

Borough of Elizabethtown

Year Ended December 31, 2019

Borough of Elizabethtown

Financial Statements with Supplementary Information - Modified Cash Basis

Year Ended December 31, 2019

TABLE of CONTENTS

	Page
Independent Auditors' Report	1 - 3
Financial Statements	
Statement of Net Position - Modified Cash Basis	4
Statement of Activities - Modified Cash Basis	5 & 6
Balance Sheet - Governmental Funds - Modified Cash Basis	7
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position - Modified Cash Basis	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Modified Cash Basis	9 & 10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis	11
Statement of Net Position - Proprietary Funds - Modified Cash Basis	12
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds - Modified Cash Basis	13
Statement of Net Position - Fiduciary Funds - Modified Cash Basis	14
Statement of Changes in Net Position - Fiduciary Funds - Modified Cash Basis	15
Notes to Financial Statements	16 - 39
Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Modified Cash Basis - General Fund	40
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Modified Cash Basis - Parks and Recreation Fund	41

Borough of Elizabethtown

Financial Statements with Supplementary Information -
Modified Cash Basis

Year Ended December 31, 2019

TABLE of CONTENTS (Continued)

Supplementary Information (Continued)

Concise Statement for Publication - Modified Cash Basis	42
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Other Information (Unaudited)

Schedule of Funding Progress - Police Pension Plan	43
Schedule of Unfunded Actuarial Accrued Liability - Police Pension Plan	44
Schedule of Analysis of the Change in the Unfunded Actuarial Accrued Liability - Police Pension Plan	45



INDEPENDENT AUDITORS' REPORT

To the Borough Council
Borough of Elizabethtown
Elizabethtown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Borough of Elizabethtown**, Pennsylvania (the Borough) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Borough's primary government as listed in the table of contents.

Management's Responsibility 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; this includes 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 of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the Borough's legally separate component unit. The modified cash basis of accounting requires financial data for this component unit to be reported with the financial data of the Borough's primary government unless the Borough also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Borough has not issued such reporting entity financial statements. Because of this departure from the modified cash basis of accounting, the assets, liabilities, net position, revenues, and expenses of the discretely presented component unit have not been recorded.

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the modified cash basis financial position of the discretely presented component unit of the **Borough of Elizabethtown**, Pennsylvania, as of December 31, 2019, 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Borough of Elizabethtown**, Pennsylvania, as of December 31, 2019, 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.

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2019 the Borough adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter as applicable to the modified cash basis of accounting.

Basis of Accounting

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 opinions are not modified with respect to this matter.

Other Matters**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Borough of Elizabethtown's** basic primary government financial statements. The schedules of budgetary comparison information - modified cash basis on pages 40 and 41, the concise statement for publication - modified cash basis on page 42, schedule of funding progress - police pension plan on page 43, schedule of unfunded actuarial accrued liability - police pension plan on page 44, and schedule of analysis of the change in the unfunded actuarial accrued liability - police pension plan on page 45 are presented for purposes of additional analysis and are not a required part of the primary government basic financial statements.

The budgetary comparison information and the concise statement for publication are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic primary government financial statements. Such 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 budgetary comparison information and concise statement for publication are fairly stated, in all material respects, in relation to the primary government basic financial statements as a whole, on the basis of accounting described in Note 1.

The schedule of funding progress - police pension plan, schedule of unfunded actuarial accrued liability - police pension plan, and schedule of analysis of the change in the unfunded actuarial accrued liability - police pension plan have not been subjected to the auditing procedures applied in the audit of the primary government basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Trout CPA

March 2, 2020

Lancaster, Pennsylvania

Borough of Elizabethtown

STATEMENT of NET POSITION -

Modified Cash Basis

December 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Unrestricted Cash and Cash Equivalents	\$ 4,677,235	\$ 4,122,703	\$ 8,799,938
Restricted Cash for Park Expenditures	1,646	-0-	1,646
Restricted Cash for Subdivision Escrow			
Amounts Due to Developers	10,711	-0-	10,711
Restricted for Construction Project	34	-0-	34
Restricted Cash for Construction and Maintenance			
for Roads and Bridges	387,811	-0-	387,811
Restricted Cash for Law Enforcement per Federal			
Equitable Sharing Program	<u>48,588</u>	<u>-0-</u>	<u>48,588</u>
TOTAL ASSETS	<u>5,126,025</u>	<u>4,122,703</u>	<u>9,248,728</u>
LIABILITIES			
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
NET POSITION			
Restricted for:			
Park Expenditures	1,646	-0-	1,646
Subdivision Escrow Amounts Due to Developers	10,711	-0-	10,711
Construction Project	34	-0-	34
Construction and Maintenance for Roads and Bridges	387,811	-0-	387,811
Law Enforcement per Federal Equitable			
Sharing Program	<u>48,588</u>	<u>-0-</u>	<u>48,588</u>
Unrestricted	<u>4,677,235</u>	<u>4,122,703</u>	<u>8,799,938</u>
TOTAL NET POSITION	<u>\$ 5,126,025</u>	<u>\$ 4,122,703</u>	<u>\$ 9,248,728</u>

See notes to financial statements.

Borough of Elizabethtown

STATEMENT of ACTIVITIES -

Modified Cash Basis

Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
General Government	\$ 674,181	\$ -0-	\$ 79,417	\$ -0-	\$ (594,764)	\$ -0-	\$ (594,764)
Public Safety	3,510,551	562,032	288,696	-0-	(2,659,823)	-0-	(2,659,823)
Public Works	5,864,523	794,972	76,316	329,094	(4,664,141)	-0-	(4,664,141)
Culture and Recreation	451,013	81,147	15,780	-0-	(354,086)	-0-	(354,086)
Community Development	116,486	34,000	-0-	-0-	(82,486)	-0-	(82,486)
Debt Service - Principal	600,920	-0-	-0-	-0-	(600,920)	-0-	(600,920)
Debt Service - Interest	134,932	-0-	-0-	-0-	(134,932)	-0-	(134,932)
Total Governmental Activities	11,352,606	1,472,151	460,209	329,094	(9,091,152)	-0-	(9,091,152)
Business-Type Activities:							
Sewer Operations	<u>2,438,060</u>	<u>3,150,628</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>712,568</u>	<u>712,568</u>
Total Primary Government	<u>\$ 13,790,666</u>	<u>\$ 4,622,779</u>	<u>\$ 460,209</u>	<u>\$ 329,094</u>	\$ (9,091,152)	\$ 712,568	\$ (8,378,584)

See notes to financial statements.

Borough of Elizabethtown

STATEMENT of ACTIVITIES -

Modified Cash Basis

(Continued)

Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
General Revenues:							
Taxes:							
	Property Taxes, Levied for General Purposes, net				\$ 2,713,296	\$ -0-	\$ 2,713,296
	Public Utility Realty, Earned Income, Local Services, and Realty Transfer Taxes, net				1,693,910	-0-	1,693,910
	Cable Television Franchise Fee				147,343	-0-	147,343
	Investment Earnings				107,599	94,334	201,933
	Sale of Assets				35,950	-0-	35,950
	Refunds of Prior Year Expenditures				27,468	6,931	34,399
	Other Income				19,983	-0-	19,983
	Proceeds from Long-Term Debt				2,797,997	-0-	2,797,997
Transfers					<u>667,418</u>	<u>(667,418)</u>	<u>-0-</u>
	Total General Revenues and Transfers				<u>8,210,964</u>	<u>(566,153)</u>	<u>7,644,811</u>
	CHANGES in NET POSITION				(880,188)	146,415	(733,773)
NET POSITION							
	Beginning, as Previously Reported				5,956,911	3,976,288	9,933,199
	Effect of Change in Accounting Principle (Note 14)				<u>49,302</u>	<u>-0-</u>	<u>49,302</u>
	Beginning, Restated				<u>6,006,213</u>	<u>3,976,288</u>	<u>9,982,501</u>
	Ending				<u>\$ 5,126,025</u>	<u>\$4,122,703</u>	<u>\$ 9,248,728</u>

See notes to financial statements.

