

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2015**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**DECEMBER 31, 2015**

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## **INDEPENDENT AUDITOR'S REPORT**

To The Mayor and Members of Council  
Borough of East Petersburg  
East Petersburg, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Borough of East Petersburg as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



### **Summary of Opinions**

<b><u>Opinion Unit</u></b>		<b><u>Type of Opinion</u></b>	
Governmental Activities Unmodified	Business-Type Activities Unmodified		
General Fund		Unmodified	
Capital Projects Fund		Unmodified	
Fire Tax Protection Fund	Unmodified	Highway Aid Fund	Unmodified
Municipal Trash Fund	Unmodified		
Water Fund		Unmodified	
Aggregate Remaining Fund Information		Unmodified	

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Borough of East Petersburg as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### **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 principle generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's modified cash basic financial statements. The combining capital projects fund financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining capital projects fund financial statements is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Disclaimer of Opinion on Other Information**

The budgetary comparison information on page 23, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Matters**

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Sager, Swisher and Company, LLP**

Columbia, Pennsylvania  
May 2, 2016

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EAST PETERSBURG, PENNSYLVANIA

STATEMENT OF NET POSITION – MODIFIED CASH BASIS  
DECEMBER 31, 2015

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 1,510,469	\$ 1,125,784	\$ 2,636,253
Investments	159,166	--	159,166
Internal Balances	<u>(19,483)</u>	<u>19,483</u>	<u>--</u>
<b>Total Current Assets</b>	<u>1,650,152</u>	<u>1,145,267</u>	<u>2,795,419</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,650,152</u>	<u>\$ 1,145,267</u>	<u>\$ 2,795,419</u>
<b>LIABILITIES</b>			
Payroll Deductions and Withholdings	\$ 3,670	\$ --	\$ 3,670
Escrow Deposits	19,959	--	19,959
Deposits Held	<u>200</u>	<u>--</u>	<u>200</u>
<b>TOTAL LIABILITIES</b>	<u>23,829</u>	<u>--</u>	<u>23,829</u>
<b>NET POSITION</b>			
Restricted	1,144,884	--	1,144,884
Unrestricted	<u>481,439</u>	<u>1,145,267</u>	<u>1,626,706</u>
<b>TOTAL NET POSITION</b>	<u>1,626,323</u>	<u>1,145,267</u>	<u>2,771,590</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 1,650,152</u>	<u>\$ 1,145,267</u>	<u>\$ 2,795,419</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2015**

<u>Functions/Programs</u>	Net (Expense) Revenue and						
	<u>Program Revenues</u>			<u>Changes in Net Position</u>			<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	
<b>Governmental Activities</b>							
General Government	\$ 360,937	\$ 45,252	\$ --	\$ --	\$ (315,685)	\$ --	\$ (315,685)
Public Safety	840,121	31,599	29,776	--	(778,746)	--	(778,746)
Sanitation	301	--	--	--	(301)	--	(301)

Highways and Streets	278,762	--	--	105,328	(173,434)	--	(173,434)
Culture and Recreation	97,178	--	--	--	(97,178)	--	(97,178)
Debt Service	47,831	--	--	--	(47,831)	--	(47,831)
Employee Benefits, Insurance and Other							
Miscellaneous Expenses	<u>91,157</u>	<u>--</u>	<u>13,776</u>	<u>--</u>	<u>(77,381)</u>	<u>--</u>	<u>(77,381)</u>
<b>Total Governmental Activities</b>	<u>1,716,287</u>	<u>76,851</u>	<u>43,552</u>	<u>105,328</u>	<u>(1,490,556)</u>	<u>--</u>	<u>(1,490,556)</u>
<b>Business-Type Activities</b>							
Trash	362,414	379,212	3,713	--	--	20,511	20,511
Water	655,539	757,243	9,175	--	--	110,879	110,879
Rental Fund	<u>10,436</u>	<u>6,550</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(3,886)</u>	<u>(3,886)</u>
<b>Total Business-Type Activities</b>	<u>1,028,389</u>	<u>1,143,005</u>	<u>12,888</u>	<u>--</u>	<u>--</u>	<u>127,504</u>	<u>127,504</u>
<b>Total Entity-Wide Activities</b>	<u>\$ 2,744,676</u>	<u>\$ 1,219,856</u>	<u>\$ 56,440</u>	<u>\$ 105,328</u>	<u>(1,490,556)</u>	<u>127,504</u>	<u>(1,363,052)</u>

#### General Revenues

Property Taxes, Levied for General Purposes, Net	1,002,134	--	1,002,134
Other Taxes and Franchise Fees Levied for			
Specific Purposes, Net	727,427	--	727,427
Investment Earnings	185	55	240
Miscellaneous Income	<u>2,905</u>	<u>2,172</u>	<u>5,077</u>
<b>Total General Revenues</b>	<u>1,732,651</u>	<u>2,227</u>	<u>1,734,878</u>
<b>Transfers</b>	25,000	(25,000)	--
<b>Change in Net Position</b>	267,095	104,731	371,826
<b>Net Position – January 1, 2015</b>	<u>1,359,228</u>	<u>1,040,536</u>	<u>2,399,764</u>

