources of \$7,773,257 were more than the 2022 budget of \$6,418,749 by \$1,354,508 or 21.1%. This was primarily due to funding through the American Rescue Plan Act.
- Expenditures and other uses were over budget by \$884,180 or 16.0% due to debt service costs not being reflected in the budget. See below for more information regarding debt incurred on behalf of Warwick Township Municipal Authority during fiscal year 2021.

Debt Administration

In March 2021, the Township issued General Obligation Note, Series of 2021 (the Note) in the amount of \$4,020,000 for the purpose of currently refunding the Authority's Guaranteed Sewer Revenue Bonds, Series of 2014 and to pay the costs of issuing the Note. A Subsidy Agreement was executed at the time of the debt issuance between the Township and the Authority, in which the Authority unconditionally agrees to make timely payment of the debt service. As of December 31, 2022, the Township had \$3,055,000 in outstanding long-term debt. See Notes 6 and 7 for more information. The Township continues to have a AA Bond Rating.

See independent auditors' report.

Warwick Township
MANAGEMENT'S DISCUSSION and ANALYSIS
(Continued)
Year Ended December 31, 2022

Economic Factors Affecting Annual Budgets

- The Township is projecting an 11% increase in earned income tax revenue for 2023 based on the revenue received in 2022 and a strong labor market.
- The Township saw a significant increase in revenues primarily due to funding through the American Rescue Plan Act and the Marketing to Attract Tourists Grant funding.
- The Township continues to have strong growth and this growth is expected to continue with large residential projects and continued industrial growth at the Rock Lititz campus. Although 2022 real estate transfer tax revenue well exceeded the 2022 budgeted amount, the Township was cautious with the 2023 budget as interest rates can potentially impact home sales.

Requests for Information

This financial report is designed to provide a general overview of **Warwick Township's** finances for anyone with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Manager, 315 Clay Road, Lititz, PA 17543.

Warwick Township
 STATEMENT of NET POSITION -
 Modified Cash Basis
 December 31, 2022

	Governmental Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 39,730
Investments	<u>14,658,745</u>
TOTAL ASSETS	<u>14,698,475</u>
LIABILITIES	
Current Liabilities	
Payroll Deduction and Withholdings	17,325
NET POSITION	
Restricted	6,083,038
Unrestricted	<u>8,598,112</u>
TOTAL NET POSITION	<u>14,681,150</u>
TOTAL LIABILITIES and NET POSITION	<u>\$ 14,698,475</u>

See notes to financial statements.

Warwick Township
 STATEMENT of ACTIVITIES -
 Modified Cash Basis
 Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities:					
General Government	\$ 2,018,625	\$ 1,158,849	\$ 38,171	\$ 424,479	\$ (397,126)
Public Safety	2,797,897	475,726	179,683	-0-	(2,142,488)
Highways and Streets	2,389,701	112,782	647,280	470,100	(1,159,539)
Public Works - Other Services	99,431	26,992	22,267	5,000,000	4,949,828
Culture and Recreation	400,381	61,398	3,041	20,520	(315,422)
Community Development	650,000	105,510	-0-	-0-	(544,490)
Debt Service - Principal	595,000	-0-	595,000	-0-	-0-
Debt Service - Interest	<u>30,944</u>	<u>-0-</u>	<u>30,944</u>	<u>-0-</u>	<u>-0-</u>
Total Governmental Activities	<u>\$ 8,981,979</u>	<u>\$ 1,941,257</u>	<u>\$ 1,516,386</u>	<u>\$ 5,915,099</u>	390,763
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes, net					411,781
Earned Income Tax, Local Service Tax, and Transfer Tax					4,344,501
American Rescue Plan Act Funding					1,028,874
Cable Franchise Fees					276,413
Miscellaneous Revenue					24,472
Refund of Prior Year Amounts, net					(256,803)
Investment Earnings					<u>218,821</u>
Total General Revenues					<u>6,048,059</u>
Special Item:					
Transfer to Warwick Township Municipal Authority (Note 1)					<u>(1,300,000)</u>
CHANGES in NET POSITION					5,138,822
NET POSITION					
Beginning					<u>9,542,328</u>
Ending					<u>\$ 14,681,150</u>

See notes to financial statements.

Warwick Township
BALANCE SHEET -
GOVERNMENTAL FUNDS -
Modified Cash Basis
December 31, 2022

	Major Funds							
	General Fund	Capital Reserve Fund	Sixth Street Roundabout Fund	Fire Companies Fund	Highway Aid Fund	Marketing to Attract Tourists Grant Fund	Nonmajor Funds	Total
ASSETS								
Cash and Cash Equivalents	\$ 39,730	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 39,730
Investments	4,652,163	2,002,069	127,777	1,337,764	176,297	3,758,813	2,603,862	14,658,745
TOTAL ASSETS	<u>4,691,893</u>	<u>2,002,069</u>	<u>127,777</u>	<u>1,337,764</u>	<u>176,297</u>	<u>3,758,813</u>	<u>2,603,862</u>	<u>14,698,475</u>
LIABILITIES								
Payroll Deductions and Withholdings	17,325	-0-	-0-	-0-	-0-	-0-	-0-	17,325
FUND BALANCES								
Restricted	1,041,498	-0-	127,777	-0-	176,297	3,758,813	978,653	6,083,038
Assigned	-0-	2,002,069	-0-	1,337,764	-0-	-0-	1,625,209	4,965,042
Unassigned	3,633,070	-0-	-0-	-0-	-0-	-0-	-0-	3,633,070
TOTAL FUND BALANCES	<u>4,674,568</u>	<u>2,002,069</u>	<u>127,777</u>	<u>1,337,764</u>	<u>176,297</u>	<u>3,758,813</u>	<u>2,603,862</u>	<u>14,681,150</u>
TOTAL LIABILITIES and FUND BALANCES	<u>\$ 4,691,893</u>	<u>\$ 2,002,069</u>	<u>\$ 127,777</u>	<u>\$ 1,337,764</u>	<u>\$ 176,297</u>	<u>\$ 3,758,813</u>	<u>\$ 2,603,862</u>	<u>\$ 14,698,475</u>

See notes to financial statements.