Borough of Elizabethtown
BALANCE SHEET -
GOVERNMENTAL FUNDS - Modified Cash Basis
December 31, 2019

	Major Funds				Total
	General Fund	Capital Project Fund	Parks and Recreation Fund	Other Funds	Governmental Funds
ASSETS					
Unrestricted Cash and Cash Equivalents	\$ 1,391,384	\$ 1,386,763	\$ 296,657	\$ 376,700	\$ 3,451,504
Restricted Cash and Cash Equivalents	<u>-0-</u>	<u>34</u>	<u>1,646</u>	<u>447,110</u>	<u>448,790</u>
TOTAL ASSETS	<u>1,391,384</u>	<u>1,386,797</u>	<u>298,303</u>	<u>823,810</u>	<u>3,900,294</u>
LIABILITIES and FUND BALANCES					
LIABILITIES	-0-	-0-	-0-	-0-	-0-
FUND BALANCES					
Restricted	-0-	34	1,646	447,110	448,790
Assigned	594,403	1,386,763	296,657	376,700	2,654,523
Unassigned	<u>796,981</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>796,981</u>
TOTAL FUND BALANCES	<u>1,391,384</u>	<u>1,386,797</u>	<u>298,303</u>	<u>823,810</u>	<u>3,900,294</u>
TOTAL LIABILITIES and FUND BALANCES	<u>\$ 1,391,384</u>	<u>\$ 1,386,797</u>	<u>\$ 298,303</u>	<u>\$ 823,810</u>	<u>\$ 3,900,294</u>

See notes to financial statements.

Borough of Elizabethtown
RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET
to the STATEMENT of NET POSITION -
Modified Cash Basis
December 31, 2019

Total Fund Balances - Governmental Funds - Modified Cash Basis	\$ 3,900,294
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Amounts reported for governmental activities in the statement of net position - modified cash basis are different because:

Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position - modified cash basis.

<u>1,225,731</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES - Modified Cash Basis

<u><u>\$ 5,126,025</u></u>

See notes to financial statements.

Borough of Elizabethtown
STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
GOVERNMENTAL FUNDS -
Modified Cash Basis
Year Ended December 31, 2019

	Major Funds				Total Governmental Funds
	General Fund	Capital Project Fund	Parks and Recreation Fund	Other Funds	
REVENUES					
Taxes	\$ 4,403,203	\$ -0-	\$ -0-	\$ -0-	\$ 4,403,203
Licenses and Permits	293,434	-0-	-0-	-0-	293,434
Fines and Forfeits	40,126	-0-	-0-	-0-	40,126
Interest, Rents, and Royalties	58,173	40,582	2,997	20,957	122,709
Intergovernmental	401,684	1,000	-0-	329,094	731,778
Charges for Service	1,163,287	9,538	-0-	-0-	1,172,825
Service Agreement Revenue	-0-	-0-	-0-	34,000	34,000
Miscellaneous	-0-	-0-	80,195	94,837	175,032
Total Revenues	6,359,907	51,120	83,192	478,888	6,973,107
EXPENDITURES					
General Government	330,311	122,453	1,000	75,714	529,478
Public Safety	2,428,476	3,000	-0-	74,053	2,505,529
Public Works	1,330,068	4,030,681	-0-	343,897	5,704,646
Culture and Recreation	357,554	-0-	28,916	-0-	386,470
Community Development	38,320	56,597	-0-	21,569	116,486
Debt Service - Principal	-0-	-0-	-0-	600,920	600,920
Debt Service - Interest	-0-	-0-	-0-	134,932	134,932
Insurance, Pension, and Other Benefits	1,356,577	-0-	-0-	-0-	1,356,577
Total Expenditures	5,841,306	4,212,731	29,916	1,251,085	11,335,038
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES	\$ 518,601	\$ (4,161,611)	\$ 53,276	\$ (772,197)	\$ (4,361,931)

See notes to financial statements.

Borough of Elizabethtown

STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES - GOVERNMENTAL FUNDS -

Modified Cash Basis

(Continued)

Year Ended December 31, 2019

	Major Funds				Total Governmental Funds
	General Fund	Capital Project Fund	Parks and Recreation Fund	Other Funds	
CARRYFORWARD EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES	\$ 518,601	\$ (4,161,611)	\$ 53,276	\$ (772,197)	\$ (4,361,931)
OTHER FINANCING SOURCES (USES)					
Refunds of Prior Year Expenses	26,127	341	-0-	-0-	26,468
Sale of Assets	7,428	-0-	-0-	-0-	7,428
Proceeds from Long-Term Debt	-0-	2,797,997	-0-	-0-	2,797,997
Interfund Transfers	(593,618)	221,783	150,000	889,253	667,418
Net Other Financing Sources (Uses)	(560,063)	3,020,121	150,000	889,253	3,499,311
NET CHANGES in FUND BALANCES	(41,462)	(1,141,490)	203,276	117,056	(862,620)
FUND BALANCES					
Beginning, as Previously Reported	1,432,846	2,528,287	95,027	657,452	4,713,612
Effect of Change in Accounting Principle (Note 14)	-0-	-0-	-0-	49,302	49,302
Beginning, Restated	1,432,846	2,528,287	95,027	706,754	4,762,914
Ending	\$ 1,391,384	\$ 1,386,797	\$ 298,303	\$ 823,810	\$ 3,900,294

See notes to financial statements.

Borough of Elizabethtown
RECONCILIATION of the GOVERNMENTAL FUNDS
STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES
to the STATEMENT of ACTIVITIES -
Modified Cash Basis
Year Ended December 31, 2019

Net Changes in Fund Balances - Total Governmental Funds - Modified Cash Basis \$ (862,620)

Amounts reported for governmental activities in the statement of activities - modified cash basis are different because:

The internal service funds, which are used by management to charge the costs of services to individual funds, are not reported in the statement of activities - modified cash basis. Governmental fund expenditures and related internal service fund revenues are eliminated. The change in net position of the internal service funds is allocated among the governmental activities.

(17,568)

CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES - Modified Cash Basis **\$ (880,188)**

See notes to financial statements.

Borough of Elizabethtown

STATEMENT of NET POSITION -

PROPRIETARY FUNDS -

Modified Cash Basis

December 31, 2019

	<u>Enterprise Fund</u>		
	<u>Major Fund</u>		
	Sewer Fund	Internal Service Funds	Total
ASSETS			
Cash and Cash Equivalents	<u>\$ 4,122,703</u>	<u>\$ 1,225,731</u>	<u>\$ 5,348,434</u>
LIABILITIES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
NET POSITION - Unrestricted	<u>\$ 4,122,703</u>	<u>\$ 1,225,731</u>	<u>\$ 5,348,434</u>

See notes to financial statements.

Borough of Elizabethtown

STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION -
 PROPRIETARY FUNDS -
 Modified Cash Basis
 Year Ended December 31, 2019

	<u>Enterprise Fund</u>		
	<u>Major Fund</u>		
	Sewer Fund	Internal Service Funds	Total
OPERATING REVENUES			
Charges for Service	\$ 3,148,845	\$ 820,887	\$ 3,969,732
OPERATING EXPENSES			
Collection and Transmission	505,540	-0-	505,540
Wastewater Treatment	934,821	-0-	934,821
Wastewater Disposal and Sludge Management	238,780	-0-	238,780
General, Administrative, Customer Service, and Other	409,869	-0-	409,869
Insurance and Employee Benefits	<u>349,050</u>	<u>870,643</u>	<u>1,219,693</u>
Total Operating Expenses	<u>2,438,060</u>	<u>870,643</u>	<u>3,308,703</u>
OPERATING INCOME (LOSS)	710,785	(49,756)	661,029
NONOPERATING REVENUES			
Investment Earnings	94,334	30,922	125,256
Refund of Prior Year Expenditures	6,931	1,266	8,197
Sale of Assets	<u>1,783</u>	<u>-0-</u>	<u>1,783</u>
Total Nonoperating Revenues	<u>103,048</u>	<u>32,188</u>	<u>135,236</u>
INCOME (LOSS) BEFORE TRANSFERS	813,833	(17,568)	796,265
TRANSFERS	<u>(667,418)</u>	<u>-0-</u>	<u>(667,418)</u>
CHANGES in NET POSITION	146,415	(17,568)	128,847
NET POSITION			
Beginning	<u>3,976,288</u>	<u>1,243,299</u>	<u>5,219,587</u>
Ending	<u>\$ 4,122,703</u>	<u>\$ 1,225,731</u>	<u>\$ 5,348,434</u>

See notes to financial statements.