**Net Position – December 31, 2015**

\$ 1,626,323      \$ 1,145,267      \$ 2,771,590

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**BALANCE SHEET – MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	<b>Major Funds</b>			<b>Highway</b>	
	<b>General</b>	<b>Capital</b>	<b>Fire Tax</b>	<b>Aid</b>	
	<b>Fund</b>	<b>Projects</b>	<b>Protection</b>	<b>Fund</b>	<b>Total</b>
		<b>Fund</b>	<b>Fund</b>		
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 587,111	\$ 685,505	\$ 103,840	\$ 134,013	\$ 1,510,469
Investments	--	137,807	21,359	--	159,166
Due from Other Funds	<u>5,366</u>	<u>65,000</u>	<u>--</u>	<u>--</u>	<u>70,366</u>
<b>Total Current Assets</b>	<u>592,477</u>	<u>888,312</u>	<u>125,199</u>	<u>134,013</u>	<u>1,740,001</u>
<b>TOTAL ASSETS</b>	<u>\$ 592,477</u>	<u>\$ 888,312</u>	<u>\$ 125,199</u>	<u>\$ 134,013</u>	<u>\$ 1,740,001</u>
<b>LIABILITIES</b>					
Due to Other Funds	\$ 86,068	\$ --	\$ 3,781	\$ --	\$ 89,849
Payroll Deductions and Withholdings	3,670	--	--	--	3,670
Escrow Deposits	19,959	--	--	--	19,959
Deposits Held	<u>200</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>200</u>
<b>TOTAL LIABILITIES</b>	<u>109,897</u>	<u>--</u>	<u>3,781</u>	<u>--</u>	<u>113,678</u>
<b>FUND BALANCES</b>					
Restricted	1,141	888,312	121,418	134,013	1,144,884
Assigned	26,781	--	--	--	26,781
Unassigned	<u>454,658</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>454,658</u>
<b>TOTAL FUND BALANCES</b>	<u>482,580</u>	<u>888,312</u>	<u>121,418</u>	<u>134,013</u>	<u>1,626,323</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 592,477</u>	<u>\$ 888,312</u>	<u>\$ 125,199</u>	<u>\$ 134,013</u>	<u>\$ 1,740,001</u>

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

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**MODIFIED CASH BASIS – GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2015**

	<u>Major Funds</u>				
	<u>Capital</u>	<u>Fire Tax</u>	<u>Highway</u>		
	<u>General</u>	<u>Projects</u>	<u>Protection</u>	<u>Aid</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<b>REVENUES</b>					
Real Estate Taxes and Penalties	\$ 816,299	\$ --	\$ 185,835	\$ --	\$ 1,002,134
Other Taxes	667,078	--	--	--	667,078
Licenses and Permits	60,389	--	--	--	60,389
Fines and Forfeits	20,545	--	--	--	20,545
Interest, Rents and Royalties	8,416	135	22	22	8,595
Intergovernmental Revenue	43,552	--	--	105,328	148,880
Charges for Services	47,856	--	--	--	47,856
Miscellaneous Revenue	<u>2,905</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,905</u>
<b>TOTAL REVENUES</b>	<u>1,667,040</u>	<u>135</u>	<u>185,857</u>	<u>105,350</u>	<u>1,958,382</u>
<b>EXPENDITURES</b>					
General Government	288,406	72,531	--	--	360,937
Public Safety	673,728	--	166,393	--	840,121
Sanitation	301	--	--	--	301
Highways and Streets	122,468	15,865	--	140,429	278,762
Culture and Recreation	97,178	--	--	--	97,178
Debt Service	47,831	--	--	--	47,831
Employee Benefits, Insurance and Other					
Miscellaneous Expenditures	<u>91,157</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>91,157</u>
<b>TOTAL EXPENDITURES</b>	<u>1,321,069</u>	<u>88,396</u>	<u>166,393</u>	<u>140,429</u>	<u>1,716,287</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>345,971</u>	<u>(88,261)</u>	<u>19,464</u>	<u>(35,079)</u>	<u>242,095</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	15,000	90,349	--	--	105,349
Transfers Out	<u>(80,349)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(80,349)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(65,349)</u>	<u>90,349</u>	<u>--</u>	<u>--</u>	<u>25,000</u>
<b>Changes in Fund Balances</b>	280,622	2,088	19,464	(35,079)	267,095

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

<b>Fund Balances – January 1, 2015</b>	<u>201,958</u>	<u>886,224</u>	<u>101,954</u>	<u>169,092</u>	<u>1,359,228</u>
<b>Fund Balances – December 31, 2015</b>	<u>\$ 482,580</u>	<u>\$ 888,312</u>	<u>\$ 121,418</u>	<u>\$ 134,013</u>	<u>\$ 1,626,323</u>

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**STATEMENT OF NET POSITION – MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2015**

