

Borough of Elizabethtown

Year Ended December 31, 2022

Borough of Elizabethtown

Financial Statements with Supplementary Information - Modified Cash Basis

Year Ended December 31, 2022

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Borough of Elizabethtown

Financial Statements with Supplementary Information -
Modified Cash Basis

Year Ended December 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Borough Council
Borough of Elizabethtown
Elizabethtown, Pennsylvania

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, as of December 31, 2022, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter - 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.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The schedules of budgetary comparison information - modified cash basis and the concise statement for publication - modified cash basis (the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Information

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

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

A handwritten signature in black ink that reads "Trout CPA". The signature is written in a cursive, flowing style.

February 18, 2023
Lancaster, Pennsylvania

Borough of Elizabethtown

STATEMENT of NET POSITION -

Modified Cash Basis

December 31, 2022

| | Governmental Activities | Business-Type Activities | Total |
|--|------------------------------------|-------------------------------------|-----------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Unrestricted Cash and Cash Equivalents | \$ 6,080,038 | \$ 4,971,213 | \$ 11,051,251 |
| Restricted Cash for Grant Funded Park Projects | 75,361 | -0- | 75,361 |
| Restricted Cash for Subdivision Escrow | | | |
| Amounts Due to Developers | 20,138 | -0- | 20,138 |
| Restricted Cash for Construction and Maintenance for Roads and Bridges | 1,058,894 | -0- | 1,058,894 |
| Restricted Cash for Law Enforcement per Federal Equitable Sharing Program | 366 | -0- | 366 |
| Restricted Cash for American Rescue Plan Act Funds | 899,186 | -0- | 899,186 |
| TOTAL ASSETS | <u>8,133,983</u> | <u>4,971,213</u> | <u>13,105,196</u> |
| LIABILITIES | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| NET POSITION | | | |
| Restricted for: | | | |
| Grant Funded Park Projects | 75,361 | -0- | 75,361 |
| Subdivision Escrow Amounts Due to Developers | 20,138 | -0- | 20,138 |
| Construction and Maintenance for Roads and Bridges | 1,058,894 | -0- | 1,058,894 |
| Law Enforcement per Federal Equitable Sharing Program | 366 | -0- | 366 |
| American Rescue Plan Act Funds | 899,186 | -0- | 899,186 |
| Unrestricted | 6,080,038 | 4,971,213 | 11,051,251 |
| TOTAL NET POSITION | <u>\$ 8,133,983</u> | <u>\$ 4,971,213</u> | <u>\$ 13,105,196</u> |

See notes to financial statements.

Borough of Elizabethtown

STATEMENT of ACTIVITIES -

Modified Cash Basis

Year Ended December 31, 2022

| Functions/Programs | Expenses | Program Revenues | | | Net Revenue (Expense) and Changes in Net Position | | |
|--------------------------------------|-----------------------------|----------------------------|--|--|--|---------------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business- Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General Government | \$ 480,873 | \$ -0- | \$ 47,794 | \$ -0- | \$ (433,079) | \$ -0- | \$ (433,079) |
| Public Safety | 3,693,521 | 808,262 | 288,142 | 15,579 | (2,581,538) | -0- | (2,581,538) |
| Public Works | 2,102,134 | 893,604 | 66,476 | 298,188 | (843,866) | -0- | (843,866) |
| Culture and Recreation | 809,171 | 11,922 | 11,437 | -0- | (785,812) | -0- | (785,812) |
| Community Development | 1,052,608 | 48,000 | -0- | 1,207,044 | 202,436 | -0- | 202,436 |
| Debt Service - Principal | 702,960 | -0- | -0- | -0- | (702,960) | -0- | (702,960) |
| Debt Service - Interest | 127,012 | -0- | -0- | -0- | (127,012) | -0- | (127,012) |
| Total Governmental Activities | 8,968,279 | 1,761,788 | 413,849 | 1,520,811 | (5,271,831) | -0- | (5,271,831) |
| Business-Type Activities: | | | | | | | |
| Sewer Operations | <u>2,571,283</u> | <u>3,397,769</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>826,486</u> | <u>826,486</u> |
| Total Primary Government | <u>\$ 11,539,562</u> | <u>\$ 5,159,557</u> | <u>\$ 413,849</u> | <u>\$ 1,520,811</u> | \$ (5,271,831) | \$ 826,486 | \$ (4,445,345) |

See notes to financial statements.