Warwick Township

STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
GOVERNMENTAL FUNDS - Modified Cash Basis
Year Ended December 31, 2022

	Major Funds							Nonmajor Funds	Total
	General Fund	Capital Reserve Fund	Sixth Street Roundabout Fund	Fire Companies Fund	Highway Aid Fund	Marketing to Attract Tourists Grant Fund			
REVENUES									
Real Estate Taxes and Penalties	\$ 411,781	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 411,781
Other Taxes	4,344,501	-0-	-0-	-0-	-0-	-0-	-0-	-0-	4,344,501
Licenses and Permits	352,413	-0-	-0-	-0-	-0-	-0-	-0-	-0-	352,413
Fines and Forfeits	25,607	-0-	-0-	-0-	-0-	-0-	-0-	-0-	25,607
Interest, Rents, and Royalties	105,916	26,126	6,696	21,268	7,376	58,813	37,536	263,731	
Intergovernmental Revenues	2,025,212	-0-	327,165	-0-	619,380	5,000,000	424,479	8,396,236	
Charges for Services	456,641	-0-	-0-	-0-	-0-	-0-	1,381,702	1,838,343	
Contributions	24,472	-0-	-0-	-0-	-0-	-0-	20,520	44,992	
Total Revenues	7,746,543	26,126	333,861	21,268	626,756	5,058,813	1,864,237	15,677,604	
EXPENDITURES									
General Government	838,941	-0-	-0-	-0-	-0-	-0-	890,055	1,728,996	
Public Safety	2,688,142	-0-	-0-	-0-	-0-	-0-	-0-	2,688,142	
Public Works - Highways and Streets	665,550	59,694	780,480	-0-	580,045	-0-	89,427	2,175,196	
Public Works - Other Services	20,045	-0-	-0-	-0-	-0-	-0-	79,386	99,431	
Culture and Recreation	321,485	-0-	-0-	-0-	-0-	-0-	55,513	376,998	
Community Development	600,000	-0-	-0-	-0-	-0-	-0-	50,000	650,000	
Debt Service - Principal	595,000	-0-	-0-	-0-	-0-	-0-	-0-	595,000	
Debt Service - Interest	30,944	-0-	-0-	-0-	-0-	-0-	-0-	30,944	
Insurance, Pension, and Other Benefits	637,272	-0-	-0-	-0-	-0-	-0-	-0-	637,272	
Total Expenditures	6,397,379	59,694	780,480	-0-	580,045	-0-	1,164,381	8,981,979	
EXCESS (DEFICIENCY) of									
REVENUES over EXPENDITURES	\$ 1,349,164	\$ (33,568)	\$ (446,619)	\$ 21,268	\$ 46,711	\$ 5,058,813	\$ 699,856	\$ 6,695,625	
(CARRIED FORWARD)									

See notes to financial statements.

Warwick Township

STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
GOVERNMENTAL FUNDS - Modified Cash Basis
(Continued)

Year Ended December 31, 2022

	Major Funds							Total
	General Fund	Capital Reserve Fund	Sixth Street Roundabout Fund	Fire Companies Fund	Highway Aid Fund	Marketing to Attract Tourists Grant Fund	Nonmajor Funds	
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES (BROUGHT FORWARD)	\$ 1,349,164	\$ (33,568)	\$ (446,619)	\$ 21,268	\$ 46,711	\$ 5,058,813	\$ 699,856	\$ 6,695,625
OTHER FINANCING SOURCES (USES)								
Interfund Transfers, net	(362,661)	293,000	(198,000)	242,661	-0-	-0-	25,000	-0-
Refund of Prior Year Revenues	-0-	-0-	(300,000)	-0-	-0-	-0-	-0-	(300,000)
Refund of Prior Year Expenditures	26,714	-0-	16,483	-0-	-0-	-0-	-0-	43,197
Net Other Financing Sources (Uses)	(335,947)	293,000	(481,517)	242,661	-0-	-0-	25,000	(256,803)
SPECIAL ITEM								
Transfer to Warwick Township Municipal Authority (Note 1)	-0-	-0-	-0-	-0-	-0-	(1,300,000)	-0-	(1,300,000)
NET CHANGES in FUND BALANCES	1,013,217	259,432	(928,136)	263,929	46,711	3,758,813	724,856	5,138,822
FUND BALANCES								
Beginning	<u>3,661,351</u>	<u>1,742,637</u>	<u>1,055,913</u>	<u>1,073,835</u>	<u>129,586</u>	<u>-0-</u>	<u>1,879,006</u>	<u>9,542,328</u>
Ending	<u>\$ 4,674,568</u>	<u>\$ 2,002,069</u>	<u>\$ 127,777</u>	<u>\$ 1,337,764</u>	<u>\$ 176,297</u>	<u>\$ 3,758,813</u>	<u>\$ 2,603,862</u>	<u>\$ 14,681,150</u>

See notes to financial statements.

Warwick Township
NOTES to FINANCIAL STATEMENTS

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

Warwick Township (the Township), located in Lancaster County, Pennsylvania, was established in 1729. The Board of Supervisors is composed of five members who serve six-year terms.

