

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

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

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

**DECEMBER 31, 2019**

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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, 2019, 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, 2019, 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 25, 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 1, 2020

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

**STATEMENT OF NET POSITION – MODIFIED CASH BASIS  
DECEMBER 31, 2019**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 1,370,864	\$ 695,955	\$ 2,066,819
Cash Held by Fiscal Agent	16,454	--	16,454
Investments	1,292,406	887,230	2,179,636
Internal Balances	(17,625)	17,625	--
<b>Total Current Assets</b>	<b>2,662,099</b>	<b>1,600,810</b>	<b>4,262,909</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,662,099</b>	<b>\$ 1,600,810</b>	<b>\$ 4,262,909</b>
<b>LIABILITIES</b>			
Payroll Deductions and Withholdings	\$ 2,525	\$ --	\$ 2,525
Escrow Deposits	25,826	--	25,826
Deposits Held	65	1,200	1,265
<b>TOTAL LIABILITIES</b>	<b>28,416</b>	<b>1,200</b>	<b>29,616</b>
<b>NET POSITION</b>			
Restricted	1,576,514	1,599,610	3,176,124
Unrestricted	1,057,169	--	1,057,169
<b>TOTAL NET POSITION</b>	<b>2,633,683</b>	<b>1,599,610</b>	<b>4,233,293</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,662,099</b>	<b>\$ 1,600,810</b>	<b>\$ 4,262,909</b>

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, 2019**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</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>	<u>Total</u>
<b>Governmental Activities</b>							
General Government	\$ 371,788	\$ 57,211	\$ --	\$ --	\$ (314,577)	\$ --	\$ (314,577)
Public Safety	1,507,979	42,821	26,045	--	(1,439,113)	--	(1,439,113)
Sanitation	1,672	--	--	--	(1,672)	--	(1,672)
Highways and Streets	289,652	22,070	--	155,883	(111,699)	--	(111,699)
Culture and Recreation	159,940	--	--	--	(159,940)	--	(159,940)
Debt Service	101,253	--	--	--	(101,253)	--	(101,253)
Employee Benefits, Insurance and Other Miscellaneous Expenses	<u>71,104</u>	<u>--</u>	<u>7,850</u>	<u>--</u>	<u>(63,254)</u>	<u>--</u>	<u>(63,254)</u>
<b>Total Governmental Activities</b>	<u>2,503,388</u>	<u>122,102</u>	<u>33,895</u>	<u>155,883</u>	<u>(2,191,508)</u>	<u>--</u>	<u>(2,191,508)</u>
<b>Business-Type Activities</b>							
Trash	368,054	387,143	5,315	--	--	24,404	24,404
Water	1,041,172	906,410	18,564	51,209	--	(64,989)	(64,989)
Rental Fund	<u>14,431</u>	<u>14,400</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(31)</u>	<u>(31)</u>
<b>Total Business-Type Activities</b>	<u>1,423,657</u>	<u>1,307,953</u>	<u>23,879</u>	<u>51,209</u>	<u>--</u>	<u>(40,616)</u>	<u>(40,616)</u>
<b>Total Entity-Wide Activities</b>	<u>\$ 3,927,045</u>	<u>\$ 1,430,055</u>	<u>\$ 57,774</u>	<u>\$ 207,092</u>	<u>(2,191,508)</u>	<u>(40,616)</u>	<u>(2,232,124)</u>
<b>General Revenues</b>							
Property Taxes, Levied for General Purposes, Net					1,690,119	--	1,690,119
Other Taxes and Franchise Fees Levied for Specific Purposes, Net					816,408	--	816,408
Investment Earnings					12,022	8,051	20,073
Miscellaneous Income					<u>3,805</u>	<u>--</u>	<u>3,805</u>
<b>Total General Revenues</b>					<u>2,522,354</u>	<u>8,051</u>	<u>2,530,405</u>
<b>Transfers</b>					15,000	(15,000)	--
<b>Change in Net Position</b>					345,846	(47,565)	298,281
<b>Net Position – January 1, 2019</b>					<u>2,287,837</u>	<u>1,647,175</u>	<u>3,935,012</u>
<b>Net Position – December 31, 2019</b>					<u>\$ 2,633,683</u>	<u>\$ 1,599,610</u>	<u>\$ 4,233,293</u>