Year Ended December 31, 2022

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Borough of Elizabethtown

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

| | Major Funds | | | | | | Total |
|--|----------------------------|----------------------------|---------------------------------|----------------------------|-------------------------|--------------------------|----------------------------|
| | General Fund | Capital Project Fund | Parks and Recreation Fund | Liquid Fuels Fund | Debt Service Fund | Other Funds | Governmental Funds |
| ASSETS | | | | | | | |
| Unrestricted Cash and Cash Equivalents | \$ 3,213,806 | \$ 1,338,824 | \$ 879,319 | \$ -0- | \$ 414 | \$ 647,675 | \$ 6,080,038 |
| Restricted Cash and Cash Equivalents | <u>899,186</u> | <u>-0-</u> | <u>75,361</u> | <u>1,058,894</u> | <u>-0-</u> | <u>20,504</u> | <u>2,053,945</u> |
| TOTAL ASSETS | <u>4,112,992</u> | <u>1,338,824</u> | <u>954,680</u> | <u>1,058,894</u> | <u>414</u> | <u>668,179</u> | <u>8,133,983</u> |
| LIABILITIES and FUND BALANCES | | | | | | | |
| LIABILITIES | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| FUND BALANCES | | | | | | | |
| Restricted | 899,186 | -0- | 75,361 | 1,058,894 | -0- | 20,504 | 2,053,945 |
| Committed | 1,206,958 | -0- | -0- | -0- | -0- | -0- | 1,206,958 |
| Assigned | 1,395,492 | 1,338,824 | 879,319 | -0- | 414 | 647,675 | 4,261,724 |
| Unassigned | <u>611,356</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>611,356</u> |
| TOTAL FUND BALANCES | <u>4,112,992</u> | <u>1,338,824</u> | <u>954,680</u> | <u>1,058,894</u> | <u>414</u> | <u>668,179</u> | <u>8,133,983</u> |
| TOTAL LIABILITIES and FUND BALANCES | <u>\$ 4,112,992</u> | <u>\$ 1,338,824</u> | <u>\$ 954,680</u> | <u>\$ 1,058,894</u> | <u>\$ 414</u> | <u>\$ 668,179</u> | <u>\$ 8,133,983</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, 2022

| | Major Funds | | | | | | Total |
|--|---------------------|----------------------------|---------------------------------|-------------------------|-------------------------|---------------------|-----------------------|
| | General Fund | Capital Project Fund | Parks and Recreation Fund | Liquid Fuels Fund | Debt Service Fund | Other Funds | Governmental Funds |
| REVENUES | | | | | | | |
| Taxes | \$ 5,196,408 | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ 5,196,408 |
| Licenses and Permits | 547,430 | -0- | -0- | -0- | -0- | -0- | 547,430 |
| Fines and Forfeits | 37,151 | -0- | -0- | -0- | -0- | -0- | 37,151 |
| Interest, Rents, and Royalties | 106,161 | 20,279 | 10,036 | 18,049 | 90 | 10,977 | 165,592 |
| Intergovernmental | 1,003,358 | 975,000 | 232,044 | 298,188 | -0- | -0- | 2,508,590 |
| Charges for Service | 1,261,074 | 699 | -0- | -0- | -0- | -0- | 1,261,773 |
| Service Agreement Revenue | 48,000 | -0- | -0- | -0- | -0- | -0- | 48,000 |
| Miscellaneous | -0- | -0- | 1,100 | -0- | -0- | 87,748 | 88,848 |
| Total Revenues | 8,199,582 | 995,978 | 243,180 | 316,237 | 90 | 98,725 | 9,853,792 |
| EXPENDITURES | | | | | | | |
| General Government | 312,864 | 52,478 | -0- | -0- | -0- | 25,501 | 390,843 |
| Public Safety | 2,499,906 | 18,069 | -0- | -0- | -0- | 69,395 | 2,587,370 |
| Public Works | 1,540,599 | 282,780 | -0- | 13,478 | -0- | 130,759 | 1,967,616 |
| Culture and Recreation | 404,956 | -0- | 345,253 | -0- | -0- | -0- | 750,209 |
| Community Development | 77,608 | 975,000 | -0- | -0- | -0- | -0- | 1,052,608 |
| Debt Service - Principal | -0- | -0- | -0- | -0- | 702,960 | -0- | 702,960 |
| Debt Service - Interest | -0- | -0- | -0- | -0- | 127,012 | -0- | 127,012 |
| Insurance, Pension, and Other Benefits | 1,389,661 | -0- | -0- | -0- | -0- | -0- | 1,389,661 |
| Total Expenditures | 6,225,594 | 1,328,327 | 345,253 | 13,478 | 829,972 | 225,655 | 8,968,279 |
| EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES | \$ 1,973,988 | \$ (332,349) | \$ (102,073) | \$ 302,759 | \$ (829,882) | \$ (126,930) | \$ 885,513 |

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, 2022

| | Major Funds | | | | | | Total |
|--|----------------------------|----------------------------|---------------------------------|---------------------------|-------------------------|--------------------------|----------------------------|
| | General Fund | Capital Project Fund | Parks and Recreation Fund | Liquid Fuels Fund | Debt Service Fund | Other Funds | Governmental Funds |
| CARRYFORWARD EXCESS (DEFICIENCY) of | | | | | | | |
| REVENUES over EXPENDITURES | \$1,973,988 | \$ (332,349) | \$(102,073) | \$ 302,759 | \$(829,882) | \$(126,930) | \$ 885,513 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Refunds of Prior Year Expenses | 63,463 | -0- | -0- | -0- | -0- | -0- | 63,463 |
| Sale of Assets | 3,703 | -0- | -0- | -0- | -0- | -0- | 3,703 |
| Interfund Transfers | (1,362,949) | 394,139 | 500,000 | -0- | 829,972 | 255,633 | 616,795 |
| Net Other Financing Sources (Uses) | (1,295,783) | 394,139 | 500,000 | -0- | 829,972 | 255,633 | 683,961 |
| NET CHANGES in FUND BALANCES | 678,205 | 61,790 | 397,927 | 302,759 | 90 | 128,703 | 1,569,474 |
| FUND BALANCES | | | | | | | |
| Beginning | 3,434,787 | 1,277,034 | 556,753 | 756,135 | 324 | 539,476 | 6,564,509 |
| Ending | <u>\$ 4,112,992</u> | <u>\$1,338,824</u> | <u>\$ 954,680</u> | <u>\$1,058,894</u> | <u>\$ 414</u> | <u>\$ 668,179</u> | <u>\$ 8,133,983</u> |

See notes to financial statements.