	<u>Major Funds</u>		<u>Nonmajor</u>	
	<u>Municipal</u>		<u>Fund</u>	
	<u>Trash</u>	<u>Water</u>	<u>6060 Main St.</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 303,073	\$ 813,011	\$ 9,700	\$ 1,125,784
Due from Other Funds	<u>235</u>	<u>25,461</u>	<u>--</u>	<u>25,696</u>
<b>Total Current Assets</b>	<u>303,308</u>	<u>838,472</u>	<u>9,700</u>	<u>1,151,480</u>
<b>TOTAL ASSETS</b>	<u>\$ 303,308</u>	<u>\$ 838,472</u>	<u>\$ 9,700</u>	<u>\$ 1,151,480</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Due to Other Funds	\$ 6,213	\$ --	\$ --	\$ 6,213
<b>TOTAL LIABILITIES</b>	<u>6,213</u>	<u>--</u>	<u>--</u>	<u>6,213</u>
<b>NET POSITION</b>				
Unrestricted	<u>297,095</u>	<u>838,472</u>	<u>9,700</u>	<u>1,145,267</u>
<b>TOTAL NET POSITION</b>	<u>297,095</u>	<u>838,472</u>	<u>9,700</u>	<u>1,145,267</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 303,308</u>	<u>\$ 838,472</u>	<u>\$ 9,700</u>	<u>\$ 1,151,480</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –  
MODIFIED CASH BASIS - PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2015**

	<u>Major Funds</u>		<u>Nonmajor</u>	
	<u>Municipal</u>		<u>Fund</u>	
	<u>Trash</u>	<u>Water</u>	<u>6060 Main St.</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
<b>OPERATING REVENUE</b>				
Charges and Fees	\$ 362,205	\$ 679,905	\$ --	\$ 1,042,110
<b>TOTAL OPERATING REVENUE</b>	<u>362,205</u>	<u>679,905</u>	<u>--</u>	<u>1,042,110</u>
<b>OPERATING EXPENSES</b>				
Salaries	15,114	149,730	--	164,844
Payroll Taxes	1,472	12,995	--	14,467
Employee Benefits	2,159	46,916	--	49,075
Pension Contribution	574	9,613	--	10,187
Worker's Compensation	--	8,952	--	8,952
Office Expenses	4,088	9,167	--	13,255
Dues and Subscriptions	--	1,251	--	1,251
Education and Training	--	990	--	990



**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

Professional Services	4,332	42,741	--	47,073
Telephone	--	4,605	--	4,605
Disposal Fees	290,047	--	--	290,047
Material and Supplies	9,020	127,597	--	136,617
Utilities	--	38,457	--	38,457
Repairs and Maintenance	--	125,777	--	125,777
Water Testing and Analysis	--	6,968	--	6,968
Purchased Services	7,480	17,642	--	25,122
Vehicle Expenses	--	12,004	--	12,004
Permits	--	620	--	620
General Insurance	--	10,977	--	10,977
Uniforms	--	924	--	924
Small Equipment	905	10,140	--	11,045
Recreation	26,144	--	--	26,144
Other	<u>1,079</u>	<u>755</u>	--	<u>1,834</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>362,414</u>	<u>638,821</u>	--	<u>1,001,235</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(209)</u>	<u>41,084</u>	--	<u>40,875</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Transfers In	--	10,000	--	10,000
Transfers Out	(25,000)	(10,000)	--	(35,000)
Grant Revenue	3,139	--	--	3,139
General Municipal Pension System State Aid	574	9,175	--	9,749
Rental Income	--	77,338	6,550	83,888
Interest Income	--	55	--	55
Debt Service	--	(16,718)	--	(16,718)
Rental Property Expense	--	--	(10,436)	(10,436)
Miscellaneous Income	<u>17,007</u>	<u>2,172</u>	--	<u>19,179</u>
<b>TOTAL NON-OPERATING</b>				
<b>REVENUES (EXPENSES)</b>	<u>(4,280)</u>	<u>72,022</u>	<u>(3,886)</u>	<u>63,856</u>
<b>Changes in Net Position</b>	(4,489)	113,106	(3,886)	104,731
<b>Net Position – January 1, 2015</b>	<u>301,584</u>	<u>725,366</u>	<u>13,586</u>	<u>1,040,536</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

<b>Net Position – December 31, 2015</b>	<u>\$ 297,095</u>	<u>\$ 838,472</u>	<u>\$ 9,700</u>	<u>\$ 1,145,267</u>
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**STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2015**

	<u>Major Funds</u>		<u>Nonmajor Fund</u>
	<u>Municipal Trash Fund</u>	<u>Water Fund</u>	<u>6060 Main St. Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 362,205	\$ 679,905	\$ --
Cash Payments for Goods and Services	(347,300)	(489,091)	--
Cash Payments to Employees	(15,114)	(149,730)	--
Cash Received (Paid) - Interfund Transactions	<u>1,585</u>	<u>(10,022)</u>	<u>--</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>1,376</u>	<u>31,062</u>	<u>--</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State Sources	<u>3,713</u>	<u>9,175</u>	<u>--</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>3,713</u>	<u>9,175</u>	<u>--</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interfund Transfers	(25,000)	--	--
Rental Income	--	77,338	6,550
Nonoperating Revenues	17,007	2,172	--
Principal Payments for Long-Term Debt	--	(12,294)	--
Interest Paid	--	(4,424)	--
Payments for Rental Property Expense	<u>--</u>	<u>--</u>	<u>(11,536)</u>
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(7,993)</u>	<u>62,792</u>	<u>(4,986)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Earnings on Investments	<u>--</u>	<u>55</u>	<u>--</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>--</u>	<u>55</u>	<u>--</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(2,904)	103,084	(4,986)
<b>Cash and Cash Equivalents – Beginning of Year</b>	<u>305,977</u>	<u>709,927</u>	<u>14,686</u>
<b>Cash and Cash Equivalents – End of Year</b>	<u>\$ 303,073</u>	<u>\$ 813,011</u>	<u>\$ 9,700</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2015**