The Township serves approximately 19,000 residents and over 89 miles of Township roads. Municipal services provided include public safety, highway maintenance, parks and recreation, and general administration.

The following is a summary of the Township's significant accounting principles:

Reporting Entity

Consistent with guidance contained in Statement No. 14 of the Governmental Accounting Standards Board (GASB), *The Financial Reporting Entity*, as amended, the criteria used by the Township to evaluate the possible inclusion of related entities (authorities, boards, councils, and so forth) within its reporting entity, are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the Township reviews the applicability of the following criteria.

The Township is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations if Township officials appoint a voting majority of the organization's governing body and the Township is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to or impose specific burdens on the Township as defined below.

Impose its Will - If the Township can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization.

Financial Benefit or Burden - If the Township (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of or provide support to the organization or (3) is obligated in some manner for the debt of the organization.

3. Organizations that are fiscally dependent on the Township and have a financial benefit or burden as defined above. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the Township.

These financial statements include only the activity of the primary government, **Warwick Township**, and do not include the activity of its component unit, Warwick Township Municipal Authority (the Authority).

Based on the foregoing criteria, and with the exception of Warwick Township Municipal Authority, no additional entities need to be included in the accompanying primary government financial statements.

Warwick Township Municipal Authority

The Warwick Township Municipal Authority (the Authority) was organized by the Board of Supervisors of **Warwick Township** to acquire, construct, maintain, operate, and provide financing for water and sewer projects in the Township. The Township appoints the five members of the Authority board and guarantees the water and sewer bonds of the Authority. The Authority operates on a fiscal year ended December 31.

Warwick Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Warwick Township Municipal Authority (Continued)

Complete financial statements for the Authority can be obtained from the Warwick Township Municipal Authority office at 315 Clay Road, Lititz, PA 17543.

In January 2016, the Township entered into an operating lease agreement with Warwick Township Municipal Authority to lease office space within the municipal building through December 2026. Rental payments for the duration of the lease are as follows:

2023	17,861
2024	17,862
2025	18,583
2026	18,955

Total rental income related to this lease for the year ended December 31, 2022, was \$15,861.

In 1994, the Township also entered into an agreement with the Authority to have Township personnel provide management and administrative services for the Authority. The payment from the Authority to the Township for the services was \$75,000 for the year ended December 31, 2022.

In May 2022, the Township received a grant from the Pennsylvania Department of Community and Economic Development in the sum of \$5,000,000 for the purpose of various infrastructure improvement projects. One of the approved projects that will use the monies received from this grant includes an improvement of the Sewer Pumping Station No. 13 that is owned and operated by the Authority. In September of 2022, the Township entered into a subcontractor agreement with Warwick Township Municipal Authority in which the Authority will act as a subcontractor to receive the funds necessary to complete the improvements to Sewer Pumping Station No. 13. The total amount transferred to the Authority for the year ended December 31, 2022 was \$1,300,000. This transfer has been reflected as a special item in the statement of activities - modified cash basis and statement of revenues, expenditures, and changes in fund balances - governmental funds - modified cash basis for the year ended December 31, 2022.

Refer to Note 6 for the subsidy agreement in which the Authority unconditionally agrees to make the debt service payments when due for the General Obligation Note, Series of 2021.

Joint Ventures

Lancaster County Tax Collection Bureau (Bureau)

The Township participates with 17 school districts and the municipalities represented by those school districts for the collection of earned income taxes and local service taxes. Each public school district appoints one member to serve on the joint operating committee and 17 members are appointed by the participating municipalities. The Bureau's operating expenditures are deducted from the distributions which are made monthly. The Township's portion of the operating expenditures for the year ended December 31, 2022, was \$46,013. Financial information for the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

Warwick Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Ventures (Continued)

Northern Lancaster County Regional Police Commission

Effective January 1, 2012, **Warwick Township** entered into a charter agreement to form the Northern Lancaster County Regional Police Commission (the Commission). Refer to Note 9 for more information related to this entity. Financial information for the Commission can be obtained from the Administrative Office at 860 Durlach Road, Stevens, PA 17578.

Warwick Regional Recreation Commission

The Township along with Warwick School District, Borough of Lititz, and Elizabeth Township created the Warwick Regional Recreation Commission to direct, manage, and administer a regional recreation and parks program. The Township appoints two of the seven members of the board of the Recreation Commission. The Township is currently paying 55% of the cash contributions required from the participating governmental entities (\$33,000 in 2022).

Warwick Emergency Services Commission

The Township along with Borough of Lititz and Elizabeth Township created the Warwick Emergency Services Commission to provide fire and ambulance protection and emergency services on a regional basis. The Township appoints one voting member to the Board of Directors and is currently paying 55% of the cash contributions required from participants (\$91,210 in 2022).

Related Organization

The Lititz Watershed Alliance (the Alliance) was established in 1997 for the purpose to preserve and protect the Lititz Run Watershed by promoting public awareness and a comprehensive approach to continual improvement of its water quality. The Board of the Alliance is comprised of one of the Township's Board of Supervisors and the Township Manager.

Related Parties

During the year ended December 31, 2022, a member of the board of supervisors was an owner of a vendor utilized by the Township. Total amounts paid to this vendor were approximately \$58,250.

During the year ended December 31, 2022, a member of the board of supervisors was also a board member of a local 501(c)(3) non-profit organization that the Township utilized for services. Total amounts paid to this non-profit were approximately \$600,000.