Borough of Elizabethtown

STATEMENT of NET POSITION -

FIDUCIARY FUNDS -

Modified Cash Basis

December 31, 2019

	Pension Trust Funds	Private-Purpose Trust Fund
ASSETS		
Investments (at Fair Value):		
Mutual Funds	\$ 11,833,758	\$ -0-
Insurance Company General Account	-0-	389,290
Pooled Separate Funds	<u>-0-</u>	<u>1,191,435</u>
TOTAL ASSETS	<u>11,833,758</u>	<u>1,580,725</u>
LIABILITIES	<u>-0-</u>	<u>-0-</u>
NET POSITION - Restricted	<u>\$ 11,833,758</u>	<u>\$ 1,580,725</u>

See notes to financial statements.

Borough of Elizabethtown
STATEMENT of CHANGES in NET POSITION -
FIDUCIARY FUNDS -
Modified Cash Basis
Year Ended December 31, 2019

	Pension Trust Funds	Private-Purpose Trust Fund
ADDITIONS		
Contributions:		
Commonwealth of Pennsylvania	\$ 296,989	\$ -0-
Employer	218,548	-0-
Employee	<u>84,490</u>	<u>275,656</u>
	600,027	275,656
Investment Income:		
Net Appreciation in Fair Value of Investments	1,416,540	259,787
Interest and Dividends	307,043	-0-
Investment Expenses	<u>(45,443)</u>	<u>(9,674)</u>
	1,678,140	250,113
Net Investment Income	1,678,140	250,113
Total Additions	2,278,167	525,769
DEDUCTIONS		
Administrative Expenses	7,100	-0-
Retirement Benefits	<u>865,339</u>	<u>310,437</u>
Total Deductions	872,439	310,437
CHANGES in NET POSITION	1,405,728	215,332
NET POSITION		
Beginning	<u>10,428,030</u>	<u>1,365,393</u>
Ending	<u>\$ 11,833,758</u>	<u>\$ 1,580,725</u>

See notes to financial statements.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

The **Borough of Elizabethtown** (the Borough) was incorporated in 1827 and is a council/manager form of government. Borough Council is composed of six members, two from each of three wards, who serve four-year terms. The Borough also has a mayor who is elected at large and serves a four-year term.

The Borough is a full service municipality with a 4.5 million gallon daily wastewater treatment facility. The Borough encompasses greater than 40 miles of roads and employs 17 full-time police officers. The Borough has three municipal parks totaling 39 acres and a volunteer fire company.

The Borough provides sewer, zoning, code enforcement, police, trash/recycling, street, and parks services to approximately 11,545 residents in approximately 4,428 households.

The following is a summary of the Borough'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 Borough 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 Borough reviews the applicability of the following criteria:

The Borough is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations if Borough officials appoint a voting majority of the organization's governing body and the Borough 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 Borough as defined below.

Impose its Will - If the Borough 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 Borough 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 Borough 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 Borough.

These financial statements include only the activity of the primary government, **Borough of Elizabethtown**, and do not include the activity of its component unit, the Elizabethtown Industrial Development Authority (EIDA).

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

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Elizabethtown Industrial Development Authority

The Elizabethtown Industrial Development Authority, an entity legally separate from the Borough, is governed by a five-member board, appointed by the Borough Council. EIDA was organized to: 1) serve as an economic development authority fulfilling the purposes of the Economic Development Financing Law (the Law); 2) acquire, hold, construct, improve, maintain, own, finance, and lease projects as defined in the Law; 3) be a leading organization for promoting economic development of the Borough; 4) enhance the economic development of the Borough and promote and assist in the growth and development of business and industry within the Borough, including small business concerns; 5) assist in the development of projects, as such term is defined in the Law, or in cooperation and coordination with federal, state, and local government entities and civic bodies and, to the extent authorized by the Law, private parties, to aid, assist and foster the planning, replanning, development, renewal, redevelopment and improvement of the central business district and the industrial and economic health of the Borough; and 6) work with the Borough and Borough Council for the betterment of the Borough, its residents, and its businesses.

Complete financial statements for the EIDA can be obtained from the **Borough of Elizabethtown** office at 600 South Hanover Street, Elizabethtown, PA 17022.

Joint Ventures

Elizabethtown Area Community Services Authority (EACSA)

The Elizabethtown Area Community Services Authority (EACSA) was formed to acquire the Elizabethtown Area Community Center which is located at 70 South Poplar Street in the Borough. The EACSA is composed of an eight-member board with two representatives from each of the four surrounding municipalities: **Borough of Elizabethtown**, Conoy Township, Mount Joy Township, and West Donegal Township. The EACSA operates a gym, social service agencies, senior center, and school-aged day care. The EACSA is not reported as part of the Borough's reporting entity. For the year ended December 31, 2019, the Borough did not make any contributions to EACSA. A copy of EACSA's state filing can be obtained from the **Borough of Elizabethtown** office at 600 South Hanover Street, Elizabethtown, PA 17022.

Elizabethtown Area Water Authority (EAWA)

The Elizabethtown Area Water Authority (EAWA) was formed to own, operate, and maintain the water systems of **Borough of Elizabethtown**, West Donegal Township, and Mount Joy Township. The board of EAWA is composed of two members from the **Borough of Elizabethtown**, West Donegal Township, and Mount Joy Township. EAWA is not reported as part of the Borough's reporting entity.

For the year ended December 31, 2019, the Borough made contributions and paid for water services of \$5,442 to EAWA of which \$3,409 was reported as an expenditure of the general fund, \$1,682 was reported in the sewer fund, \$37 was reported in the capital project fund, and \$314 was reported in the train station fund. Complete financial statements for EAWA can be obtained from the Elizabethtown Area Water Authority Manager, 211 West Hummelstown Street, Elizabethtown, PA 17022.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Ventures (Continued)

Greater Elizabethtown Area Recreation and Community Services (GEARS)

The Greater Elizabethtown Area Recreation and Community Services (GEARS) was formed to provide recreational, continuing education, and social-service activities/programs for the children, youth, and adults of the participating municipalities in a fiscally responsible manner. GEARS is composed of a twelve-member board with three members from each of the following four entities: **Borough of Elizabethtown**, Elizabethtown Area School District, Mount Joy Township, and West Donegal Township. GEARS is not reported as part of the Borough's reporting entity. As a member of GEARS, the **Borough of Elizabethtown** is required to make a capital reserve contribution and quarterly contributions to GEARS. For the year ended December 31, 2019, the Borough contributed \$109,981 to GEARS which was reported as an expenditure of the general fund. Complete financial statements for GEARS can be obtained from the GEARS office at the Elizabethtown Area Middle School at 600 East High Street, Elizabethtown, PA 17022.

Lancaster County Tax Collection Bureau (Bureau)

The Borough 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 Borough's portion of the operating expenditures for the year ended December 31, 2019, was \$19,117. Financial information for the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

Basis of Presentation - Fund Accounting

The accounts of the Borough 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.