<u>Major Funds</u>	Nonmajor	Municipal Trash	<u>Fund Water</u>	<u>6060 Main St.</u>
		<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (209)	\$ 41,084	\$ --	
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
(Increase) Decrease in Due from Other Funds		(235)	(10,022)	--
Increase (Decrease) in Due to Other Funds		<u>1,820</u>	<u>--</u>	<u>--</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ <u>1,376</u></b>	<b>\$ <u>31,062</u></b>	<b>\$ <u>--</u></b>	<b>STATEMENT OF FIDUCIARY NET POSITION</b>
<b>MODIFIED CASH BASIS – FIDUCIARY FUND DECEMBER 31, 2015</b>				

	<b>Non-Uniform Pension Fund</b>
<b>ASSETS</b>	
Investments	<u>\$ 139,097</u>
<b>TOTAL ASSETS</b>	<u>\$ 139,097</u>
<b>LIABILITIES</b>	<u>\$ --</u>

The accompanying notes are an integral part of these financial statements.

## NET POSITION

Restricted for  
Pension Benefits

139,097

**TOTAL NET POSITION**

139,097

**TOTAL LIABILITIES AND NET POSITION**

\$ 139,097

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
MODIFIED CASH BASIS – FIDUCIARY FUND  
YEAR ENDED DECEMBER 31, 2015**

	<b>Non-Uniform Pension Fund</b>
	<u>                    </u>
<b>ADDITIONS</b>	
State Contributions – Act 205	\$ 22,384
Investment Income	<u>923</u>
<b>TOTAL ADDITIONS</b>	<u>23,307</u>
<b>DEDUCTIONS</b>	
Distributions and Benefit Payments	<u>109,515</u>
<b>TOTAL DEDUCTIONS</b>	<u>109,515</u>
<b>Changes in Net Position</b>	(86,208)
<b>Net Position – January 1, 2015</b>	<u>225,305</u>
<b>Net Position – December 31, 2015</b>	<u>\$ 139,097</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Borough of East Petersburg were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body of the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

**A. Reporting Entity**

In evaluating the Borough as a reporting entity, management has addressed all potential component units, which may or may not fall within the Borough's financial accountability. The criteria used to evaluate component units for possible inclusion of the Borough's reporting entity are financial accountability and the nature and significance of the relationship. This report includes all of the funds of the Borough of East Petersburg. The Borough is not a component unit of another reporting entity, nor does it have any component units.

The following joint ventures are not component units of the Borough of East Petersburg, and are not included in this report:

Hempfield Area Recreation Commission (HARC) – is a separate legal entity. It was organized to provide for recreational needs of the residents of the Hempfield area. HARC uses the Hempfield Sports Complex and existing school or municipal facilities to provide a wide range of activities year round under the supervision of an executive director. HARC is composed of a chairman (member-at-large) and a tenmember board with members from each of the following five entities: Borough of East Petersburg, Borough of Mountville, Hempfield School District, East Hempfield Township, and West Hempfield Township. HARC is not reported as part of the Borough's reporting entity. For the year ended December 31, 2015, the Borough contributed \$8,928 to HARC. Complete financial statements for HARC can be obtained from the HARC Office at the Hempfield Sports Complex at 950 Church Street, Landisville, PA 17538.

**B. 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 by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

**C. Basis of Presentation**

**Government-wide financial statements** (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately in the government-wide financial statements.

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Borough's governmental and business-type activities. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**C. Basis of Presentation (Continued)**

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

The Borough reports the following major governmental funds:

The general fund is the Borough's principal operating fund used to account for all financial resources except those required to be in another fund. This fund also includes the activities of the payroll fund, the snow maintenance fund, the Thousand Islands LP fund, and the escrow fund.

The capital projects fund is used to account for financial resources related to fixed asset acquisitions, construction and improvements. This fund includes the Capital Reserve Funds, Construction Fund, Equipment Reserve Fund, and the Pool Reserve Fund.

The special revenue funds account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The funds included in this category are:

- The Fire Tax Protection Fund was established to account for the portion of the real estate tax receipts levied for fire taxes. Disbursements from this fund are to reimburse the volunteer fire company located within the Borough for expenses incurred.
- The Highway Aid Fund was established to account for the state distributions of the proceeds from the state tax on gasoline. Under the Act of June 1, 1956, P.L. 1944, No. 145, this fund must be kept separate from all other funds and no other funds shall be commingled with this fund. Disbursements from this fund are primarily for street construction and maintenance and repairs.