Basis of Presentation - Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is a separate entity. The operations of each fund are accounted for with its own separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, receipts, and disbursements. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

Warwick Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Financial Statements

Government-Wide Financial Statements

The statement of net position - modified cash basis and the statement of activities - modified cash basis display information about the Township as a whole. These statements include the financial activities of the primary government. The government-wide financial statements are prepared using the modified cash basis of accounting, which is the same accounting basis used in preparing the fund financial statements.

The government-wide statement of activities - modified cash basis - presents direct expenses and program revenues for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

Fund Financial Statements

Fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns with composite columns for nonmajor funds.

All fund financial statements have been prepared using the modified cash basis of accounting. The financial statements for governmental funds are a balance sheet, which generally includes only cash and investments along with certain liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Governmental Fund Types

Governmental funds are used to account for the Township's expendable financial resources and related liabilities. The following are the Township's governmental fund types:

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

Capital Project Funds - These funds are used to account for major capital expenditures not financed by other funds. This fund consists of the capital reserve fund, sixth street roundabout fund, the fire companies fund, and the stormwater system replacement fund.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This fund consists of the highway aid fund, Marketing to Attract Tourists Grant fund, street light fund, agricultural easement fund, park and recreation fund, street improvement fund, Balmer Farm BMP fund, and escrow fund.

Warwick Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Nonmajor Funds

The funds are further classified major and nonmajor as follows:

Major:

- General Fund
- Capital Project Funds:
 - Capital Reserve Fund
 - Sixth Street Roundabout Fund
 - Fire Companies Fund
- Special Reserve Fund:
 - Highway Aid Fund
 - Marketing to Attract Tourists Grant Fund

Nonmajor:

- Capital Project Fund:
 - Stormwater System Replacement Fund
- Special Revenue Funds:
 - Street Light Fund
 - Agricultural Easement Fund
 - Park and Recreation Fund
 - Street Improvement Fund
 - Balmer Farm BMP Fund
 - Escrow Fund

Basis of Accounting

The accounting and financial reporting treatment is determined by the basis of accounting. The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

The government-wide financial statements and the fund financial statements are reported using the modified cash basis of accounting. Receipts resulting from exchange and nonexchange transactions are recorded when received and disbursements are recorded when paid. Exchange transactions involve both parties giving and receiving essentially equal value. Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, earned income taxes, grants, entitlements, and donations. General capital asset acquisitions are reported as disbursements. Issuance of long-term debt is reported as other financing sources. Investments are recorded at fair value, and amounts due for employee payroll deduction and withholdings are recorded as liabilities, which are the only modifications from the pure cash basis of accounting.

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

Budgets and Budgetary Accounting

An operating budget is adopted each year for substantially all funds on the modified cash basis of accounting. The budget for 2022 was adopted in December 2021. No budget amendments were made during the year.

Budgetary data is included in the Township's management information system and is employed as a management control device during the year.

Warwick Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand and interest-bearing bank deposits. They are carried at cost, which approximates fair value. The Township considers certificates of deposit purchased with an original maturity of 90 days or less to be cash equivalents.

Investments

The Township categorizes the fair value measurements of its investments based on the hierarchy established by the modified cash basis of accounting. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. The securities of 2a7-like investment pools are valued at amortized cost, which approximates fair value of the pool.

Capital Assets and Depreciation

The Township follows the modified cash basis of accounting and records all capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), as a disbursement when paid. Since the capital assets are recorded as a disbursement when paid, no depreciation is computed on these assets.

Compensated Absences

The Township allows employees to carryover up to 40 hours of unused vacation to the following year to be used within 90 days. Employees are allowed to carryover unused sick leave, after a maximum of 960 hours are accumulated, the employee may become eligible for reimbursement for unused sick time. If the employee has the required 960 hours of banked time and is eligible for the reimbursement, the employee may request reimbursement of unused sick time at a maximum of 88 hours per year at a rate of \$6.50 per hour. Employees may accumulate more than 960 hours at their discretion.

Pension Plan

All eligible full-time employees of the Township may participate in the defined benefit pension plan. The Township adheres to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as applicable to the modified cash basis of accounting. The primary objective of the statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. The financial statements for the Township are prepared on the modified cash basis of accounting and therefore do not reflect any long-term liabilities or related expenses. The Township made all required contributions for the year ended December 31, 2022, and has recognized them as disbursements in the governmental funds.

Fund Balance Classification

In accordance with the provisions of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance is reported according to a hierarchy based primarily upon the extent to which the Township is bound to observe constraints imposed upon the use of the resources reported in those funds.

Warwick Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)

The components of fund balance in governmental funds are as follows:

Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact.

Restricted fund balance includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of governments), through constitutional provisions, or by enabling legislation. Restrictions may be changed only with the consent of the resource providers.

Committed fund balance includes amounts constrained to specific purposes by the Township itself using its highest level of decision-making authority, a resolution of Township Supervisors. To be reported as committed, amounts cannot be used for any other purpose unless Township Supervisors take the same highest-level action to remove or change the constraint.

Assigned fund balance includes amounts the Township intends to use for specific purposes. Intent can be expressed by the Township Supervisors or by an official or body to which Township Supervisors have delegated such authority. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in other classifications. Unassigned amounts are available for any purpose.

When committed, assigned, and unassigned funds are available for disbursement, it is the Township's policy to use committed funds first, assigned funds second, and unassigned funds last, unless the Township Supervisors have provided otherwise in their commitment or assignment actions.

Interfund Activity

Exchange transactions between governmental funds are eliminated on the government-wide statements.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

Use of Estimates

The process of preparing financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results may differ from those estimates. The Township's most significant estimates relate to the valuation of investments and expense allocations.