Borough of Elizabethtown

STATEMENT of NET POSITION -

PROPRIETARY FUND -

Modified Cash Basis

December 31, 2022

**Major
Enterprise Fund**

**Sewer
Fund**

ASSETS

Cash and Cash Equivalents

\$ 4,971,213

LIABILITIES

-0-

NET POSITION - Unrestricted

\$ 4,971,213

See notes to financial statements.

Borough of Elizabethtown
STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION -
PROPRIETARY FUND -
Modified Cash Basis
Year Ended December 31, 2022

| | <u>Major Enterprise Fund</u> |
|---|-----------------------------------|
| | <u>Sewer Fund</u> |
| OPERATING REVENUES | |
| Charges for Service | \$ 3,397,769 |
| OPERATING EXPENSES | |
| Collection and Transmission | 505,836 |
| Wastewater Treatment | 1,012,724 |
| Wastewater Disposal and Sludge Management | 248,236 |
| General, Administrative, Customer Service, and Other | 470,389 |
| Insurance and Employee Benefits | <u>334,098</u> |
| Total Operating Expenses | <u>2,571,283</u> |
| OPERATING INCOME | 826,486 |
| NONOPERATING REVENUES | |
| Investment Earnings | 88,033 |
| Refund of Prior Year Expenses | 6,429 |
| Sale of Assets | <u>500</u> |
| Total Nonoperating Revenues | <u>94,962</u> |
| INCOME BEFORE TRANSFERS | 921,448 |
| TRANSFERS | <u>(616,795)</u> |
| CHANGES in NET POSITION | 304,653 |
| NET POSITION | |
| Beginning | <u>4,666,560</u> |
| Ending | <u><u>\$ 4,971,213</u></u> |

See notes to financial statements.

Borough of Elizabethtown

STATEMENT of NET POSITION -

FIDUCIARY FUNDS -

Modified Cash Basis

December 31, 2022

**Pension
Trust
Funds**

ASSETS

Investments (at Fair Value):
Mutual Funds

\$ 12,351,111

LIABILITIES

-0-

NET POSITION - Restricted

\$ 12,351,111

See notes to financial statements.

Borough of Elizabethtown
STATEMENT of CHANGES in NET POSITION -
FIDUCIARY FUNDS -
Modified Cash Basis
Year Ended December 31, 2022

| | Pension Trust Funds |
|---|------------------------------------|
| ADDITIONS | |
| Contributions: | |
| Commonwealth of Pennsylvania | \$ 284,925 |
| Employer | 380,852 |
| Employee | <u>81,325</u> |
| | 747,102 |
| Investment Income: | |
| Net Depreciation in Fair Value of Investments | (2,379,180) |
| Interest and Dividends | 250,718 |
| Investment Expenses | <u>(32,026)</u> |
| Net Investment Loss | <u>(2,160,488)</u> |
| Total Additions | (1,413,386) |
| DEDUCTIONS | |
| Retirement Benefits | <u>657,075</u> |
| CHANGES in NET POSITION | (2,070,461) |
| NET POSITION | |
| Beginning | <u>14,421,572</u> |
| Ending | <u>\$ 12,351,111</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. The 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 15 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 11,600 residents in approximately 4,600 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**.

Based on the foregoing criteria, 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)

Related Organization

Elizabethtown Development Authority (EDA)

EDA is not reported as part of the Borough's reporting entity as the Borough is not financially accountable for EDA. EDA is a legal entity separate from the Borough and is governed by a five-member board, which is appointed by the Borough Council. EDA's function is to acquire, hold, construct, improve, maintain, own, finance, and lease projects as defined in the Economic Development Financing Law. For the year ended December 31, 2022, the Borough received \$4,820 for a reimbursement of a disbursement from EDA.

Joint Ventures

Elizabethtown Area Community Services Authority (EACSA)

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, 2022, 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)

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, 2022, the Borough made contributions and paid for water services of \$3,090 to EAWA which was reported as a disbursement of the general fund. Complete financial statements for EAWA can be obtained from the Elizabethtown Area Water Authority Manager, 211 West Hummelstown Street, Elizabethtown, PA 17022.

Greater Elizabethtown Area Recreation and Community Services (GEARS)

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**, Mount Joy Township, East Donegal 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, 2022, the Borough contributed \$131,240 to GEARS which was reported as a disbursement of the general fund. Complete financial statements for GEARS can be obtained from the GEARS office at 70 South Poplar Street, Elizabethtown, PA 17022.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Ventures (Continued)

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, 2022, was \$21,213. Financial information for the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

Municipal Emergency Services Authority of Lancaster County (MESALC)

MESALC was formed during 2022 for the purpose of administering emergency medical services. MESALC is composed of an eight-member board with one representative from each of the participating municipalities: **Borough of Elizabethtown**, Conoy Township, East Donegal Township, Elizabeth Township, Marietta Borough, Mount Joy Township, Penn Township, and West Donegal Township. The Authority is not reported as part of the Borough's reporting entity. For the year ended December 31, 2022, the Borough did not make any contributions to the Authority. A copy of Authority's state filing can be obtained from the **Borough of Elizabethtown** office at 600 South Hanover Street, Elizabethtown, PA 17022.