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 Borough as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service funds activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the Borough that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the modified cash basis of accounting which is the same accounting basis used in preparing the fund financial statements.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Financial Statements (Continued)

Government-Wide Financial Statements (Continued)

The government-wide statement of activities - modified cash basis presents direct expenses and program revenues for each function or program of the Borough'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 Borough, 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 Borough.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds. Internal service funds are combined and the totals are presented in a separate column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

Governmental Fund Types

Governmental funds are used to account for the Borough's expendable financial resources and related liabilities, except those accounted for in proprietary funds. The following are the Borough's governmental fund types:

General Fund - The general fund is the principal operating fund of the Borough. It is used to account for all financial resources except those accounted for in another fund. It also includes the Borough's stabilization and payroll funds.

Capital Project Funds - These funds are used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital project fund includes the capital reserve fund and the construction fund. They are combined as the Borough's capital project fund on the financial statements. Also, the general vehicle sinking fund is considered a capital project fund, but is presented separately.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and payment of, long-term debt interest and principal.

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. It is comprised of the following funds: the parks and recreation fund, the liquid fuels fund, the police training fund, the train station fund, and the subdivision fee escrow fund.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. Following is the Borough's proprietary fund types:

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types (Continued)

Enterprise Fund - The enterprise fund is used to account for the Borough's operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost of providing goods or services to the residents on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans. The sewer fund is used to account for those financial activities. This fund accounts for the revenues and expenses of providing sewer service to residents, commercial and industrial entities, and other neighboring municipalities.

Internal Service Funds - These funds are used to account for hospitalization and unemployment costs which are services provided to the Borough employees as benefits. These funds include the health insurance fund and unemployment compensation fund.

Fiduciary Fund Types

These are the funds that account for the assets held by the Borough as a trustee or agent for individuals, private organizations, and/or governmental units. The funds included in this category are:

Pension Trust Funds - These funds are used to account for the accumulation of resources to be used for retirement and other benefits. These funds include the non-uniformed pension fund and police pension fund.

Private-Purpose Trust Fund - This fund reports assets held by the Borough for the benefit of its employees pursuant to an Internal Revenue Code Section 457 deferred compensation plan.

Major and Nonmajor Funds

The funds are further classified major and nonmajor as follows:

Major:

General Fund

Capital Project Fund

Special Revenue Fund:

Parks and Recreation Fund

Proprietary Fund:

Sewer Fund

Nonmajor:

Debt Service Fund

Special Revenue Funds:

Liquid Fuels Fund

Police Training Fund

Train Station Fund

Subdivision Fee Escrow Fund

Capital Project Fund:

General Vehicle Sinking Fund

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Revenues resulting from exchange and nonexchange transactions are recorded when received and expenses are recorded when paid. Exchange transactions involve both parties giving and receiving essentially equal value. Nonexchange transactions, in which the Borough 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 expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources. Investments are recorded at fair value, which is the only modification from the pure cash basis of accounting.

When both restricted and unrestricted resources are available for use, the Borough follows its annual budget in determining whether to use restricted or unrestricted resources first.

The Borough distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Borough's principal ongoing operations. The principal operating revenues of the Borough are charges to customers for sales and services. Operating expenses include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 2019 was proposed on November 1, 2018, with final adoption on December 20, 2018. There were no budget revisions or amendments.

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

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.

Investments

The Borough 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.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

The Borough 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 an expenditure or expense when paid. Since the capital assets are recorded as an expenditure or expense when paid, no depreciation is computed on these assets.

Compensated Absences

The Borough allows full time police officers to accumulate sick leave and compensatory time. Up to 175 days of unused sick leave and 100 hours of compensatory time can carry forward year to year. Upon termination or retirement, the officer will be paid for these accumulated days at a rate of fifty percent of accumulated sick leave and one hundred percent of compensatory time up to the maximum days. These amounts are recorded as expenses when paid.

Pension Plans

All eligible full-time employees of the Borough participate in either the defined contribution non-uniformed pension plan or the defined benefit police pension plan. The Borough adheres to GASB Statement No. 67, *Financial Reporting for Pension Plans*, as applicable to the modified cash basis of accounting. That statement establishes a financial reporting framework for state and local governmental pension plans that are administered through trusts or equivalent arrangements. GASB 67 applies to stand-alone financial statements issued for governmental pension plans, and to pension plans included as pension trust funds of the sponsoring government unit. That statement establishes a financial reporting framework for defined benefit pension plans that distinguishes between two categories of information: (a) current financial information about plan assets and financial activities, and (b) actuarially determined information, from a long-term perspective, about the funded status of the plan and the progress being made in accumulating sufficient assets to pay benefits when due.

The Borough also adheres to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27, as applicable to the modified cash basis of accounting. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The financial statements for the Borough are prepared on the modified cash basis of accounting and therefore do not reflect any long-term liabilities or related expenses. The Borough made all required contributions for the year ended December 31, 2019, and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively.

Other Postemployment Benefits (OPEB)

The Borough sponsors a single-employer defined benefit OPEB plan. The Borough adheres to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as applicable to the modified cash basis of accounting. Under the modified cash basis of accounting, the Borough does not estimate and record long-term liabilities, such as future OPEB liabilities. The Borough records benefit payments when they are paid. The single-employer OPEB plan is unfunded.

Fund Balance Classification

Fund balance for the governmental funds can be classified in five different categories: nonspendable, restricted, committed, assigned, and unassigned.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)

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

Restricted fund balance includes amounts that can be spent only for specific purposes stipulated by external resources providers, constitutionally, or through enabling legislation. Restrictions may be changed only with the consent of the resource providers.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Borough Council. Commitments may be changed only by the government taking the same formal action that imposed the constraint originally.

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the Borough Council or by an official or body to which the Borough Council delegates the authority.

In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. 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.

The Borough typically considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. However, the Borough reserves the right to selectively spend unassigned resources first to defer the use of the classified balances. The Borough considers committed and assigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used.

Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures or expenses 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 or uses in governmental funds and after nonoperating revenues or expenses in proprietary funds. Repayments from funds responsible for particular expenditures or expenses 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 Borough's most significant estimates relate to the valuation of investments and expense allocations.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Adopted in 2019

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The Borough's beginning balances and current year results were not affected by the implementation of this new standard.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. As a result of implementing this new standard, the Borough's subdivision fee escrow fund is not considered a fiduciary activity and is now reported as a special revenue fund. Beginning fund balance was restated to reflect the change in fund presentation, as discussed in Note 14.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Certain disclosures have been revised to conform to this standard.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The primary objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Borough's beginning balances and current year results were not affected by the implementation of this new standard.

Pending Changes in Accounting Principles

In June 2017, GASB issued 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 provisions of this statement are effective for the Borough's 2020 financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period incurred, and not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The provisions of this statement are effective for the Borough's 2020 financial statements.

The effects of the implementation of these standards and their applicability to the modified cash basis of accounting have not yet been determined.

Borough of Elizabethtown
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, and insured or collateralized time deposits, certificates of deposit, and certain other high-quality bank and corporate instruments. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes. In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice.

The deposit and investment policy of the Borough 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 Borough.

Cash and Cash Equivalents - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a policy to limit custodial credit risk for cash accounts. As of December 31, 2019, \$0- of the Borough's bank balance of \$68,936 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	68,936
Plus: External Investment Pool Balances	
Classified as Cash and Cash Equivalents	9,331,973
Less: Outstanding Checks	<u>(152,181)</u>
Total Cash and Cash Equivalents per the Financial Statements	9,248,728

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.

Debt and equity securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices. Pooled separate accounts categorized as Level 2 are valued by the issuer of the account based on the fair value of the underlying investments. The carrying amount of insurance company general account investments is deemed to approximate fair value.