Warwick Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of Township Supervisors and that are either unusual in nature or infrequent in occurrence. There were no extraordinary items in 2022. There was a special item transaction that occurred during 2022 related to the Township's agreement with Warwick Township Municipal Authority regarding the transfer of funds received from the Pennsylvania Department of Community and Economic Development under a subcontractor agreement. This transaction is covered in detail within the Warwick Township Municipal Authority subsection of this Note.

Current Year Changes in Accounting Principles

During the current year, the Township assessed the impact of GASB Statement No. 87, *Leases*. The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability, and consistency of information about the leasing activities of governments. The Township's beginning balances and current year results were not affected by the implementation of this new standard based on the Township's basis of accounting.

Pending Changes in Accounting Principles

In March 2020, GASB issued Statement No. 94, *Public-Private Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs) in which a government compensates an operator of a nonfinancial asset for services for a period of time in an exchange transaction. The provisions of this statement are effective for the Township's 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA. The provisions of this statement are effective for the Township's 2023 financial statements.

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

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this statement are effective for the Township's 2024 financial statements.

The effects of the implementation of these standards and their applicability to the modified cash basis of accounting have yet to be determined.

Warwick Township
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, certain high quality corporate and bank instruments, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposit and investment policy of the Township adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Township.

Cash and Cash Equivalents - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township has a policy limiting investment transactions in accordance with Act 72 of the Commonwealth of Pennsylvania. As of December 31, 2022, \$-0- of the Township's bank balance of \$39,580 was exposed to custodial credit risk as it was all insured by federal depository insurance coverage.

Reconciliation of Cash and Cash Equivalents to the Financial Statements

Bank Balance	39,580
Plus: Petty Cash	<u>150</u>
Total Cash and Cash Equivalents per Financial Statements	39,730

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 the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments' fair value measurements are as follows at December 31, 2022:

	Recorded Value	Fair Value Measurements Using			Maturity
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Investments Recorded at Fair Value:					
Pennsylvania Local Government Investment Trust (PLGIT) TERM	1,650,000	-0-	1,650,000	-0-	< 1 year

Warwick Township
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

Investments (Continued)

Investment's at amortized costs are as follows at December 31, 2022:

	Recorded Value	Maturity
Investments Recorded at Amortized Cost:		
PLGIT Class	3,131,105	< 30 days
PLGIT PRIME	<u>9,877,640</u>	< 30 days
Total Investments at Amortized Cost	13,008,745	
 Total Investments per the Financial Statements	 14,658,745	

The fair value of the PLGIT TERM investment categorized as Level 2 is derived from the closing bid prices of the last business day of the month as supplied by a third-party pricing service. When prices are not available, the investment is priced using a yield-based matrix system.

PLGIT Class and PLGIT Prime are 2a7-like pools. The amortized cost, which approximates fair value of the pools, are determined by the pool's share price. The Township has no regulatory oversight for the pools, which are governed by the Board of Trustees and are administered by PFM Asset Management, LLC. The pools are audited annually by Ernst & Young, LLP, an independently elected public official.

Restrictions on Qualified Investment Pool Withdrawals

The Township's investments in the PLGIT accounts are subject to a one-day holding period. The Township is limited to two withdrawals per calendar month from the PLGIT Prime account.

Interest Rate Risk

The Township has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Township does not have an investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2022, the Township's investments were rated as:

Investments	Standard & Poor's
PLGIT	AAAm

Concentration of Credit Risk

The Township does not have a formal investment policy that sets standards to ensure diversification to avoid concentrations of credit risk. Concentrations are defined as investments held by the Township, other than those issued or explicitly guaranteed by the U.S. Government, mutual funds, external investment pools, and other pooled investments, in any one organization that represent 5% or more of the total investments of the pension trust funds. At December 31, 2022, there were no concentrations for the Township's total investments.

Warwick Township
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

Custodial Credit Risk

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investment or collateral security that are in the possession of an outside party. The Township has no investment subject to custodial credit risk.

NOTE 3 - REAL ESTATE TAXES

The Township has an agreement with the County of Lancaster who assesses, bills, and collects the property taxes for the Township. The Township tax rate for the year ended December 31, 2022, was 0.2325 mills (\$0.23 per \$1,000 of assessed valuation). The schedule for real estate taxes levied each year is as follows:

January 1	- Levy Date
January 1 - April 30	- 2% Discount Period
May 1 - June 30	- Face Payment Period
July 1 - December 31	- 10% Penalty Period
January 1	- Lien Date

The Township also levies assessments for street light usage to various areas of the Township. The assessments are based on a flat rate or linear footage and are made at the same time the Township levies its property taxes. The schedule for street light usage assessments levied each year is as follows:

January 1	- Levy Date
January 1 - April 30	- 2% Discount Period
May 1 - June 30	- Face Payment Period
July 1 - December 31	- 10% Penalty Period

NOTE 4 - INTERFUND ACCOUNTS

Interfund transfers for the year ended December 31, 2022, were as follows:

Fund	Transfers In	Transfers Out
General Fund	-0-	362,661
Fire Companies Fund	242,661	-0-
Storm Water System Replacement Fund	25,000	-0-
Sixth Street Roundabout Fund	-0-	198,000
Capital Reserve	<u>293,000</u>	<u>-0-</u>
	560,661	560,661

Transfers were made from the general fund to the fire companies fund, storm water system replacement fund, and capital reserve fund to fund future projects that are capital in nature. Transfers were also made from the sixth street roundabout fund to the capital reserve fund to fund future projects that are capital in nature.

Warwick Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 5 - PENSION PLANS

Plan Description

The Township sponsors a single employer defined benefit pension plan that covers all permanent, non-uniformed employees of the Township and is controlled by the provisions of Ordinance No. 230 dated July 13, 1988, adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement Systems (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Annual Comprehensive Financial Report (ACFR), which is available on the PMRS website.