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, receipts, and disbursements. 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. 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. There are no differences in amounts reported for the governmental funds balance sheet and government-wide statement of net position that would require reconciliation.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (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. 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 disbursements 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 disbursements for specific purposes. Special revenue funds include the following: the parks and recreation fund, the liquid fuels fund, the police training fund, and the subdivision fee escrow fund.

Proprietary Fund Type

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 type:

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Type (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 receipts and disbursements of providing sewer service to residents, commercial and industrial entities, and other neighboring municipalities.

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.

Major and Nonmajor Funds

The funds are further classified major and nonmajor as follows:

Major:

- General Fund
- Capital Project Fund
- Debt Service Fund
- Special Revenue Fund:
 - Liquid Fuels Fund
 - Parks and Recreation Fund
- Proprietary Fund:
 - Sewer Fund

Nonmajor:

- Special Revenue Funds:
 - Police Training Fund
 - Subdivision Fee Escrow Fund
- Capital Project Fund:
 - General Vehicle Sinking Fund

Basis of Accounting

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

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The government-wide financial statements and the fund financial statements are reported using the modified cash basis of accounting. Receipts resulting from exchange and nonexchange transactions are recorded when received and disbursements are recorded when paid. Exchange transactions involve both parties giving and receiving essentially equal value. Nonexchange transactions, in which the 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 disbursements 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 receipts and disbursements from nonoperating items in the proprietary funds. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with the Borough's principal ongoing operations. The principal operating receipts of the Borough are charges to customers for sales and services. Operating disbursements include the cost of sales and services and administrative expenses. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

Budgets and Budgetary Accounting

An operating budget is adopted each year for substantially all funds on the modified cash basis of accounting. The budget for 2022 was proposed on November 11, 2021, with final adoption on December 2, 2021. 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.

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 a disbursement when paid. Since the capital assets are recorded as a disbursement when paid, no depreciation is computed on these assets. Contributed assets are not recognized.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 disbursements 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, 2022, and has recognized them as disbursements 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.

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.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)

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

Use of Estimates

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

Current Year Changes in Accounting Principles

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

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pending Changes in Accounting Principles

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

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

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

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

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.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

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

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, 2022, \$-0- of the Borough's bank balance of \$142,375 was exposed to custodial credit risk.

Reconciliation of Cash and Cash Equivalents to the Financial Statements

| | |
|---|-------------------|
| Uninsured Amount | -0- |
| Insured Amount | <u>142,375</u> |
| Bank Balance | 142,375 |
| Plus: External Investment Pool Balances | |
| Classified as Cash and Cash Equivalents | 13,234,352 |
| Plus: Deposits in Transit | 2,214 |
| Less: Outstanding Checks | <u>(273,745)</u> |
| Total Cash and Cash Equivalents per the Financial Statements | 13,105,196 |

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) 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.

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

| | Recorded Value | Fair Value Measurements Using | | | Maturity |
|--|-------------------|-------------------------------|-------------------|-------------------|----------|
| | | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | |
| Investments Recorded at Fair Value: | | | | | |
| Mutual Funds | 12,351,111 | 12,351,111 | -0- | -0- | |

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

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

Investments (Continued)

| | Recorded Value | Maturity |
|---|---------------------|----------|
| Investments Recorded at Amortized Cost: | | |
| PLGIT - Class | 1,285,982 | <30 Days |
| PLGIT PRIME | <u>11,948,370</u> | <30 Days |
| Total Investments at Amortized Cost | 13,234,352 | |
| Total Investments | 25,585,463 | |
| Less: External Investment Pool Balances | | |
| Classified as Cash and Cash Equivalents | <u>(13,234,352)</u> | |
| Total Investments per the Financial Statements | 12,351,111 | |

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, 2022, the Borough's investments were rated as:

| Investments | Standard & Poor's |
|--|-------------------|
| Pennsylvania Local Government Investment Trust (PLGIT) | AAAm |

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, 2022, 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. At December 31, 2022, the Borough has no investments subject to custodial credit risk.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

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, 2022, was 5.10 mills (\$5.10 per \$1,000 of assessed valuation) as levied by the 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: | 3,278,148 |

NOTE 5 - INTERFUND ACCOUNTS

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

| Fund | Transfers In | Transfers Out |
|------------------------------|---------------------|----------------------|
| General Fund | -0- | 1,362,949 |
| Capital Project Fund | 439,139 | 45,000 |
| General Vehicle Sinking Fund | 255,633 | -0- |
| Debt Service Fund | 829,972 | -0- |
| Parks and Recreation Fund | 500,000 | -0- |
| Sewer Fund | <u>160,350</u> | <u>777,145</u> |
| | 2,185,094 | 2,185,094 |

Transfers were made from the general fund to the general vehicle sinking fund to fund current and future 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 debt service fund for debt service payments.

Transfers were made from the general fund to the parks and recreation fund to fund current and future parks related capital projects and activities.

Transfers were made from the general fund to the sewer fund to fund current capital projects with grant funds.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 5 - INTERFUND ACCOUNTS (Continued)

Transfers were made from the capital project fund to the vehicle sinking fund to fund current vehicle purchases.

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

Transfers were made from the sewer fund to the general vehicle sinking fund to fund current and future 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 accrues 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 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 Borough issued General Obligation Note - Series of 2020 in the amount of \$2,886,000 for the purposes of refunding the Series of 2018 General Obligation Note and paying the costs of issuing the Note. The note matures on December 1, 2038. Payments are due on June 1st, and December 1st at a fixed interest rate of 2.485%.