The Pennsylvania Local Government Investment Trust (PLGIT) Liquid Asset Fund is a 2a7-like pool. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. The Borough has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. The pool is audited annually by Ernst & Young, LLP, an independently elected public official.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

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

Investments (Continued)

Investments' fair value measurements are as follows at December 31, 2019:

	Recorded Value	Fair Value Measurements Using			Maturity
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Investments					
Investments Recorded at Fair Value:					
Mutual Funds	11,833,758	11,833,758			
Nationwide General Account	389,290		389,290		
Nationwide Pooled Separate Accounts	<u>1,191,435</u>	<u> </u>	<u>1,191,435</u>	<u> </u>	
Total Investments Fair Value	13,414,483	11,833,758	1,580,725	-0-	
			Recorded Value		Maturity
Investments Recorded at Amortized Cost:					
PLGIT - Class			1,074,128		<30 Days
PLGIT PRIME			<u>8,257,845</u>		<30 Days
Total Investments at Amortized Cost			9,331,973		
Total Investments			22,746,456		
Less: External Investment Pool Balances					
Classified as Cash and Cash Equivalents			<u>(9,331,973)</u>		
Total Investments per the Financial Statements			13,414,483		

Restrictions on Qualified Investment Pool Withdrawals

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

Interest Rate Risk

The Borough limits its exposure to fair value losses arising from increasing interest rates by limiting the maturity of investments, except for investments in the pension fund, to a maximum of five years. The investment policy for the pension fund is contained in the pension plan documents and disclosed in Note 8.

Credit Risk

The Borough has adopted a formal investment policy that limits its investment choices for all funds, except the pension fund, to investments backed by the U.S. government and other select high-grade investments. The investment policy prescribes diversification and sets the primary investment objectives, in priority order, as safety, liquidity, and yield. The investment policy for the pension fund is contained in the pension plan documents and disclosed in Note 8. As of December 31, 2019, the Borough has no investments which are subject to credit risk.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

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

Concentration of Credit Risk

The Borough's investment policy for non-pension related investments sets standards to ensure diversification to avoid concentrations of credit risk. The investment policy related to pension fund investments is contained in the pension plan documents. Concentrations are defined as investments held by the Borough, 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, 2019, there were no concentrations for the Borough's total investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Borough's investment policy for non-pension funds does not prescribe specified percentage limits for investment options but sets broader guidelines regarding diversification. The Borough has investments subject to custodial credit risk in its investments in the insurance company's general account and pooled separate accounts of one insurance company. Of the Borough's investment securities of \$13,414,483 at December 31, 2019, \$1,580,725 are held by the insurance company, not in the name of the Borough, consisting of \$389,290 in the insurance company's general account and \$1,191,435 in various pooled separate accounts.

NOTE 3 - REAL ESTATE TAXES

Based on assessments provided by the county, real estate taxes are billed and collected by the tax collector. The Borough's tax rate for the year ended December 31, 2019, was 4.40 mills (\$4.40 per \$1,000 of assessed valuation) as levied by Borough Council.

The schedule for real estate taxes levied each year is as follows:

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

NOTE 4 - UNRESTRICTED - DESIGNATED NET POSITION of PROPRIETARY FUNDS

The Borough has designated the balances to be used for capital improvements in the proprietary funds as follows:

Sewer Revenue Fund	
Sewer Construction Account:	3,251,671

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 5 - INTERFUND ACCOUNTS

Interfund transfers for the year ended December 31, 2019, were as follows:

Fund	Transfers In	Transfers Out
General Fund	-0-	593,618
Capital Project Fund	221,783	-0-
General Vehicle Sinking Fund	153,400	-0-
Parks and Recreation Fund	150,000	-0-
Debt Service Fund	735,853	-0-
Sewer Revenue Fund	<u>-0-</u>	<u>667,418</u>
	1,261,036	1,261,036

Transfers were made from the general fund to the general vehicle sinking fund to fund vehicle purchases.

Transfers were made from the general fund to the capital project fund to fund future capital projects.

Transfers were made from the general fund to the parks and recreation fund to fund future park projects.

Transfers were made from the general fund to the debt service fund for debt service payments.

Transfers were made from the sewer revenue fund to the debt service fund for debt service payments.

Transfers were made from the sewer revenue fund to the general vehicle sinking fund to fund vehicle purchases.

NOTE 6 - GENERAL LONG-TERM DEBT

The Borough issues general obligation debt to provide funds for major capital improvements. The Borough has pledged its full faith, credit, and taxing power for the guarantee of the debt service on the general obligation notes. All of the Borough's general obligation notes are direct placement debt.

The Borough issued General Obligation Note - Series A of 2015 in the amount of \$4,939,000 for the purposes of an advance refunding of the General Obligation Bonds Series 2010 and to pay the related costs. These underlying funds were initially borrowed for the purpose of the expansion and upgrade of the wastewater treatment plant, expansion of the effluent outfall system, and expansion of the sewage collection system. Debt service payments are funded by a transfer from the sewer fund to the debt service fund. The note matures on December 1, 2025. Payments are due June 1st and December 1st through December 1, 2022, the fixed rate term, at a fixed interest rate of 1.90%. At the conclusion of the fixed rate term, interest will accrue at the lesser of 66.00% of the *Wall Street Journal* Prime Rate reset on the first day of the month, or 3.75%. The balance outstanding at December 31, 2019, was \$2,935,030.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 6 - GENERAL LONG-TERM DEBT (Continued)

The General Obligation Note - Series AA of 2015, a \$1,510,000 revolving drawdown note, was issued for the purposes of funding capital projects related to the construction of a new public works facility. The note matures on December 1, 2034. Payments are due June 1st and December 1st through December 1, 2025, the fixed rate term, at a fixed interest rate of 2.25%. At the conclusion of the fixed rate term, interest will accrue at the lesser of 66.00% of the *Wall Street Journal* Prime Rate reset on the first day of the month, or 4.85%. The balance outstanding at December 31, 2019, was \$1,252,469.

The Borough issued General Obligation Note - Series of 2018 in the amount of \$2,848,000 for the purposes of financing certain capital projects consisting of the design, planning, acquisition, construction, and/or equipping of a public works facility, and various other capital projects determined by the Borough Council. Proceeds may also be used to pay the issuance costs of the note. The note matures on December 1, 2038. Payments are due on June 1st and December 1st through December 1, 2026, the fixed rate term, at a fixed interest rate of 3.30%. At the conclusion of the fixed rate term, interest will accrue at the lesser of 79.00% of the *Wall Street Journal* Prime Rate reset on the first day of the month, or 4.95%. The interest rate can be modified if the debt would become taxable in the future. The balance outstanding at December 31, 2019, was \$2,788,150.

Currently, the Borough has debt with interest rates and outstanding principal amounts at December 31, 2019, as follows:

	Interest Rates	Principal Amount Outstanding at December 31, 2019
General Obligation Note - Series A of 2015	1.90%	2,935,030
General Obligation Note - Series AA of 2015	2.25%	1,252,469
General Obligation Note - Series of 2018	3.30%	<u>2,788,150</u>
		6,975,649

The following schedule reveals the annual debt service requirements to maturity for each of the debt issues:

	GON Series A of 2015		GON Series AA of 2015	
Year Ending December 31	Interest Payment	Principal Payment	Interest Payment	Principal Payment
2020	55,766	476,200	28,181	77,820
2021	46,718	486,650	26,430	79,570
2022	37,470	496,270	24,639	81,360
2023	31,291	477,700	22,809	83,190
2024	31,643	488,820	20,937	85,060
2025 - 2029	16,148	509,390	101,605	384,630
2030 - 2034	<u>-0-</u>	<u>-0-</u>	<u>45,208</u>	<u>460,839</u>
	219,036	2,935,030	269,809	1,252,469

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 6 - GENERAL LONG-TERM DEBT (Continued)

Year Ending December 31	GON Series of 2018		Totals	
	Interest Payment	Principal Payment	Interest Payment	Principal Payment
2020	92,009	118,550	175,956	672,570
2021	88,097	122,460	161,245	688,680
2022	84,056	126,500	146,165	704,130
2023	79,881	130,670	133,981	691,560
2024	75,569	134,990	128,149	708,870
2025 - 2029	334,686	655,030	452,439	1,549,050
2030 - 2034	227,531	752,450	272,739	1,213,289
2035 - 2038	<u>71,770</u>	<u>747,500</u>	<u>71,770</u>	<u>747,500</u>
	1,053,599	2,788,150	1,542,444	6,975,649

Changes in Long-Term Liabilities

During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

	Balance January 1	Additions	Reductions	Balance December 31
Governmental Activities				
General Obligation Debt	1,378,582	2,797,997	135,960	4,040,619
Compensated Absences	<u>184,031</u>	<u>16,974</u>	<u>47,804</u>	<u>153,201</u>
Total Governmental Activities	1,562,613	2,814,971	183,764	4,193,820
Business-Type Activities				
General Obligation Debt	<u>3,399,990</u>	<u>-0-</u>	<u>464,960</u>	<u>2,935,030</u>
Total Government	4,962,603	2,814,971	648,724	7,128,850

The Borough pays the long-term debt obligations from the debt service fund. Debt service payments from the debt service fund are funded by interfund transfers from the general fund with a portion of the debt service being allocated to the sewer fund. The Borough pays the long-term compensated absences obligations from the general fund.