Plan Membership

Plan membership as of December 31, 2022, consisted of:

Active Employees	13
Retirees and Beneficiaries	
Currently Receiving Benefits	11
Terminated Employees Entitled to	
Benefits but not yet Receiving Them	<u>0</u>
Total Membership	24

Contributions

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

Plan members are not required to contribute to the plan. However, plan members may optionally contribute up to, but no more than, 20% of his or her compensation.

The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of state aid must be paid by the municipality in accordance with Act 205.

Administrative costs, including the investment manager, custodial trustee, and actuarial services are charged to the plan.

The Township contributed \$103,827 during 2022, of which \$82,887 were Act 205 funds.

Benefit Provisions

Normal retirement benefits are paid, commencing at age 60, in the form of a life or joint and survivor annuity, subject to certain minimum balance requirements.

Vesting

A member shall vest upon completion of ten years of credited service.

Warwick Township
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 6 - GUARANTY and SUBSIDY AGREEMENTS

In March 2021, the Township issued the General Obligation Note, Series of 2021, on behalf of the Authority, to currently refund the Guaranteed Sewer Revenue Bonds, Series of 2014. A Subsidy Agreement was executed at the time of the debt issuance between the Township and the Authority, in which the Authority unconditionally agrees to make timely payment of the scheduled debt service (Note 7). For the year ended December 31, 2022, the Authority paid \$625,944 of principal and interest related to the outstanding balance which is included in operating grants and contributions on the statement of activities - modified cash basis and in intergovernmental revenues of the general fund on the statement of revenues, expenditures, and changes in fund balances - governmental funds - modified cash basis.

NOTE 7 - GENERAL LONG-TERM DEBT

In March 2021, the Township issued General Obligation Note, Series of 2021 (the Note) in the amount of \$4,020,000 for the purpose of currently refunding the Authority's Guaranteed Sewer Revenue Bonds, Series of 2014 and to pay the costs of issuing the Note. The note matures on May 1, 2027. Principal payments are due on May 1st, and interest payments are due on May 1st and November 1st at a fixed interest rate of 0.923%. The balance outstanding at December 31, 2022, was \$3,055,000.

The following schedule reveals the annual debt service requirements to maturity for the General Obligation Note, Series of 2021:

Year Ending December 31	Interest Payment	Principal Payment
2023	25,429	600,000
2024	19,868	605,000
2025	14,260	610,000
2026	8,607	615,000
2027	<u>2,884</u>	<u>625,000</u>
	71,048	3,055,000

Changes in Long-Term Liabilities

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	Balance January 1	Additions	Reductions	Balance December 31
Governmental Activities				
General Obligation Debt	<u>3,650,000</u>	<u>-0-</u>	<u>595,000</u>	<u>3,055,000</u>
Total Governmental Activities	3,650,000	-0-	595,000	3,055,000

The Township pays the long-term debt obligations from the general fund. Debt service payments are funded by the receipts from the Authority pursuant to the Subsidy Agreement within intergovernmental revenues of the general fund.

Warwick Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 8 - RISK MANAGEMENT

The Township maintains insurance contracts to deal with the risk of loss arising from the following events: torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, and acts of God. Insurance contracts cover public officials, law enforcement, automobile, and umbrella liabilities. The contracts also provide employee, treasurer, and employee blanket bonds. During the year ended December 31, 2022, no settlements exceeded insurance coverage.

The Township has also purchased an errors and omissions insurance policy covering all publicly elected officials for the Township. This insurance policy is renewed on an annual basis.

Health Insurance

The Township is a member of the Intergovernmental Insurance Cooperative (IIC), a risk-sharing public entity risk pool, through which it provides for certain health and welfare benefits of its covered employees. IIC was organized in 1991 to select and contract with a common insurance carrier and/or claims servicing for the provision of employee benefits, and to gain economies of scale for its members. IIC is governed by a board of directors, to which the Township appoints one member. The Township's rates per covered employee are determined annually, and payable monthly. IIC purchases stop loss insurance to mitigate catastrophic losses. At the end of each policy year, the surplus or deficit of each member is determined. Members pledge a portion of any surplus to resolve deficits of other members, and the remaining surplus is returned to the member. Upon withdrawal from IIC, the member must guarantee payment to IIC for remaining obligations. The Township was limited in liability for claims to \$50,000 individually and approximately \$537,607 in the aggregate.

At December 31, 2022, the Township is not aware of any additional assessments from IIC.

Workers' Compensation

The Township is a member of Susquehanna Municipal Trust (SMT), a risk-sharing public entity risk pool, through which it provides workers' compensation and occupation disease coverage for its workforce. SMT was organized in 1995 to seek prevention or lessening of claims due to injuries of employees of the members and pool workers' compensation and occupational disease insurance risks, reserves, claims, and losses. SMT is governed by a board of trustees elected by its plan committee, which is comprised of one representative from each member. Members contribute to SMT an amount determined annually based upon SMT's budget and the Workers' Compensation Act. SMT pays the members obligations for workers' compensation and occupation disease losses, and purchases excess and aggregate insurance to mitigate these losses.

Members are subject to annual payroll audit which may result in adjustment to the annual contribution of the member. Further, members may be required to make proportionate supplementary contributions should aggregate contributions for a claim year be insufficient to pay the operating costs of SMT, claims, and loss reserves. Surplus funds may be returned to members, or applied to offset future period contributions. Upon withdrawal from SMT, a member must post security with SMT to satisfy potential obligations.

At December 31, 2022, the Township is not aware of any additional assessments from SMT.