Currently, the Borough has debt with interest rates and outstanding principal amounts at December 31, 2022, as follows:

| | Interest Rates | Principal Amount Outstanding at December 31, 2022 |
|---|-------------------|---|
| General Obligation Note - Series A of 2015 | 3.75% | 1,475,910 |
| General Obligation Note - Series AA of 2015 | 2.25% | 1,013,719 |
| General Obligation Note - Series of 2020 | 2.485% | <u>2,486,400</u> |
| | | 4,976,029 |

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 6 - GENERAL LONG-TERM DEBT (Continued)

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

| Year Ending December 31 | <u>GON Series A of 2015</u> | | <u>GON Series AA of 2015</u> | |
|----------------------------|-----------------------------|----------------------|------------------------------|----------------------|
| | Interest Payment | Principal Payment | Interest Payment | Principal Payment |
| 2023 | 55,347 | 477,700 | 22,808 | 83,190 |
| 2024 | 37,433 | 488,820 | 20,936 | 85,060 |
| 2025 | 19,102 | 509,390 | 19,024 | 86,980 |
| 2026 | -0- | -0- | 36,787 | 69,210 |
| 2027 | -0- | -0- | 33,430 | 72,570 |
| 2028 - 2032 | -0- | -0- | 110,815 | 419,190 |
| 2033 - 2034 | -0- | -0- | 14,483 | 197,519 |
| | 111,882 | 1,475,910 | 258,283 | 1,013,719 |

| Year Ending December 31 | <u>GON Series of 2020</u> | | <u>Totals</u> | |
|----------------------------|---------------------------|----------------------|---------------------|----------------------|
| | Interest Payment | Principal Payment | Interest Payment | Principal Payment |
| 2023 | 61,788 | 128,440 | 139,943 | 689,330 |
| 2024 | 58,596 | 131,640 | 116,965 | 705,520 |
| 2025 | 55,324 | 134,910 | 93,450 | 731,280 |
| 2026 | 51,972 | 138,260 | 88,759 | 207,470 |
| 2027 | 48,536 | 141,700 | 81,966 | 214,270 |
| 2028 - 2032 | 188,078 | 763,090 | 298,893 | 1,182,280 |
| 2033 - 2037 | 88,434 | 862,740 | 102,917 | 1,060,259 |
| 2038 | 4,612 | 185,620 | 4,612 | 185,620 |
| | 557,340 | 2,486,400 | 927,505 | 4,976,029 |

Changes in Long-Term Liabilities

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

| | Balance January 1 | Additions | Reductions | Balance December 31 |
|--------------------------------------|----------------------|---------------|----------------|------------------------|
| Governmental Activities | | | | |
| General Obligation Debt | 3,706,809 | -0- | 206,690 | 3,500,119 |
| Compensated Absences | 155,707 | 13,643 | 1,789 | 167,561 |
| Total Governmental Activities | 3,862,516 | 13,643 | 208,479 | 3,667,680 |
| Business-Type Activities | | | | |
| General Obligation Debt | 1,972,180 | -0- | 496,270 | 1,475,910 |
| Total Government | 5,834,696 | 13,643 | 704,749 | 5,143,590 |

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.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 7 - RISK MANAGEMENT

The Borough maintains insurance contracts, self-funded arrangements, and participates in public entity risk pools to mitigate 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, 2022, 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 risk-sharing arrangements, as described below, for health and workers' compensation claims.

Health Insurance

The Borough is a member of the Intergovernmental Insurance Cooperative (IIC), a risk-sharing public entity risk pool, through which it provides for certain health and welfare benefits of its covered employees. IIC was organized in 1991 to select and contract with a common insurance carrier and/or claims servicing for the provision of employee benefits, and to gain economies of scale for its members. IIC is governed by a board of directors, to which the Borough appoints one member. The Borough's rates per covered employee are determined annually, and payable monthly. IIC purchases stop loss insurance to mitigate catastrophic losses. At the end of each policy year, the surplus or deficit of each member is determined. Members pledge a portion of any surplus to resolve deficits of other members, and the remaining surplus is returned to the member. Upon withdrawal from IIC, the member must guarantee payment to IIC for remaining obligations. The Borough was limited in liability for claims to \$50,000 individually and approximately \$824,000 in the aggregate.

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

Workers' Compensation

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

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

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

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 7 - RISK MANAGEMENT (Continued)

Unemployment

The Borough has elected to self-insure for unemployment compensation rather than contribute to the state fund. Disbursements are recorded in the general fund when invoiced by the state and paid by the Borough. There were no unemployment claims paid in 2022.

As of December 31, 2022, the Borough is not aware of any additional unemployment claims.

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.

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, 2021 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 | 0 |
| Active Plan Participants: | | |
| Fully Vested | 9 | 14 |
| Partially Vested | 0 | 5 |
| Non-Vested | <u>7</u> | <u>5</u> |
| | <u>16</u> | <u>24</u> |
| Total Plan Membership | 28 | 24 |

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 8 - PENSION PLANS (Continued)

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.

The plan administrator will only take into account the first \$305,000 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 2022 was 5.9%.

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.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 8 - PENSION PLANS (Continued)

POLICE PENSION PLAN (PPP) (Continued)

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 \$555,501, of which \$181,237 was Act 205 funds, and members contributed \$81,325 during 2022.

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, 2022:

| 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, 2022, there were no concentrations for the Borough's PPP investments.

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (15.29%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 8 - PENSION PLANS (Continued)

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. The 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.