NOTE 7 - RISK MANAGEMENT

The Borough maintains both insurance contracts and self-funded arrangements 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; job-related illnesses or injuries to employees; acts of God; and losses resulting from providing medical benefits to employees and their dependents. As of December 31, 2019, the Borough is not aware of any additional assessments or settlements exceeding insurance coverage.

Insurance contracts cover public officials, law enforcement, automobile, and umbrella liabilities. The contracts also provide employee, tax collector, treasurer, and employee blanket bonds.

The Borough has self-funded arrangements, as described below, for health, unemployment, and workers' compensation claims.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 7 - RISK MANAGEMENT (Continued)

Health Insurance

The Borough is a member of the Intergovernmental Insurance Cooperative (IIC) through which it self-insures for employee health claims. These claims are administered by a third-party administrator (TPA). During the year ended December 31, 2019, the Borough remitted their contracted monthly amount to IIC who pays the funds directly to the TPA. Under the shared pooling agreement with IIC, the Borough's claims may exceed their monthly contributions and no additional payments are required to cover their underpayment. At the end of the pool's fiscal year, the excess or deficit of the pool is allocated to all the members. The Borough was limited in liability for claims to \$50,000 individually and approximately \$808,000 in the aggregate.

As of December 31, 2019, there are no additional assessments relating to the health plan.

Unemployment

The Borough has elected to self-insure for unemployment compensation rather than contribute to the state fund. Monies are deposited into the unemployment compensation fund to fund the payment of these unemployment claims. Expenditures are recorded in the unemployment compensation fund when invoiced by the state and paid by the Borough. There were no unemployment claims paid in 2019.

As of December 31, 2019, the Borough is not aware of any additional unemployment claims.

Self-Insurance - Workers' Compensation

The Borough participates in the Susquehanna Municipal Trust which is a cooperative voluntary trust arrangement for member municipal entities. This agreement states that the Borough pays an annual premium to the trust for the purpose of seeking prevention or lessening of claims due to injuries of employees of the members and pooling workers' compensation and occupational disease insurance risks, reserves, claims, and losses and providing self-insurance and re-insurance thereof.

It is the intent of the members of the trust that the trust will utilize funds contributed by the members to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of December 31, 2019, the Borough is not aware of any additional assessments relating to the trust.

NOTE 8 - PENSION PLANS

The **Borough of Elizabethtown** administers one single-employer defined benefit pension plan, the Police Pension Plan (PPP). The Borough also administers a defined contribution pension plan, the Non-uniformed Employee Pension Plan (NEPP). The assets of the plans are not commingled. The plans do not issue stand-alone financial statements.

Summary of Significant Accounting Policies

Basis of Accounting

The plans' financial statements are prepared using the modified cash basis of accounting. Contributions to the plans are recognized in the period in which contributions are made. Benefits are recognized when paid.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 8 - PENSION PLANS (Continued)

Summary of Significant Accounting Policies (Continued)

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Fixed income securities are valued by a recognized pricing service based on observable inputs.

Plan Membership

Membership of each plan consisted of the following at January 1, 2019 for the PPP and the NEPP, the date of the latest actuarial valuation:

	PPP	NEPP
Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits, but not yet Receiving Them	12	1
Active Plan Participants:		
Fully Vested	10	14
Partially Vested	0	4
Non-Vested	<u>7</u>	<u>3</u>
	<u>17</u>	<u>21</u>
Total Plan Membership	29	22

POLICE PENSION PLAN (PPP)

The PPP is a single-employer defined benefit pension plan controlled by the provisions of municipal ordinance adopted pursuant to Act 205.

Plan Administration

The plan is governed by Borough Council which may amend plan provisions, subject to collective bargaining and to Act 600, *the Municipal Police Pension Law*. Borough Council is responsible for the management of plan assets, and has delegated the authority to manage certain plan assets to a third-party administrator.

Benefits Provided

The PPP covers all full-time, uniformed employees of the Borough upon employment and provides retirement, disability, and death benefits to plan members and their beneficiaries.

Members are eligible for normal retirement upon attaining age 50 and 25 years of vesting service. The normal retirement benefit is equal to 50% of average monthly compensation during the final 36 months of employment, plus an additional \$20.00 per month for each completed year of service in excess of 25 years, up to an additional \$100.00 per month. Members hired before 1993 have all their unused sick leave included in final pay. Members hired after 1992 only have unused sick leave earned over their last 36 months included. Upon death, the retiree's spouse or eligible child receives a benefit equal to 50% of the member's benefit. Active members who become disabled in the line of duty are eligible for disability pension benefits equal to 50% of the member's monthly salary at the time of disability. If an active member is eligible for retirement on the date of death, monthly death benefits are payable to his/her surviving spouse or eligible child equal to 50% of the monthly benefit the member would have been receiving if retired at the time of death.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 8 - PENSION PLANS (Continued)

POLICE PENSION PLAN (PPP) (Continued)

Benefits Provided (Continued)

The plan administrator will only take into account the first \$265,000 of compensation, as adjusted for cost-of-living increases in accordance with IRC Section 402(a) (17) of any participant's annual compensation for determining all benefits provided under the plan for the applicable 12-month period. An annual cost-of-living adjustment which is tied to the percentage of adjustment to social security benefits for the year, is made to retired members with a maximum total cost-of-living increase of 20%, and a maximum benefit of 75% of the salary used for computing retirement benefits. The cost of living adjustment for 2019 was 2.8%.

Funding Standards and State Aid

The Borough is required to make annual contributions to the plan pursuant to Act 205, which specifies minimum funding standards for municipal pension plans in the Commonwealth. Act 205 requires the Borough to budget and contribute to the plan the minimum municipal obligation, which includes both the normal cost of the plan and an amortization contribution sufficient to amortize unfunded liabilities by target dates established under the Act.

Act 205 also establishes a general municipal pension system state aid program, financed by a tax on the premiums of casualty and fire insurance policies sold in the Commonwealth. The Borough is eligible for this aid for each of its pension plans; however, the ultimate obligation to contribute the minimum municipal obligation to the plans is the Borough's.

Vesting

A member's benefits vest upon completion of 12 years of vesting service.

Contributions

Plan members are required to contribute 5% of pay. However, if an actuarial study shows the plan to have sufficient assets to fund plan benefits, employee contributions may be suspended.

The Borough is required to make actuarially determined periodic contributions as outlined in the funding standards and state aid section.

The Borough contributed \$431,629, of which \$213,601 was Act 205 funds, and members contributed \$84,490 during 2019.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 8 - PENSION PLANS (Continued)

POLICE PENSION PLAN (PPP) (Continued)

Investment Policy

The plan's policy in regard to the allocation of invested assets is established and may be amended by Borough Council by a majority vote of its members. It is the policy of the Borough Council to pursue an investment strategy to obtain a reasonable diversification of investments, which have a ready market for resale. The following was the Borough's adopted asset allocation policy as of December 31, 2019:

Asset Class	Target Allocation
Short-term investments with maturities of one year or less which do not substantially fluctuate in market value	0 - 25%
Intermediate-term fixed income securities that provide a reasonable rate of investment income with relatively small fluctuations in market value	50 - 70%
Long-term fixed income securities that provide a reasonable rate of investment income with potential wide fluctuations in market value	0 - 10%
Common stocks or equity funds which provide for the possibility of long-term growth in market value	25 - 45%

Concentrations

Concentrations are defined as investments held by the PPP, other than those issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments, in any one organization that represent 5% or more of the plan's fiduciary net position. At December 31, 2019, there were no concentrations for the Borough's PPP investments.