The Borough also reports the following enterprise funds:

The Municipal Trash Fund accounts for the revenues and other costs and expenses of providing trash/recycling services to residents, commercial, and industrial entities.

The Water Fund accounts for the revenues and other costs and expenses of providing water service to residents, commercial and industrial entities. This fund also includes activities of the water reserve fund.



**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The 6060 Main Street Fund accounts for the revenue and other costs and expenses to maintain the rental property located at 6060 Main Street.

Fiduciary Fund Types are used to 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:

The Non-Uniformed Pension Fund was established to provide benefits for Borough employees. The principal revenue source for these funds is state contributions, employer contributions and investment earnings.

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements regardless of measurement focus.

The Borough's accounts are maintained, and these statements are presented, on the modified cash basis of accounting under which income collected, costs and expenses paid, assets, liabilities, fund balance and net assets arising as a result of cash transactions or from the acquisition of long-lived assets, for cash are recognized. Receivables, payables, and deferred expenses, which may be material in amount, are not reflected in the accompanying financial statements which are not intended to present the financial position or the results of operations in conformity with generally accepted accounting principles.

**E. Budgets and Budgetary Accounting**

An operating budget is adopted every year for the general fund on a modified cash basis of accounting. The general fund is the only fund for which a budget is legally required.

Appropriations lapse at the end of the year. Board approval is required for budget amendments. In order to preserve a portion of an appropriation for which an expenditure has been committed by purchase order, contract, or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at the year-end are reported as reservations of fund balances. As of December 31, 2015, the Borough had no encumbrances.

The Borough Council may make new appropriations, supplementary appropriations and transfers from one appropriation to another during the fiscal year, provided it is within the current year's revenues or from funds made available from additional borrowings.

**F. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

**G. Capital Assets**

Capital assets are not recorded and are considered an expenditure when purchased. No depreciation has been provided for in these financial statements.

**H. Long-Term Debt**

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and the payment of principal and interest are reported as expenditures.

**I. Estimates**

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reporting amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Cash, Cash Equivalents and Investments**

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

All investments are stated at cost, which approximates fair value.

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. During the year ended December 31, 2015, the Borough did not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. During the year ended December 31, 2015, the Borough did not have any deferred inflows of resources.

**L. Net Position Flow Assumption**

Sometimes the Borough will fund outlays for a particular purpose from both restricted and unrestricted resources. It is the Borough's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**M. Fund Balance Policy**

The Borough implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to address issues related to how fund balance was being reported. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable – amounts that are not in spendable form (such as inventory) or required to be legally or contractually maintained intact,

Restricted – amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS**

Committed – amounts that can be used only for the specific purposes determined by a formal action of the Borough Council (the borough's highest level of decision making authority). The Council is required to also take formal action to modify or rescind the commitment,

Assigned – amounts intended to be used by the Borough for specific purposes that are neither restricted nor committed. Assignments can be made by the governing body itself or by its designee,

Unassigned – residual classification for the Borough's general fund and includes all spendable amounts not contained in the other classifications.

**DECEMBER 31, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Date of Management's Review

Management has evaluated subsequent events through May 2, 2016, the date the financial statements were available to be issued.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including obligations of (1) the United States of America or any of its agencies or instrumentalities back by full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation are authorized to the extent that such accounts are so insured and, for amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in a variety of investments as determined by the respective boards.

**Cash**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned. The Borough does not have a policy for custodial credit risk. As of December 31, 2015, \$2,155,168 of the Borough's bank balance of \$2,655,168 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$	--
Collateralized with securities held by the pledging financial institution	Uninsured	--
and collateral held by the pledging bank's trust department		
not in the Borough's name		<u>2,155,168</u>

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

\$ 2,155,168

Reconciliation to Financial Statements

Uninsured Amount Above	\$ 2,155,168
Plus: Insured Amount	500,000
Deposits in Transit	5,680
Less: Outstanding Checks	<u>(24,795)</u>
Carrying Amount - Bank Balances	2,636,053
Plus: Cash on Hand	<u>200</u>
<b>Total Cash per Financial Statements</b>	<u><b>\$ 2,636,253</b></u>

Investments

As of December 31, 2015, the Borough had the following investments:

<u>Investment</u>	<u>Fair Value</u>
Fulton Bank Certificates of Deposit	<u>\$ 159,166</u>
	<u>\$ 159,166</u>

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Management does monitor rates of returns for investments on a monthly basis.

Credit Risk

The Borough does not have an investment policy that would limit its investment choices to certain credit ratings.

Custodial Credit Risk – Investments

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. As of December 31, 2015, all of the Borough's investments of \$159,166 were exposed to custodial risk as:

Insured or Registered	\$	--
Uninsured or unregistered with securities held by counterparty's trust department		--
Uninsured or unregistered held by the counterparty or by its trust department not in the Borough's name, but pledged collateral under Act 72		<u>159,166</u>
	\$	<u>159,166</u>

Beginning January 1, 2013, all interest and noninterest bearing demand accounts are aggregated in total by financial institution and are fully insured up to \$250,000. Time and savings accounts also have FDIC insurance coverage up to \$250,000. The Borough currently has \$500,000 of FDIC protection, however the remaining deposits of \$2,155,168 with Fulton Bank are still secure, as they are covered by the Pennsylvania Act 72 Collateralization Pool.