Warwick Township
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 9 - CONTINGENCIES and COMMITMENTS

General

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the county, state, and federal government. Any disallowed claims, including amounts already collected, may constitute a future disbursement of the applicable fund. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

At times, the Township may be involved in various claims and legal actions arising in the ordinary course of business. The outcome of these matters cannot be determined at this time.

Balmer Farm Fund BMP Grant

The Township was the recipient and administrator of state grant money received during 2022 related to the Balmer Farm project. The grant funds are received in the form of reimbursement only as disbursements related to this project are made. The Township is paid a fee for the administration of this grant and has a commitment to continue administering the grant until all funds have been disbursed. The Township received \$-0- for these services during the year ended December 31, 2022. Outstanding grant funds to be disbursed are \$59,099 as of December 31, 2022.

Northern Lancaster County Regional Police Commission

Warwick Township, Penn Township, and Clay Township entered into a charter agreement to form the Northern Lancaster County Regional Police Commission (the Commission). Each municipality agreed to contribute assets of their individual police forces. Each municipality also agreed to contractual terms to an ongoing financial responsibility to fund the operations based on police protection units established in the charter agreement. Each municipality also appoints two of the current government officials to the governing board of the regional police force. The Northern Lancaster County Regional Police Commission is a separate legal entity.

For the year ended December 31, 2022, the Township paid \$2,130,550 to the Northern Lancaster County Regional Police Commission. The original charter agreement has been amended so that **Warwick Township**, Penn Township, and Clay Township may not withdraw from participation in the Commission, reduce the police protection units by more than five percent versus the prior year, or dissolve the police department created by the Commission before December 31, 2026.

Collective Bargaining Agreement

The Township entered into an agreement with the Local Union 743 - International Brotherhood of Electrical Workers from January 1, 2020 through December 31, 2022. The agreement included a current wage progression scale. The agreement stipulates wages, benefits, and general working conditions for the Township's public works employees. This agreement allows employees to carryover unused sick leave. After a maximum of 960 hours are accumulated, the employee may become eligible for reimbursement for unused sick time. If the employee has the required 960 hours of banked time and is eligible for the reimbursement, the employee may request reimbursement of unused sick time at a maximum of 88 hours per year at a rate of \$6.50 per hour. Employees may accumulate more than 960 hours at their discretion. A new collective bargaining agreement was entered into with the Local Union 743 - International Brotherhood of Electrical Workers from January 1, 2023 through December 31, 2025. There were no significant changes made from the previous agreement.

Warwick Township
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 9 - CONTINGENCIES and COMMITMENTS (Continued)

Lititz Rec Center Contribution

The Township entered into an intergovernmental agreement with Lititz Borough, Elizabeth Township, and Penn Township, to make an annual contribution to the Lititz Rec Center capital reserve fund for the purpose of funding future capital improvements necessary to expand and maintain the facility. This amount will be appropriated annually in the Township’s budget. For the year ended December 31, 2022, the Township paid \$73,000 to the Lititz Rec Center. The Township will make annual contributions of \$72,600 through December 31, 2023.

NOTE 10 - FUND BALANCE COMPONENTS

At December 31, 2022, components of fund balance are as follows:

	Restricted	Assigned	Unassigned
General Fund	1,041,498	-0-	3,633,070
Capital Reserve Fund	-0-	2,002,069	-0-
Sixth Street Roundabout	127,777	-0-	-0-
Fire Companies Fund	-0-	1,337,764	-0-
Highway Aid Fund	176,297	-0-	-0-
Marketing to Attract Tourists Grant Fund	3,758,813	-0-	-0-
Park and Recreation Fund	77,447	71,423	-0-
Street Light Fund	-0-	19,886	-0-
Agricultural Easement Fund	-0-	515,419	-0-
Street Improvement Fund	-0-	287,952	-0-
Storm Water System Replacement Fund	-0-	730,295	-0-
Balmer Farm BMP Fund	-0-	234	-0-
Escrow Fund	901,206	-0-	-0-
	6,083,038	4,965,042	3,633,070

Warwick Township
 COMBINING BALANCE SHEET -
 NONMAJOR GOVERNMENTAL FUNDS -
 Modified Cash Basis
 December 31, 2022

	Capital Project Fund	Special Revenue Funds						Total
	Storm Water System Replacement Fund	Street Light Fund	Agricultural Easement Fund	Park and Recreation Fund	Street Improvement Fund	Balmer Farm BMP Fund	Escrow Fund	
ASSETS								
Investments	<u>\$ 730,295</u>	<u>\$ 19,886</u>	<u>\$ 515,419</u>	<u>\$ 148,870</u>	<u>\$ 287,952</u>	<u>\$ 234</u>	<u>\$ 901,206</u>	<u>\$ 2,603,862</u>
LIABILITIES	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
FUND BALANCES								
Restricted	-0-	-0-	-0-	77,447	-0-	-0-	901,206	978,653
Assigned	<u>730,295</u>	<u>19,886</u>	<u>515,419</u>	<u>71,423</u>	<u>287,952</u>	<u>234</u>	<u>-0-</u>	<u>1,625,209</u>
TOTAL FUND BALANCES	<u>730,295</u>	<u>19,886</u>	<u>515,419</u>	<u>148,870</u>	<u>287,952</u>	<u>234</u>	<u>901,206</u>	<u>2,603,862</u>
TOTAL LIABILITIES and FUND BALANCES	<u>\$ 730,295</u>	<u>\$ 19,886</u>	<u>\$ 515,419</u>	<u>\$ 148,870</u>	<u>\$ 287,952</u>	<u>\$ 234</u>	<u>\$ 901,206</u>	<u>\$ 2,603,862</u>

See independent auditors' report.