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.72%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NON-UNIFORMED EMPLOYEE PENSION PLAN (NEPP)

NEPP is a single-employer defined contribution pension plan controlled by the provisions of municipal ordinance adopted pursuant to Act 205. The NEPP covers all of the Borough's general employees who attain age 18 and work at least 37.5 hours per week as a full-time permanent employee that is not a police officer.

Plan Administration

The plan is governed by Borough Council which may amend plan provisions, subject to the Borough Code. Borough Council is responsible for the management of plan assets, and has delegated the authority to manage certain plan assets to a third-party administrator.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 8 - PENSION PLANS (Continued)

NON-UNIFORMED EMPLOYEE PENSION PLAN (NEPP) (Continued)

Benefit Provisions

Normal retirement benefits are paid, commencing at age 65, in the form of a life or joint and survivor annuity, subject to certain minimum balance requirements. Lump sum payments may be paid at the option of the participant.

Vesting

Participants are vested in the employer's contributions in accordance with the following schedule:

Completed Years of Service	Vested Percentage
0 - 2	0%
3	20%
4	40%
5	60%
6	80%
7 or more	100%

Forfeitures are added to the employer base contribution account of each participant who is employed by the Borough on the last day of the plan year, in proportion to compensation during the plan year.

Employer Contributions

The Borough contributes 6.5% percent of the active participant's pay to the NEPP (base contribution). If eligible, the Borough contributes 8.5% of the Borough Manager's pay to the NEPP. There are no participant contributions to the NEPP.

The Borough contributed \$83,908, of which \$83,388 was Act 205 funds, during 2019.

NOTE 9 - PRIVATE-PURPOSE TRUST FUND

The Borough administers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. The compensation deferred is not available to the employee or his beneficiary until termination, retirement, death, or an unforeseeable emergency. Employees can elect to defer up to a maximum percentage of their compensation as specified in the plan document. Employee contributions to the plan for the year ended December 31, 2019, were \$275,656. There are no employer contributions to the plan.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 10 - FUND BALANCE CLASSIFICATIONS

At December 31, 2019, components of fund balance are as follows:

	General Fund	Capital Project Fund	Parks and Recreation Fund	Other Funds	Total Governmental Funds
Restricted for:					
Construction and Maintenance of Roads and Bridges				387,811	387,811
Law Enforcement Purposes in Accordance with the Federal Equitable Sharing Program				48,588	48,588
Subdivision Escrow Amounts Due to Developers				10,711	10,711
Maintenance of the Fun Fort Construction Projects		34	1,646		1,646
Total Restricted	<u>-0-</u>	<u>34</u>	<u>1,646</u>	<u>447,110</u>	<u>448,790</u>
Assigned to:					
Offset 2020 Budget Deficit	594,403				594,403
Capital Improvements		1,386,763			1,386,763
Vehicle and Equipment Purchases				289,142	289,142
Debt Service Payment				186	186
Train Station Upkeep and Maintenance				54,735	54,735
Maintenance and Related Capital Projects of Parks and Recreation Facilities			296,657		296,657
Subdivision Escrow Fund				22,430	22,430
Police Department Training and Equipment				10,207	10,207
Total Assigned	<u>594,403</u>	<u>1,386,763</u>	<u>296,657</u>	<u>376,700</u>	<u>2,654,523</u>
Total Unassigned	<u>796,981</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>796,981</u>
	1,391,384	1,386,797	298,303	823,810	3,900,294

As part of the 2012 budget, the Borough established a stabilization fund in accordance with the provisions of the Pennsylvania Borough Code Act of 1965 (the Act) related to operating reserve funds. Additions to the stabilization fund from the general fund will be determined as part of the annual budget process and shall not cause the stabilization fund's balance to exceed twenty-five percent of the estimated current year general fund revenues. The Borough intends to use such funds to balance any budget deficits from revenue shortfalls or as otherwise permitted by the Act. For financial reporting, the stabilization fund is combined with the general fund. The stabilization fund's balance at December 31, 2019, is \$456,186 and is presented as part of the unassigned general fund balance.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 10 - FUND BALANCE CLASSIFICATIONS (Continued)

The Borough established fund balance policies governing fund balances of the general fund, capital projects funds, parks and recreation fund, health insurance fund, general vehicle sinking fund, and the stabilization fund. The fund balance goal for each of these funds is as follows:

General fund - minimum between 0.5% and 2% of the general fund budgeted or actual revenues.

Capital projects funds - minimum \$1,000,000.

Parks and recreation fund - minimum \$100,000.

Health insurance fund - greater of \$1,000,000 or twelve months of health insurance costs.

General vehicle sinking fund - balance required to accompany the Borough's vehicle replacement schedule.

Stabilization fund - shall not exceed 25% percent of the estimated current general fund revenues.

As of December 31, 2019, all of these funds met or exceeded their minimum fund balances goals.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE BENEFITS

Description

The Borough maintains a single-employer defined benefit plan to provide postemployment healthcare benefits to Borough employees. The Borough Council is authorized to establish and amend the financing requirements and benefits, subject to collective bargaining for certain classes of employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue stand-alone financial statements.

Benefits Provided

Under the Elizabethtown Borough Police Contract, police officers who reach normal or disability retirement are eligible to receive hospitalization and major medical benefits to age 65. If the officer was hired on or before January 1, 2009, and is married at the time of retirement, the officer's spouse to whom he or she was married at the time of retirement is eligible to receive the same benefit subject to the conditions as outlined in the police contract. Officers hired between January 1, 2009 and December 31, 2017, are eligible for coverage, but the officer's spouse is not eligible. The Borough pays 100% of the cost of the benefit at the time of the officer's retirement, and any increase in the cost thereafter is borne by the retiree. Officers hired on or after January 1, 2018, are not eligible to participate in the plan. Under the Elizabethtown Borough Retired Employees Medical Plan, non-uniformed retirees and their spouse are eligible to receive hospitalization and major medical benefits to age 65, provided that they retired prior to January 1, 2010.

Funding Policy

The Borough has elected to finance postemployment benefits on a pay-as-you-go basis. The Borough recognizes expenditures for postemployment group insurance when paid by the Borough. During the year ended December 31, 2019, the Borough paid benefits and recognized expenditures in the amount of \$114,387. The Borough received \$18,022 from plan participants during the year ended December 31, 2019. These financial statements assume that pay-as-you-go funding will continue.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 11 - POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Employees Covered by Benefit Terms

At January 1, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	8
Inactive Employees Entitled to but not yet Receiving Benefits	4
Active Employees	<u>16</u>
	28

NOTE 12 - 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 Borough expects such amounts, if any, to be immaterial.

The Borough is 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.

Collective Bargaining Agreement

The Borough has entered into a collective bargaining agreement with the Elizabethtown Police Officers Association which will expire December 31, 2021. The agreement stipulates wages, benefits, and general working conditions for the Borough's police officers. Pay increases of 3.0% per year are scheduled for each year remaining on the agreement.