Concentration of Credit Risk – Deposits and Investments

All of the Borough's deposits are held with Fulton Bank.

NOTE 3 – INVESTMENTS - PENSION TRUST FUNDS

Investments

As of December 31, 2015, the Borough had the following investments:

<u>Investment</u>	<u>Fair Value</u>	
<u>Non-Uniformed Pension Fund</u>		
Principal Financial	<u>139,097</u>	<u>100.00%</u>
	<u>\$ 139,097</u>	<u>100.00%</u>

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**Credit Risk**

The Borough does not have an investment policy that would limit its investment choices to certain credit ratings.

**NOTE 4 – PROPERTY TAXES AND TAXES RECEIVABLE**

The Borough of East Petersburg did not report taxes receivable or deferred taxes under the modified cash basis of accounting. The amount of real estate taxes receivable at December 31, 2015 was \$24,720, all of which was estimated to be collectible by management.

Property taxes are levied as of January 1 on property values assessed by the county as of the same date. The Borough of East Petersburg's tax rate for the year ended on December 31, 2013 was 3.394 mills (\$3.394 per \$1,000 of assessed valuation) for general Borough purposes and .763 mills (\$.763 per \$1,000 of assessed valuation) for fire protection purposes. A 2% discount is given on taxes paid prior to May 1, the face amount is payable May 1 – June 30 and a 10% penalty is assessed on payment received after June 30. Unpaid taxes as of December 31<sup>st</sup> are submitted to the tax claim bureau for collection on January 15<sup>th</sup> of the year following assessment.

**NOTE 5 – DUE TO/FROM OTHER FUNDS AND TRANSFERS**

Interfund receivable and payable balances as of December 31, 2015 were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 5,366	\$ 86,068
Capital Projects Fund 65,000 -- Fire Tax Protection Fund -- 3,781		
Municipal Trash Fund	235	6,213
Water Fund	<u>25,461</u>	<u>--</u>
	<u>\$ 96,062</u>	<u>\$ 96,062</u>

The interfund balances have arisen due to the transfer of cash amounts between the various funds, that will be repaid after year-end.

Interfund transfers as of December 31, 2015 were as follows:

	<u>Transfer from Other Funds</u>	<u>Transfer to Other Funds</u>
General Fund	\$ 15,000	\$ 80,349
Municipal Trash Fund	--	25,000
Capital Projects Fund	90,349	--
Water Fund	<u>10,000</u>	<u>10,000</u>
	<u>\$ 115,349</u>	<u>\$ 115,349</u>

The interfund transfer from the Municipal Trash Fund to the General Fund in the amount of \$15,000 and to the Water Fund in the amount of \$10,000 were to cover payroll expenditures. The General Fund transferred

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

\$80,349 to the Capital Projects Fund for future capital expenditures. The Water Fund also transferred \$10,000 to the Capital Projects Fund for future equipment purchases.

**NOTE 6 – COMPENSATED ABSENCES**

Borough employees are entitled to compensated absences consisting of accrued vacation and sick leave. As established by policy, the Borough pays all employees who terminate employment or retire for their accumulated sick leave based on \$50 per day. Accrued vacation of up to one week must be used in the first quarter of the next fiscal year. At December 31, 2015, the amount of accrued vacation and sick leave was \$5,327.

**NOTE 7 – LONG-TERM DEBT**

The Borough of East Petersburg did not report long-term debt on the face of the statements under the modified cash basis of accounting.

During 2015, long-term debt changed as follows:

Beginning of Year	\$ 495,604
Principal Paid	<u>(47,468)</u>
End of Year	<u>\$ 448,136</u>

Long-term debt consists of the following:

	<u>December 31, 2015</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
General Obligation Note – Series A of 2013	\$ 332,070	3.60%	1/1/2024
General Obligation Note – Series B of 2013	<u>116,066</u>	3.60%	1/1/2024
	<u>\$ 448,136</u>		

During the year ended December 31, 2013, the Borough issued General Obligation Note Series A and B of 2013 with Fulton Bank to refinance General Obligation Note, Series A and B of 2004 and General Obligation Note, Series A and B of 2008, as well as to borrow additional funds to obtain real estate. The Note bears an interest rate of 3.60% until the seventh anniversary date of the issuance, and thereafter, the Note shall bear an interest to maturity at a variable rate equal to sixty-five (65%) percent of the Fulton Bank Prime Rate.