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, 2019**

	<b>Major Funds</b>				
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Fire Tax Protection Fund</b>	<b>Highway Aid Fund</b>	<b>Total</b>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 535,704	\$ 372,024	\$ 83,692	\$ 379,444	\$ 1,370,864
Cash Held by Fiscal Agent	16,454	--	--	--	16,454
Investments	578,853	613,829	99,724	--	1,292,406
Due from Other Funds	<u>  --</u>	<u>15,000</u>	<u>12,801</u>	<u>  --</u>	<u>27,801</u>
<b>Total Current Assets</b>	<u>1,131,011</u>	<u>1,000,853</u>	<u>196,217</u>	<u>379,444</u>	<u>2,707,525</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,131,011</u></u>	<u><u>\$ 1,000,853</u></u>	<u><u>\$ 196,217</u></u>	<u><u>\$ 379,444</u></u>	<u><u>\$ 2,707,525</u></u>
<b>LIABILITIES</b>					
Due to Other Funds	\$ 45,426	\$ --	\$ --	\$ --	\$ 45,426
Payroll Deductions and Withholdings	2,525	--	--	--	2,525
Escrow Deposits	25,826	--	--	--	25,826
Deposits Held	<u>65</u>	<u>  --</u>	<u>  --</u>	<u>  --</u>	<u>65</u>
<b>TOTAL LIABILITIES</b>	<u>73,842</u>	<u>  --</u>	<u>  --</u>	<u>  --</u>	<u>73,842</u>
<b>FUND BALANCES</b>					
Restricted	--	1,000,853	196,217	379,444	1,576,514
Assigned	152,393	--	--	--	152,393
Unassigned	<u>904,776</u>	<u>  --</u>	<u>  --</u>	<u>  --</u>	<u>904,776</u>
<b>TOTAL FUND BALANCES</b>	<u>1,057,169</u>	<u>1,000,853</u>	<u>196,217</u>	<u>379,444</u>	<u>2,633,683</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,131,011</u></u>	<u><u>\$ 1,000,853</u></u>	<u><u>\$ 196,217</u></u>	<u><u>\$ 379,444</u></u>	<u><u>\$ 2,707,525</u></u>

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



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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2019**

	<b>Major Funds</b>				<b>Total</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Fire Tax Protection Fund</b>	<b>Highway Aid Fund</b>	
<b>REVENUES</b>					
Real Estate Taxes and Penalties	\$ 1,450,867	\$ --	\$ 239,252	\$ --	\$ 1,690,119
Other Taxes	750,702	--	--	--	750,702
Licenses and Permits	65,756	--	--	--	65,756
Fines and Forfeits	14,545	--	--	--	14,545
Interest, Rents and Royalties	14,162	5,332	215	601	20,310
Intergovernmental Revenue	33,895	18,177	--	137,706	189,778
Charges for Services	71,344	18,000	--	--	89,344
Miscellaneous Revenue	3,805	--	--	--	3,805
<b>TOTAL REVENUES</b>	<u>2,405,076</u>	<u>41,509</u>	<u>239,467</u>	<u>138,307</u>	<u>2,824,359</u>
<b>EXPENDITURES</b>					
General Government	256,275	115,513	--	--	371,788
Public Safety	1,182,500	100,000	225,479	--	1,507,979
Sanitation	1,672	--	--	--	1,672
Highways and Streets	204,666	--	--	84,986	289,652
Culture and Recreation	159,940	--	--	--	159,940
Debt Service	47,831	53,422	--	--	101,253
Employee Benefits, Insurance and Other Miscellaneous Expenditures	70,896	--	--	--	70,896
<b>TOTAL EXPENDITURES</b>	<u>1,923,780</u>	<u>268,935</u>	<u>225,479</u>	<u>84,986</u>	<u>2,503,180</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>481,296</u>	<u>(227,426)</u>	<u>13,988</u>	<u>53,321</u>	<u>321,179</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	15,000	282,706	--	--	297,706
Transfers Out	(282,706)	--	--	--	(282,706)
Sale of Capital Assets	--	9,875	--	--	9,875
Refund of Prior Year Revenue	(208)	--	--	--	(208)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(267,914)</u>	<u>292,581</u>	<u>--</u>	<u>--</u>	<u>24,667</u>
<b>Changes in Fund Balances</b>	213,382	65,155	13,988	53,321	345,846
<b>Fund Balances – January 1, 2019</b>	<u>843,787</u>	<u>935,698</u>	<u>182,229</u>	<u>326,123</u>	<u>2,287,837</u>
<b>Fund Balances – December 31, 2019</b>	<u>\$ 1,057,169</u>	<u>\$ 1,000,853</u>	<u>\$ 196,217</u>	<u>\$ 379,444</u>	<u>\$ 2,633,683</u>