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 \$110,276, of which \$103,688 was Act 205 funds, during 2022.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 9 - COMBINING FIDUCIARY SCHEDULES

The Pension Trust Funds consists of two-sub funds: the police pension trust fund and the non-uniformed employee pension trust fund. Summary financial information for the sub-funds is presented as follows:

Combining Schedule of Fiduciary Net Position

| | Police Pension Trust Fund | Non-Uniformed Employee Pension Trust Fund | Total |
|---------------------------------|---------------------------------|---|------------|
| ASSETS | | | |
| Investments | 10,911,598 | 1,439,513 | 12,351,111 |
| LIABILITIES | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| NET POSITION | | | |
| Restricted for Pension Benefits | 10,911,598 | 1,439,513 | 12,351,111 |

Combining Schedule of Changes in Fiduciary Net Position

| | Police Pension Trust Fund | Non-Uniformed Employee Pension Trust Fund | Total |
|--------------------------------|---------------------------------|---|---------------------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Commonwealth of Pennsylvania | 181,237 | 103,688 | 284,925 |
| Employer | 374,264 | 6,588 | 380,852 |
| Employee | <u>81,325</u> | <u>-0-</u> | <u>81,325</u> |
| Total Contributions | 636,826 | 110,276 | 747,102 |
| Investment Income: | | | |
| Net Depreciation in Fair | | | |
| Value of Investments | (2,144,184) | (234,996) | (2,379,180) |
| Interest and Dividends | 223,859 | 26,859 | 250,718 |
| Investment Expenses | <u>(28,128)</u> | <u>(3,898)</u> | <u>(32,026)</u> |
| Net Investment Loss | <u>(1,948,453)</u> | <u>(212,035)</u> | <u>(2,160,488)</u> |
| Total Additions | (1,311,627) | (101,759) | (1,413,386) |
| DEDUCTIONS | | | |
| Retirement Benefits | <u>657,075</u> | <u>-0-</u> | <u>657,075</u> |
| CHANGES in NET POSITION | (1,968,702) | (101,759) | (2,070,461) |
| NET POSITION | | | |
| Beginning | <u>12,880,300</u> | <u>1,541,272</u> | <u>14,421,572</u> |
| Ending | 10,911,598 | 1,439,513 | 12,351,111 |

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 10 - DEFERRED COMPENSATION PLAN

The Borough administers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. In accordance with GASB Statement No. 97, this plan does not meet the requirements to be reported as a fiduciary activity within the Borough's financial statements. 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. There are no employer contributions to the plan.

NOTE 11 - FUND BALANCE CLASSIFICATIONS

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

| | General Fund | Capital Project Fund | Parks and Recreation Fund | Liquid Fuels Fund | Debt Service Fund | Other Funds | Total Governmental Funds |
|--|------------------|----------------------------|---------------------------------|-------------------------|-------------------------|----------------|--------------------------------|
| Restricted for: | | | | | | | |
| Construction and Maintenance of Roads and Bridges | -0- | -0- | -0- | 1,058,894 | -0- | -0- | 1,058,894 |
| Law Enforcement Purposes in Accordance with the Federal Equitable Sharing Program | -0- | -0- | -0- | -0- | -0- | 366 | 366 |
| Subdivision Escrow Amounts Due to Developers | -0- | -0- | -0- | -0- | -0- | 20,138 | 20,138 |
| Purposes Allowed by ARPA | <u>899,186</u> | <u>-0-</u> | <u>75,361</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>974,547</u> |
| Total Restricted | 899,186 | -0- | 75,361 | 1,058,894 | -0- | 20,504 | 2,053,945 |
| Committed to: | | | | | | | |
| Unemployment Compensation | 7,334 | -0- | -0- | -0- | -0- | -0- | 7,334 |
| Health Insurance | <u>1,199,624</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>1,199,624</u> |
| Total Committed | 1,206,958 | -0- | -0- | -0- | -0- | -0- | 1,206,958 |

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 11 - FUND BALANCE CLASSIFICATIONS (Continued)

| | General Fund | Capital Project Fund | Parks and Recreation Fund | Liquid Fuels Fund | Debt Service Fund | Other Funds | Total Governmental Funds |
|---|------------------|----------------------|---------------------------|-------------------|-------------------|----------------|--------------------------|
| Assigned to: | | | | | | | |
| Offset 2023 Budget | | | | | | | |
| Deficit | 1,188,214 | -0- | -0- | -0- | -0- | -0- | 1,188,214 |
| Fire Company Capital | | | | | | | |
| Reserve Contributions | 207,278 | -0- | -0- | -0- | -0- | -0- | 207,278 |
| Capital Improvements | -0- | 1,338,824 | -0- | -0- | -0- | -0- | 1,338,824 |
| Vehicle and Equipment | | | | | | | |
| Purchases | -0- | -0- | -0- | -0- | -0- | 612,116 | 612,116 |
| Debt Service Payments | -0- | -0- | -0- | -0- | 414 | -0- | 414 |
| Maintenance and Related | | | | | | | |
| Capital Projects of Parks and Recreation Facilities | -0- | -0- | 579,319 | -0- | -0- | -0- | 579,319 |
| Community Park Capital | | | | | | | |
| Project | -0- | -0- | 300,000 | -0- | -0- | -0- | 300,000 |
| Subdivision Escrow Fund | -0- | -0- | -0- | -0- | -0- | 24,494 | 24,494 |
| Police Department Training and Equipment | -0- | -0- | -0- | -0- | -0- | 11,065 | 11,065 |
| Total Assigned | 1,395,492 | 1,338,824 | 879,319 | -0- | 414 | 647,675 | 4,261,724 |
| Total Unassigned | 611,356 | -0- | -0- | -0- | -0- | -0- | 611,356 |
| | 4,112,992 | 1,338,824 | 954,680 | 1,058,894 | 414 | 668,179 | 8,133,983 |

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 receipts. The Borough intends to use such funds to balance any budget deficits from receipt 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, 2022, is \$467,461 and is presented as part of the unassigned general fund balance.