The calculated future annual payments required to amortize the General Obligation Note Series A and B of 2013 outstanding as of December 31, 2015 are as follows:

Year Ended			
<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 48,946	\$ 15,603	\$ 64,549
2017	50,809	13,740	64,549
2018	52,695	11,854	64,549



**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

2019	54,651	9,898	64,549
2020	56,655	7,894	64,549
2021-2023	<u>184,380</u>	<u>10,907</u>	<u>195,287</u>
	<u>\$ 448,136</u>	<u>\$ 69,896</u>	<u>\$ 518,032</u>

**NOTE 8 – NONUNIFORM PENSION PLAN**

The Borough administers a defined contribution pension plan – The Non-Uniformed Employee Pension Plan (NEPP). The NEPP is a single-employer defined contribution pension plan that covers all fulltime, non-uniformed employees of the Borough. The plan is governed by the East Petersburg Borough Council, who is responsible for the management of plan assets. All full-time, non-uniformed employees join the Plan on January 1 or July 1 after completion of one year of service and attainment of age 21. At December 31, 2015, there were seven plan members. The Borough contributes an amount (determined annually) which is allocated to participants based on compensation. Members are not required to contribute to the plan. For the year ended December 31, 2015, the Borough contributed eight percent (8%) of salary amounts to the Plan. The employer contributions for the year ended December 31, 2015 were \$22,384.

**NOTE 9 – FUND BALANCE**

**Restricted Fund Balance**

The Borough's restricted fund balances are amounts restricted by outside parties. As of December 31, 2015, the Borough's restricted fund balance was \$1,144,884, which consisted of funds in the amount of \$134,013 restricted for use by the Commonwealth of Pennsylvania for Highway Aid purposes; \$888,312 restricted for Capital Purposes; and \$121,418 for fire protection services. An additional \$1,141 has been restricted for repayment back to the Commonwealth for excess Act 205 subsidy received.

**Assigned Fund Balance**

As of December 31, 2015, the Borough's assigned fund balance of \$26,781 consisted of funds set aside for snow maintenance expenses.

**NOTE 10 – RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Borough has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended December 31, 2015 and the two previous fiscal years, no settlements exceeded insurance coverage.

**NOTE 11 – SWIMMING POOL MAINTENANCE AGREEMENT**

In 2014, the Borough re-entered into a five year agreement (12/4/14 – 12/4/19) with the Hempfield Area Recreation Commission (HARC) to operate and manage the East Petersburg swimming pool. Under this agreement, HARC is appointed and hired as the managing agent of the swimming pool operations. The Borough retains ownership of the swimming pool facilities. After the five years of the agreement are completed, the agreement shall renew each year thereafter and continue on a year to year basis.

**NOTE 12 – POLICE SERVICE CONTRACT**

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

The Borough of East Petersburg contracts for police services with Manheim Township. The contract was originally signed in 1977. The Borough made five equal installments to Manheim Township totaling \$473,682 during the year ended December 31, 2015.

**NOTE 13 – LEASES**

The Borough entered into a lease agreement with an individual for the residential property located at 6060 Main Street within the Borough. The lease term began on August 15, 2014 and will expire on August 1, 2015. The tenant agreed to a monthly rental amount of \$1,100, and is responsible for all utility costs. The property has not been rented since the summer of 2015.

**NOTE 14 – COMMITMENT**

In November 2015, the Borough awarded a bid to AG Point Construction to construct a pole storage building in the amount of \$37,661.

**NOTE 15 – SUBSEQUENT EVENTS**

In January 2016, the Borough entered into a loan agreement with Union Community Bank for the purchase of a 2016 Freightliner, a Galion Dump Body and Western Snow Plow in the amount of \$123,000. The loan bears an interest rate of 3.85% and is payable in sixty (60) monthly installments of \$2,259. The final maturity date is January 25, 2021.

In March 2016, the Borough awarded a bid for a valve replacement project to Barrasso Excavating, Inc. for \$39,000. In May 2016, the Borough awarded a bid for paving of Lemon Street to Pennsy Supply, Inc. in the amount of \$116,246 to be paid out of the Liquid Fuels Fund.

**OTHER INFORMATION**  
**OF**  
**BOROUGH OF EAST PETERSBURG**  
**EAST PETERSBURG, PENNSYLVANIA**  
**DECEMBER 31, 2015**

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE**

**BUDGET AND ACTUAL – MODIFIED CASH BASIS – GENERAL FUND  
YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Real Estate Taxes and Penalties	\$ 820,340	\$ 820,340	\$ 816,299	\$ (4,041)
Other Taxes	538,000	538,000	667,078	129,078
Licenses and Permits	45,025	45,025	60,389	15,364
Fines and Forfeits	10,500	10,500	20,545	10,045
Interest, Rents and Royalties	10,860	10,860	8,416	(2,444)
Intergovernmental Revenue	40,500	40,500	43,552	3,052
Charges for Services	28,074	28,074	47,856	19,782
Miscellaneous Revenue	<u>4,200</u>	<u>4,200</u>	<u>2,905</u>	<u>(1,295)</u>
<b>TOTAL REVENUES</b>	<u>1,497,499</u>	<u>1,497,499</u>	<u>1,667,040</u>	<u>169,541</u>
<b>EXPENDITURES</b>				
General Government	299,335	299,335	288,406	10,929
Public Safety	764,119	764,119	673,728	90,391
Sanitation	475	475	301	174
Highways and Streets	132,600	132,600	122,468	10,132
Culture and Recreation	102,700	102,700	97,178	5,522
Debt Service	--	--	47,831	(47,831)
Employee Benefits, Insurance and Other				
Miscellaneous Expenditures	<u>58,865</u>	<u>58,865</u>	<u>91,157</u>	<u>(32,292)</u>
<b>TOTAL EXPENDITURES</b>	<u>1,358,094</u>	<u>1,358,094</u>	<u>1,321,069</u>	<u>37,025</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>139,405</u>	<u>139,405</u>	<u>345,971</u>	<u>206,566</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	--	--	15,000	15,000