Warwick Township

COMBINING STATEMENT of REVENUES, EXPENDITURES,
and CHANGES in FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS - Modified Cash Basis
Year Ended December 31, 2022

	Capital Project Fund	Special Revenue Funds						Total
	Storm Water System Replacement Fund	Street Light Fund	Agricultural Easement Fund	Park and Recreation Fund	Street Improvement Fund	Balmer Farm BMP Fund	Escrow Fund	
REVENUES								
Interest, Rents, and Royalties	\$ 12,015	\$ 476	\$ 7,812	\$ 2,444	\$ 3,983	\$ 234	\$ 10,572	\$ 37,536
Intergovernmental Revenues	-0-	-0-	-0-	-0-	-0-	424,479	-0-	424,479
Charges for Services	-0-	63,083	105,510	61,398	142,935	-0-	1,008,776	1,381,702
Contributions	-0-	-0-	-0-	20,520	-0-	-0-	-0-	20,520
Total Revenues	12,015	63,559	113,322	84,362	146,918	424,713	1,019,348	1,864,237
EXPENDITURES								
General Government	-0-	-0-	8,091	-0-	-0-	424,479	457,485	890,055
Public Works - Highways and Streets	-0-	66,469	-0-	-0-	22,958	-0-	-0-	89,427
Public Works - Other Services	79,386	-0-	-0-	-0-	-0-	-0-	-0-	79,386
Culture and Recreation	-0-	-0-	-0-	55,513	-0-	-0-	-0-	55,513
Community Development	-0-	-0-	50,000	-0-	-0-	-0-	-0-	50,000
Total Expenditures	79,386	66,469	58,091	55,513	22,958	424,479	457,485	1,164,381
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES	(67,371)	(2,910)	55,231	28,849	123,960	234	561,863	699,856
OTHER FINANCING SOURCES								
Interfund Transfers	25,000	-0-	-0-	-0-	-0-	-0-	-0-	25,000
NET CHANGES in FUND BALANCES	(42,371)	(2,910)	55,231	28,849	123,960	234	561,863	724,856
FUND BALANCES								
Beginning	772,666	22,796	460,188	120,021	163,992	-0-	339,343	1,879,006
Ending	\$ 730,295	\$ 19,886	\$ 515,419	\$ 148,870	\$ 287,952	\$ 234	\$ 901,206	\$ 2,603,862

See independent auditors' report.

Warwick Township
Concise Statement for Publication -
Modified Cash Basis
Year Ended December 31, 2022

GOVERNMENT-WIDE FINANCIAL INFORMATION

	Government - Wide
Total Assets	\$ 14,698,475
Total Liabilities	<u>17,325</u>
Total Net Position	<u>14,681,150</u>
Total Revenue	15,720,801
Total Expenses	9,281,979
Special Item - Transfer to Warwick Township Municipal Authority	<u>1,300,000</u>
Change in Total Net Position	<u>\$ 5,138,822</u>

See independent auditors' report.

Warwick Township

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
 BUDGET and ACTUAL - GENERAL FUND - Modified Cash Basis
 (UNAUDITED)
 Year Ended December 31, 2022

	Budget Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Real Estate Taxes and Penalties	\$ 411,891	\$ 411,891	\$ 411,781	\$ (110)
Other Taxes	3,856,000	3,856,000	4,344,501	488,501
Licenses and Permits	286,450	286,450	352,413	65,963
Fines and Forfeits	35,000	35,000	25,607	(9,393)
Interest, Rents, and Royalties	55,320	55,320	105,916	50,596
Intergovernmental Revenues	1,351,388	1,351,388	2,025,212	673,824
Charges for Services	332,700	332,700	456,641	123,941
Contributions	10,000	10,000	24,472	14,472
Total Revenues	6,338,749	6,338,749	7,746,543	1,407,794
EXPENDITURES				
General Government	831,727	831,727	838,941	(7,214)
Public Safety	2,589,276	2,589,276	2,688,142	(98,866)
Public Works - Highways and Streets	691,109	691,109	665,550	25,559
Public Works - Other Services	21,050	21,050	20,045	1,005
Culture and Recreation	340,050	340,050	321,485	18,565
Community Development	297,000	297,000	600,000	(303,000)
Debt Service - Principal	-0-	-0-	595,000	(595,000)
Debt Service - Interest	-0-	-0-	30,944	(30,944)
Insurance, Pension, and Other Benefits	742,987	742,987	637,272	105,715
Total Expenditures	5,513,199	5,513,199	6,397,379	(884,180)
EXCESS of REVENUES over EXPENDITURES (CARRIED FORWARD)	\$ 825,550	\$ 825,550	\$ 1,349,164	\$ 523,614

See independent auditors' report.

Warwick Township

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
BUDGET and ACTUAL - GENERAL FUND - Modified Cash Basis

(UNAUDITED)

(Continued)

Year Ended December 31, 2022

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXCESS of REVENUES over EXPENDITURES (BROUGHT FORWARD)	\$ 825,550	\$ 825,550	\$ 1,349,164	\$ 523,614
OTHER FINANCING SOURCES (USES)				
Interfund Transfers	(362,661)	(362,661)	(362,661)	-0-
Refund of Prior Year Expenditures	75,000	75,000	26,714	(48,286)
Sale of Assets	5,000	5,000	-0-	(5,000)
Net Other Financing (Uses)	(282,661)	(282,661)	(335,947)	(53,286)
NET CHANGES in FUND BALANCES	<u>\$ 542,889</u>	<u>\$ 542,889</u>	<u>\$ 1,013,217</u>	<u>\$ 470,328</u>

See independent auditors' report.