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

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

**STATEMENT OF NET POSITION – MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2019**

	<u>Major Funds</u>		<u>Nonmajor Fund</u>	
	<u>Municipal Trash Fund</u>	<u>Water Fund</u>	<u>6060 Main St. Fund</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 69,060	\$ 615,184	\$ 11,711	\$ 695,955
Investments	250,070	606,748	30,412	887,230
Due from Other Funds	<u>1,660</u>	<u>15,965</u>	<u>--</u>	<u>17,625</u>
<b>Total Current Assets</b>	<u>320,790</u>	<u>1,237,897</u>	<u>42,123</u>	<u>1,600,810</u>
<b>TOTAL ASSETS</b>	<u>\$ 320,790</u>	<u>\$ 1,237,897</u>	<u>\$ 42,123</u>	<u>\$ 1,600,810</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Security Deposit Held	\$ --	\$ --	\$ 1,200	\$ 1,200
<b>TOTAL LIABILITIES</b>	<u>--</u>	<u>--</u>	<u>1,200</u>	<u>1,200</u>
<b>NET POSITION</b>				
Unrestricted	<u>320,790</u>	<u>1,237,897</u>	<u>40,923</u>	<u>1,599,610</u>
<b>TOTAL NET POSITION</b>	<u>320,790</u>	<u>1,237,897</u>	<u>40,923</u>	<u>1,599,610</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 320,790</u>	<u>\$ 1,237,897</u>	<u>\$ 42,123</u>	<u>\$ 1,600,810</u>

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

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –  
MODIFIED CASH BASIS - PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2019**

	<b>Major Funds</b>		<b>Nonmajor Fund</b>	
	<b>Municipal Trash Fund</b>	<b>Water Fund</b>	<b>6060 Main St. Fund</b>	<b>Total</b>
<b>OPERATING REVENUE</b>				
Charges and Fees	\$ 371,220	\$ 824,959	\$ --	\$ 1,196,179
<b>TOTAL OPERATING REVENUE</b>	<b>371,220</b>	<b>824,959</b>	<b>--</b>	<b>1,196,179</b>
<b>OPERATING EXPENSES</b>				
Salaries	32,038	238,442	--	270,480
Payroll Taxes	2,915	19,475	--	22,390
Employee Benefits	7,403	58,294	--	65,697
Pension Contribution	2,120	18,574	--	20,694
Worker's Compensation	--	7,455	--	7,455
Office Expenses	4,339	6,642	--	10,981
Dues and Subscriptions	--	1,148	--	1,148
Education and Training	--	11,885	--	11,885
Professional Services	7,285	56,891	--	64,176
Telephone	--	4,165	--	4,165
Disposal Fees	285,170	--	--	285,170
Material and Supplies	11,204	195,675	--	206,879
Utilities	--	37,618	--	37,618
Repairs and Maintenance	--	52,889	--	52,889
Water Testing and Analysis	--	8,046	--	8,046
Purchased Services	9,561	21,376	--	30,937
Vehicle Expenses	--	13,255	--	13,255
Water Main Replacement	--	10,472	--	10,472
General Insurance	682	12,375	--	13,057
Uniforms	--	680	--	680
Equipment & Tools	4,712	10,097	--	14,809
Other	625	1,615	--	2,240
Water Tank Painting Project	--	237,385	--	237,385
<b>TOTAL OPERATING EXPENSES</b>	<b>368,054</b>	<b>1,024,454</b>	<b>--</b>	<b>1,392,508</b>
<b>OPERATING INCOME (LOSS)</b>	<b>3,166</b>	<b>(199,495)</b>	<b>--</b>	<b>(196,329)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Transfers In	--	--	10,000	10,000
Transfers Out	(15,000)	(10,000)	--	(25,000)
General Municipal Pension System State Aid	2,120	18,564	--	20,684
Grant Revenue	3,195	51,209	--	54,404
Rental Income	--	80,398	14,400	94,798
Interest Income	70	7,569	412	8,051
Debt Service	--	(16,718)	--	(16,718)
Rental Property Expense	--	--	(14,431)	(14,431)
Miscellaneous Income	15,923	1,053	--	16,976
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>6,308</b>	<b>132,075</b>	<b>10,381</b>	<b>148,764</b>
<b>Changes in Net Position</b>	<b>9,474</b>	<b>(67,420)</b>	<b>10,381</b>	<b>(47,565)</b>
<b>Net Position – January 1, 2019</b>	<b>311,316</b>	<b>1,305,317</b>	<b>30,542</b>	<b>1,647,175</b>
<b>Net Position – December 31, 2019</b>	<b>\$ 320,790</b>	<b>\$ 1,237,897</b>	<b>\$ 40,923</b>	<b>\$ 1,599,610</b>