The Borough established fund balance policies governing fund balances of the general fund, capital projects funds, parks and recreation 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 receipts. There shall be yearly commitments for train station, unemployment compensation, and health insurance disbursements within the general fund.

Capital projects funds - minimum \$1,000,000 subject to annual CPI increases.

Parks and recreation fund - minimum \$100,000 subject to annual CPI increases.

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 11 - FUND BALANCE CLASSIFICATIONS (Continued)

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 receipts.

As of December 31, 2022, all of these funds met or exceeded their minimum fund balances goals.

NOTE 12 - 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.

Funding Policy

The Borough has elected to finance postemployment benefits on a pay-as-you-go basis. The Borough recognizes disbursements for postemployment group insurance when paid by the Borough. During the year ended December 31, 2022, the Borough paid benefits and recognized disbursements in the amount of \$72,975. The Borough received \$10,147 from plan participants during the year ended December 31, 2022. These financial statements assume that pay-as-you-go funding will continue.

Employees Covered by Benefit Terms

At December 31, 2022, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 5 |
| Inactive Employees Entitled to but not yet Receiving Benefits | 6 |
| Active Employees | <u>16</u> |
| | 27 |

Borough of Elizabethtown
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 13 - 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 disbursements 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 entered into a collective bargaining agreement which will expire December 31, 2026. The agreement stipulates wages, benefits, and general working conditions for the Borough's police officers. Pay increases of 2.25% to 2.5% per year are scheduled for each year remaining on the agreement.

Contractual Commitment

The Borough has entered into a solid waste collection and disposal services contract with a third party commencing on January 1, 2023 and expiring on December 31, 2025. The cost for the services is calculated by an agreed-upon formula and is subject to annual CPI increases. The estimated cost for the year ended December 31, 2023 is \$772,000.

Capital Projects

During 2022, the Borough placed orders in the total amount of \$352,000 for playground equipment that is expected to be received and paid for in 2023. Certain parts of the order are subject to cancellation fees.

NOTE 14 - 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, 2022, there were no tax abatements resulting from this program.

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

| | Budget Amounts | | | Variance With Final Budget Favorable (Nonfavorable) |
|---|----------------|--------------|--------------|--|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Taxes | \$ 4,899,424 | \$ 4,899,424 | \$ 5,196,408 | \$ 296,984 |
| Licenses and Permits | 202,200 | 202,200 | 547,430 | 345,230 |
| Fines and Forfeits | 23,000 | 23,000 | 37,151 | 14,151 |
| Interests, Rents, and Royalties | 21,870 | 21,870 | 106,161 | 84,291 |
| Intergovernmental | 968,401 | 968,401 | 1,003,358 | 34,957 |
| Charges for Services | 1,138,707 | 1,138,707 | 1,261,074 | 122,367 |
| Service Agreement Revenue | 48,000 | 48,000 | 48,000 | -0- |
| Total Revenues | 7,301,602 * | 7,301,602 * | 8,199,582 | 897,980 |
| EXPENDITURES | | | | |
| General Government | 370,384 | 370,384 | 312,864 | 57,520 |
| Public Safety | 2,755,389 | 2,755,389 | 2,499,906 | 255,483 |
| Public Works | 1,798,360 | 1,798,360 | 1,540,599 | 257,761 |
| Culture and Recreation | 441,427 | 441,427 | 404,956 | 36,471 |
| Community Development | 43,700 | 43,700 | 77,608 | (33,908) |
| Insurance, Pension, and Other Benefits | 1,436,785 | 1,436,785 | 1,389,661 | 47,124 |
| Total Expenditures | 6,846,045 | 6,846,045 | 6,225,594 | 620,451 |
| EXCESS of REVENUES OVER EXPENDITURES | 455,557 | 455,557 | 1,973,988 | 1,518,431 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Refunds of Prior Year Expenditures | 1,000 | 1,000 | 63,463 | 62,463 |
| Sale of Assets | 250 | 250 | 3,703 | 3,453 |
| Interfund Transfers | (673,662) | (673,662) | (1,362,949) | (689,287) |
| Net Other Financing Uses | (672,412) | (672,412) | (1,295,783) | (623,371) |
| NET CHANGES in FUND BALANCES | \$ (216,855) | \$ (216,855) | \$ 678,205 | \$ 895,060 |