Transfers Out	<u>(90,000)</u>	<u>(90,000)</u>	<u>(80,349)</u>	<u>9,651</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(90,000)</u>	<u>(90,000)</u>	<u>(65,349)</u>	<u>24,651</u>
<b>Changes in Fund Balances</b>	49,405	49,405	280,622	231,217
<b>Fund Balances – January 1, 2015</b>	<u>201,958</u>	<u>201,958</u>	<u>201,958</u>	<u>--</u>
<b>Fund Balances – December 31, 2015</b>	<u>\$ 251,363</u>	<u>\$ 251,363</u>	<u>\$ 482,580</u>	<u>\$ 231,217</u>

See accompanying independent auditor's report.

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**SUPPLEMENTARY INFORMATION**  
**OF**  
**BOROUGH OF EAST PETERSBURG**  
**EAST PETERSBURG, PENNSYLVANIA**  
**DECEMBER 31, 2015**

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**COMBINING BALANCE SHEET – MODIFIED CASH BASIS  
CAPITAL PROJECTS FUNDS  
DECEMBER 31, 2015**

	<u>Capital Reserve Fund 30</u>	<u>Capital Reserve Fund 31</u>	<u>Construction Fund</u>	<u>Equipment Reserve Fund</u>	<u>Pool Reserve Fund</u>	<u>Total</u>
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and Cash Equivalents	\$ 617,314	\$ --	\$ 10,881	\$ 51,409	\$ 5,901	\$ 685,505
Investments	137,807	--	--	--	--	137,807
Due from Other Funds	<u>60,607</u>	<u>4,393</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>65,000</u>
<b>Total Current Assets</b>	<u>815,728</u>	<u>4,393</u>	<u>10,881</u>	<u>51,409</u>	<u>5,901</u>	<u>888,312</u>
<b>TOTAL ASSETS</b>	<u>\$ 815,728</u>	<u>\$ 4,393</u>	<u>\$ 10,881</u>	<u>\$ 51,409</u>	<u>\$ 5,901</u>	<u>\$ 888,312</u>
<b>LIABILITIES</b>						
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<b>FUND BALANCES</b>						
Restricted	<u>815,728</u>	<u>4,393</u>	<u>10,881</u>	<u>51,409</u>	<u>5,901</u>	<u>888,312</u>
<b>TOTAL FUND BALANCES</b>	<u>815,728</u>	<u>4,393</u>	<u>10,881</u>	<u>51,409</u>	<u>5,901</u>	<u>888,312</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 815,728</u>	<u>\$ 4,393</u>	<u>\$ 10,881</u>	<u>\$ 51,409</u>	<u>\$ 5,901</u>	<u>\$ 888,312</u>

See accompanying independent auditor's report.

**BOROUGH OF EAST PETERSBURG  
EAST PETERSBURG, PENNSYLVANIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS – CAPITAL PROJECTS FUNDS  
DECEMBER 31, 2015**

		<u>Capital Reserve Fund 30</u>	<u>Capital Reserve Fund 31</u>	<u>Construction Fund</u>	<u>Equipment Reserve Fund</u>	<u>Pool Reserve Fund</u>	<u>Total</u>
<b>REVENUES</b>							
Interest, Rents and Royalties	\$ 135	\$ --	\$ --	\$ --	\$ --	\$ 135	
<b>TOTAL REVENUES</b>		<u>135</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>135</u>
<b>EXPENDITURES</b>							
General Government		72,531	--	--	--	--	72,531
Highways and Streets		<u>--</u>	<u>--</u>	<u>--</u>	<u>15,582</u>	<u>283</u>	<u>15,865</u>
<b>TOTAL EXPENDITURES</b>		<u>72,531</u>	<u>--</u>	<u>--</u>	<u>15,582</u>	<u>283</u>	<u>88,396</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		<u>(72,396)</u>	<u>--</u>	<u>--</u>	<u>(15,582)</u>	<u>(283)</u>	<u>(88,261)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer In	60,349	--	--	25,000	5,000	90,349	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<u>60,349</u>	<u>--</u>	<u>--</u>	<u>25,000</u>	<u>5,000</u>	<u>90,349</u>

<b>Changes in Fund Balances</b>	(12,047)	--	--	9,418	4,717	2,088
<b>Fund Balances – January 1, 2015</b>	<u>827,775</u>	<u>4,393</u>	<u>10,881</u>	<u>41,991</u>	<u>1,184</u>	<u>886,224</u>
<b>Fund Balances – December 31, 2015</b>	<u>\$ 815,728</u>	<u>\$ 4,393</u>	<u>\$ 10,881</u>	<u>\$ 51,409</u>	<u>\$ 5,901</u>	<u>\$ 888,312</u>

See accompanying independent auditor's report.