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

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

**STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2019**

	<b>Major Funds</b>		<b>Nonmajor Fund</b>
	<b>Municipal Trash Fund</b>	<b>Water Fund</b>	<b>6060 Main St. Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 371,220	\$ 824,959	\$ --
Cash Payments for Goods and Services	(336,016)	(786,012)	--
Cash Payments to Employees	(32,038)	(238,442)	--
Cash Received (Paid) - Interfund Transactions	3,168	(15,547)	--
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>6,334</b>	<b>(215,042)</b>	<b>--</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State Sources	5,315	69,773	--
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>5,315</b>	<b>69,773</b>	<b>--</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interfund Transfers	(15,000)	(10,000)	10,000
Rental Income	--	80,398	14,400
Nonoperating Revenues	15,923	1,053	--
Principal Payments for Long-Term Debt	--	(14,199)	--
Interest Paid	--	(2,519)	--
Payments for Rental Property Expense	--	--	(14,431)
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>923</b>	<b>54,733</b>	<b>9,969</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Earnings on Investments	70	7,569	412
Purchase of Investments	(250,070)	(606,748)	(30,412)
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>(250,000)</b>	<b>(599,179)</b>	<b>(30,000)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(237,428)</b>	<b>(689,715)</b>	<b>(20,031)</b>
<b>Cash and Cash Equivalents – Beginning of Year</b>	<b>306,488</b>	<b>1,304,899</b>	<b>31,742</b>
<b>Cash and Cash Equivalents – End of Year</b>	<b>\$ 69,060</b>	<b>\$ 615,184</b>	<b>\$ 11,711</b>

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

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

**STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2019**

	<b>Major Funds</b>		<b>Nonmajor Fund</b>
	<b>Municipal Trash Fund</b>	<b>Water Fund</b>	<b>6060 Main St. Fund</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 3,166	\$ (199,495)	\$ --
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
(Increase) Decrease in Due from Other Funds	3,168	(11,929)	--
Increase (Decrease) in Due to Other Funds	--	(3,618)	--
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ 6,334</b>	<b>\$ (215,042)</b>	<b>\$ --</b>

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

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

**STATEMENT OF FIDUCIARY NET POSITION  
MODIFIED CASH BASIS – FIDUCIARY FUND  
DECEMBER 31, 2019**

	<b>Non-Uniform Pension Fund</b>
<b>ASSETS</b>	
Investments	\$ <u>309,662</u>
<b>TOTAL ASSETS</b>	<u>\$ 309,662</u>
<b>LIABILITIES</b>	<u>\$ --</u>
<b>NET POSITION</b>	
Restricted for Pension Benefits	<u>309,662</u>
<b>TOTAL NET POSITION</b>	<u>309,662</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 309,662</u>

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, 2019**

	<b>Non-Uniform Pension Fund</b>
	<u>                    </u>
<b>ADDITIONS</b>	
State Contributions – Act 205	\$ 28,533
Municipal Contributions	1,724
Employee Contributions	3,880
Investment Earnings	<u>45,845</u>
<b>TOTAL ADDITIONS</b>	<u>79,982</u>
<b>DEDUCTIONS</b>	
Benefit Distributions	9,156
Fees	<u>2,755</u>
<b>TOTAL DEDUCTIONS</b>	<u>11,911</u>
<b>Changes in Net Position</b>	68,071
<b>Net Position – January 1, 2019</b>	<u>241,591</u>
<b>Net Position – December 31, 2019</b>	<u><u>\$ 309,662</u></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, 2019**

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 venture is not a component unit of the Borough of East Petersburg, and is 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 ten-member 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, 2019, the Borough contributed \$9,553 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.

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.



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

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, and the contractor 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 Fund, Park and Open Space 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.

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.

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.

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

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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, 2019, 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

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, 2019, the Borough did not have any deferred outflows of resources.

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

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Deferred Outflows/Inflows of Resources (Continued)

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, 2019, 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,

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.

N. Changes in Accounting Standards

During the year ended December 31, 2019, the Borough implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*. The primary objective of this statement is to establish uniform criteria for governments to recognize and disclose certain asset retirement obligations, including obligations that may not have been previously reported. The implementation of this standard does not currently impact the Borough.

During the year ended December 31, 2019, the Borough implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The primary objective of this statement is to establish criteria for identifying fiduciary activities of all state and local governments. The implementation of this standard does not currently impact the Borough.

During the year ended December 31, 2019, the Borough implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in the notes to governmental financial statements related to debt.

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

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Date of Management's Review

Management has evaluated subsequent events through May 1, 2020, 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.