NOTE 13 - TAX ABATEMENTS

The Borough has enacted a Local Economic Revitalization Tax Assistance (LERTA) program to encourage building improvements, new construction, and redevelopment in certain deteriorated areas of the Borough. The program is authorized by a Borough Ordinance in accordance with the Local Economic Revitalization Tax Assistance Act. Property tax abatements are limited to that portion of additional property tax assessment attributable to the actual cost of new construction or improvements in accordance with an exemption schedule. The tax abatements are obtained through application by the property owner, who must provide proof that the improvements have been made. As of and for the year ended December 31, 2019, there were no tax abatements resulting from this program.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 14 - CHANGE in ACCOUNTING PRINCIPLE

In conjunction with implementation of GASB Statement No. 84, the Borough restated its beginning fund balance to reflect the change in presentation of the subdivision fee escrow fund. In prior years, the Borough accounted for the subdivision fee escrow fund as an agency fund. In the current year, the fund is presented as a special revenue fund as it no longer met the definition of a fiduciary activity. Accordingly, net position as of January 1, 2019, has been restated as follows:

	Other Governmental Funds	Governmental Activities
Fund Balance and Net Position as Previously Reported on December 31, 2018	657,452	5,956,911
Effect of Change in Accounting Principle	<u>49,302</u>	<u>49,302</u>
Fund Balance and Net Position as Restated, January 1, 2019	706,754	6,006,213

NOTE 15 - SUBSEQUENT EVENT

The Borough anticipates accepting proposed construction contracts for the renovation of a Borough facility. Based on bids received in February 2020, the construction cost for the project is expected to be approximately \$2,700,000 and occur in 2020. The Borough plans to facilitate this project through capital reserve funds and financing.

Borough of Elizabethtown

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES - BUDGET and ACTUAL - Modified Cash Basis - GENERAL FUND Year Ended December 31, 2019

	Budget Amounts			Variance With Final Budget Favorable (Nonfavorable)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 4,200,979	\$ 4,200,979	\$ 4,403,203	\$ 202,224
Licenses and Permits	179,100	179,100	293,434	114,334
Fines and Forfeits	31,200	31,200	40,126	8,926
Interests, Rents, and Royalties	44,055	44,055	58,173	14,118
Intergovernmental	329,470	329,470	401,684	72,214
Charges for Services	1,133,797	1,133,797	1,163,287	29,490
Total Revenues	5,918,601 *	5,918,601 *	6,359,907	441,306
EXPENDITURES				
General Government	394,596	394,596	330,311	64,285
Public Safety	2,521,211	2,521,211	2,428,476	92,735
Public Works	1,494,578	1,494,578	1,330,068	164,510
Culture and Recreation	379,338	379,338	357,554	21,784
Community Development	56,200	56,200	38,320	17,880
Insurance, Pension, and Other Benefits	1,416,954	1,416,954	1,356,577	60,377
Total Expenditures	6,262,877	6,262,877	5,841,306	421,571
EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES				
	(344,276)	(344,276)	518,601	862,877
OTHER FINANCING SOURCES (USES)				
Refunds of Prior Year Expenditures	2,000	2,000	26,127	24,127
Sale of Assets	1,000	1,000	7,428	6,428
Interfund Transfers	(447,589)	(447,589)	(593,618)	(146,029)
Net Other Financing Uses	(444,589)	(444,589)	(560,063)	(115,474)
NET CHANGES in FUND BALANCES				
	\$ (788,865)	\$ (788,865)	\$ (41,462)	\$ 747,403

*Budgeted revenue does not include budgeted beginning cash balance.

See independent auditors' report.

Borough of Elizabethtown
SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -
BUDGET and ACTUAL - Modified Cash Basis -
PARKS and RECREATION FUND
Year Ended December 31, 2019

	Budget Amounts			Variance With Final Budget Favorable (Nonfavorable)
	Original	Final	Actual	
REVENUES				
Interests, Rents, and Royalties	\$ 1,000	\$ 1,000	\$ 2,997	\$ 1,997
Intergovernmental	400,000	400,000	-0-	(400,000)
Miscellaneous	<u>500</u>	<u>500</u>	<u>80,195</u>	<u>79,695</u>
Total Revenues	401,500 *	401,500 *	83,192	(318,308)
EXPENDITURES				
General Government	1,000	1,000	1,000	-0-
Culture and Recreation	<u>454,000</u>	<u>454,000</u>	<u>28,916</u>	<u>425,084</u>
Total Expenditures	<u>455,000</u>	<u>455,000</u>	<u>29,916</u>	<u>425,084</u>
EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES				
	(53,500)	(53,500)	53,276	106,776
OTHER FINANCING SOURCES				
Interfund Transfers	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-0-</u>
Net Other Financing Sources	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-0-</u>
NET CHANGES in FUND BALANCES				
	\$ 96,500	\$ 96,500	\$ 203,276	\$ 106,776

*Budgeted revenue does not include budgeted beginning cash balance.

See independent auditors' report.

Borough of Elizabethtown

Concise Statement for Publication - Modified Cash Basis - Year 2019

GOVERNMENT-WIDE and FIDUCIARY FUND FINANCIAL INFORMATION

	Government-Wide	Fiduciary Funds
Total Assets	9,248,728	13,414,483
Total Liabilities	<u>-0-</u>	<u>-0-</u>
Total Net Position	<u>9,248,728</u>	<u>-0-</u>
Total Net Position - Restricted	<u><u>-0-</u></u>	<u><u>13,414,483</u></u>
Total Revenue	13,056,893	2,803,936
Total Expenses	<u>13,790,666</u>	<u>1,182,876</u>
Changes in Total Net Position	<u><u>(733,773)</u></u>	<u><u>1,621,060</u></u>

See independent auditors' report.

Borough of Elizabethtown
SCHEDULE of FUNDING PROGRESS -
POLICE PENSION PLAN
(Unaudited)

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Net Position as a Percentage of Total Liability ([b-a] / b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
01/01/2011	6,036,515	6,761,974	725,459	10.70%	89.30%	1,258,498	57.60%
01/01/2012	6,521,427						
01/01/2013	7,061,659	8,091,422	1,029,763	12.70%	87.30%	1,218,448	84.50%
01/01/2014	7,702,618						
01/01/2015	8,202,228	8,980,548	778,320	8.70%	91.30%	1,407,766	55.30%
01/01/2016	8,386,885						
01/01/2017	8,833,856	10,152,077	1,318,221	13.00%	87.00%	1,516,903	86.90%
01/01/2018	9,634,459						
01/01/2019	9,221,129	10,981,497	1,760,368	16.00%	84.00%	1,567,131	112.30%

*The schedule above is presented in accordance with Act 205 requirements.

See independent auditors' report.

Borough of Elizabethtown
SCHEDULE of UNFUNDED ACTUARIAL ACCRUED LIABILITY -
POLICE PENSION PLAN
January 1, 2019
(Unaudited)

Actuarial Present Value of Future Benefits

Active Members	\$ 6,640,536
Retired Members	<u>7,793,909</u>

Total Actuarial Present Value of Future Benefits	14,434,445
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Actuarial Present Value of Future Normal Costs	<u>(3,452,948)</u>
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Actuarial Accrued Liability	10,981,497
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Actuarial Value of Assets	<u>(9,221,129)</u>
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Unfunded Actuarial Accrued Liability	\$ 1,760,368
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*The schedule above is presented in accordance with Act 205 requirements.

See independent auditors' report.

Borough of Elizabethtown

SCHEDULE of ANALYSIS of the CHANGE in the UNFUNDED ACTUARIAL ACCRUED LIABILITY -

POLICE PENSION PLAN

January 1, 2017 - January 1, 2019

(Unaudited)

Unfunded Actuarial Accrued Liability at January 1, 2017		\$ 1,318,221
Additions		
Normal Costs	495,009	
Administrative Expenses	104,584	
Interest on Unfunded Actuarial Accrued Liability, Normal Costs, and Administrative Expenses	<u>251,295</u>	
Total Additions		850,888
Contributions		
Employer Contributions	(258,610)	
Employee Contributions	(161,001)	
State Contributions	(514,584)	
Interest on Contributions	<u>(49,378)</u>	
Total Contributions		(983,573)
Adjustment for Funding Deviation		(139,854)
Actuarial Loss		
Investment Loss	642,697	
Experience Gain	(67,865)	
Funding Deviation	<u>139,854</u>	
Total Actuarial Loss		<u>714,686</u>
Unfunded Actuarial Accrued Liability as January 1, 2019		\$ 1,760,368

*The schedule above is presented in accordance with Act 205 requirements.

See independent auditors' report.