*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, 2022

| | Budget Amounts | | Actual | Variance With Final Budget Favorable (Nonfavorable) |
|---|--------------------|--------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Interests, Rents, and Royalties | \$ 225 | \$ 225 | \$ 10,036 | \$ 9,811 |
| Intergovernmental | 425,000 | 425,000 | 232,044 | (192,956) |
| Miscellaneous | <u>500</u> | <u>500</u> | <u>1,100</u> | <u>600</u> |
| Total Revenues | 425,725 * | 425,725 * | 243,180 | (182,545) |
| EXPENDITURES | | | | |
| Culture and Recreation | <u>619,500</u> | <u>619,500</u> | <u>345,253</u> | <u>274,247</u> |
| DEFICIENCY of REVENUES OVER EXPENDITURES | (193,775) | (193,775) | (102,073) | 91,702 |
| OTHER FINANCING SOURCES | | | | |
| Interfund Transfers | <u>150,000</u> | <u>150,000</u> | <u>500,000</u> | <u>350,000</u> |
| NET CHANGES in FUND BALANCES | <u>\$ (43,775)</u> | <u>\$ (43,775)</u> | <u>\$ 397,927</u> | <u>\$ 441,702</u> |

*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 -
LIQUID FUELS FUND
Year Ended December 31, 2022

| | Budget Amounts | | Actual | Variance With Final Budget Favorable (Nonfavorable) |
|---|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Interests, Rents, and Royalties | \$ 350 | \$ 350 | \$ 18,049 | \$ 17,699 |
| Intergovernmental | <u>293,312</u> | <u>293,312</u> | <u>298,188</u> | <u>4,876</u> |
| Total Revenues | 293,662 * | 293,662 * | 316,237 | 22,575 |
| EXPENDITURES | | | | |
| Public Works | <u>32,700</u> | <u>32,700</u> | <u>13,478</u> | <u>19,222</u> |
| Total Expenditures | <u>32,700</u> | <u>32,700</u> | <u>13,478</u> | <u>19,222</u> |
| EXCESS of REVENUES OVER EXPENDITURES | <u>260,962</u> | <u>260,962</u> | <u>302,759</u> | <u>41,797</u> |
| NET CHANGES in FUND BALANCES | <u>\$ 260,962</u> | <u>\$ 260,962</u> | <u>\$ 302,759</u> | <u>\$ 41,797</u> |

*Budgeted revenue does not include budgeted beginning cash balance.

See independent auditors' report.

Borough of Elizabethtown
 CONCISE STATEMENT for PUBLICATION -
 Modified Cash Basis
 Year 2022

GOVERNMENT-WIDE and FIDUCIARY FUND FINANCIAL INFORMATION

| | Government-Wide | Fiduciary Funds |
|--|--------------------------------|----------------------------------|
| Total Assets | \$ 13,105,196 | \$ 12,351,111 |
| Total Liabilities | <u>-0-</u> | <u>-0-</u> |
| Total Net Position | <u>13,105,196</u> | <u>12,351,111</u> |
| Total Net Position - Restricted | <u>2,053,945</u> | <u>12,351,111</u> |
| Total Net Position - Unrestricted | <u><u>\$ 11,051,251</u></u> | <u><u>\$ -0-</u></u> |
| Total Revenue | \$ 13,413,689 | \$ (1,413,386) |
| Total Expenses | <u>11,539,562</u> | <u>657,075</u> |
| Changes in Total Net Position | <u><u>\$ 1,874,127</u></u> | <u><u>\$ (2,070,461)</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% |
| 01/01/2020 | 10,567,197 | | | | | | |
| 01/01/2021 | 11,834,179 | 11,775,749 | (58,430) | (0.50)% | 100.50% | 1,587,496 | (3.70)% |
| 01/01/2022 | 12,880,300 | | | | | | |

*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, 2021
(Unaudited)

Actuarial Present Value of Future Benefits

| | |
|--------------------|------------------|
| Active Members | \$ 6,893,212 |
| Terminated Members | 566,441 |
| Retired Members | <u>7,801,991</u> |

| | |
|---|-------------------|
| Total Actuarial Present Value of Future Benefits | 15,261,644 |
|---|-------------------|

| | |
|---|---------------------------|
| Actuarial Present Value of Future Normal Costs | <u>(3,485,895)</u> |
|---|---------------------------|

| | |
|------------------------------------|-------------------|
| Actuarial Accrued Liability | 11,775,749 |
|------------------------------------|-------------------|

| | |
|----------------------------------|----------------------------|
| Actuarial Value of Assets | <u>(11,834,179)</u> |
|----------------------------------|----------------------------|

| | |
|---|---------------------------|
| Unfunded Actuarial Accrued Liability (Asset) | <u>\$ (58,430)</u> |
|---|---------------------------|

*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, 2019 - January 1, 2021

(Unaudited)

| | | |
|---|-----------------|---------------------------|
| Unfunded Actuarial Accrued Liability at January 1, 2019 | | \$ 1,760,368 |
| Additions | | |
| Normal Costs | 602,118 | |
| Administrative Expenses | 82,242 | |
| Interest on Unfunded Actuarial Accrued Liability, Normal Costs, and Administrative Expenses | <u>325,728</u> | |
| Total Additions | | 1,010,088 |
| Contributions | | |
| Employer and State Contributions | (834,431) | |
| Employee Contributions | (166,007) | |
| Interest on Contributions | <u>(52,030)</u> | |
| Total Contributions | | (1,052,468) |
| Adjustment for Funding Deviation | | (317,638) |
| Change in Actuarial Assumptions | | 296,893 |
| Actuarial Loss | | |
| Investment Gain | (1,622,882) | |
| Experience Gain | (450,429) | |
| Funding Deviation | <u>317,638</u> | |
| Total Actuarial Gain | | <u>(1,755,673)</u> |
| Unfunded Actuarial Accrued Liability (Asset) at January 1, 2021 | | <u>\$ (58,430)</u> |

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

See independent auditors' report.