Act 10 of 2016 was signed into law on March 25, 2016. This legislation expands the list of permitted investments for all Pennsylvania governmental entities. Prior to Act 10, authorized investment types included U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposits.

Additional permitted investments under Act 10 are high-quality, short-term money market instruments that include the following security types: commercial paper, banker's acceptances, negotiable certificates of deposit and insured bank deposit reciprocals. Act 10 also provides for new safeguards to manage risks of the additional permitted investments such as short maturity periods and high credit quality. The Borough holds investments with Edward Jones that include certificates of deposits, federally tax-exempt municipal bonds, and government and agency securities.

**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, 2019, \$1,649,413 of the Borough's bank balance of \$2,149,413 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>1,649,413</u>
		<u>\$ 1,649,413</u>
<u>Reconciliation to Financial Statements</u>		
Uninsured Amount Above	\$	1,649,413
Plus: Insured Amount		500,000
Add: Deposits in Transit		10,816
Less: Outstanding Checks		<u>(93,610)</u>
Carrying Amount - Bank Balances		2,066,619
Plus: Cash on Hand		<u>200</u>
<b>Total Cash per Financial Statements</b>		<b><u>\$ 2,066,819</u></b>

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

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

**Investments**

As of December 31, 2019, the Borough had the following investments:

<u>Investment</u>	<u>Fair Value</u>
Certificates of Deposit – Fulton Bank	\$ 138,083
Edward Jones Investments	<u>2,041,553</u>
	<u>\$ 2,179,636</u>

Investments within Edward Jones Investments consist of the following:

<u>Investment</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 497,488
Federally Tax-Exempt Municipal Bonds	1,405,610
Government and Agency Securities	105,842
Cash	<u>32,613</u>
	<u>\$ 2,041,553</u>

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, 2019, \$1,682,148 of the Borough's investments of \$2,179,636 were exposed to custodial risk as:

Uninsured or Unregistered	\$ 1,544,065
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>138,083</u>
	<u>\$ 1,682,148</u>

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 with Fulton Bank, however the remaining deposits of \$2,287,495 with Fulton Bank are still secure, as they are covered by the Pennsylvania Act 72 Collateralization Pool.

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

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

Investments with Edward Jones are covered under Security Investor Protection Corporation (SIPC), which provides \$500,000 of coverage for missing securities, including \$250,000 for claims of cash awaiting reinvestment.

Concentration of Credit Risk – Deposits and Investments

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

Credit Risk

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

NOTE 3 – CASH HELD BY FISCAL AGENT

Cash held by fiscal agent represents funds withdrawn by QuickBooks in December 2019 for payroll paid in early 2020.

NOTE 4 – INVESTMENTS - PENSION TRUST FUNDS

Investments

As of December 31, 2019, the Borough had the following investments:

<u>Investment</u>	<u>Fair Value</u>
<u>Non-Uniformed Pension Fund</u>	
Vanguard Mutual Funds	\$ 302,164
Schwab Mutual Funds	<u>7,498</u>
	<u>\$ 309,662</u>

NOTE 5 – FAIR VALUE MEASUREMENT

The Borough categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

The Borough has the following recurring fair value measurements as of December 31, 2019:

- Federally Tax-Exempt Municipal Bonds of \$1,405,610 are valued using quoted market prices (Level 1 inputs)
- Government and Agency Securities of \$105,842 are valued using quoted market prices (Level 1 inputs)

NOTE 6 – 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, 2019 was \$28,522, 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, 2019 was 4.747 mills (\$4.747 per \$1,000 of assessed valuation) for general Borough purposes and .780 mills (\$.780 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.

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

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 7 – DUE TO/FROM OTHER FUNDS AND TRANSFERS**

Interfund receivable and payable balances as of December 31, 2019 were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ --	\$ 45,426
Fire Tax Protection Fund	12,801	--
Capital Projects Fund	15,000	--
Municipal Trash Fund	1,660	--
Water Fund	<u>15,965</u>	<u>--</u>
	<u>\$ 45,426</u>	<u>\$ 45,426</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, 2019 were as follows:

	<u>Transfer from Other Funds</u>	<u>Transfer to Other Funds</u>
General Fund	\$ 15,000	\$ 282,706
Capital Projects Fund	282,706	--
6060 Main Street Fund	10,000	--
Municipal Trash Fund	--	15,000
Water Fund	<u>--</u>	<u>10,000</u>
	<u>\$ 307,706</u>	<u>\$ 307,706</u>

The interfund transfer from the Municipal Trash Fund to the General Fund in the amount of \$15,000 was to cover payroll expenditures. The General Fund transferred \$282,706 to the Capital Projects Fund for future capital expenditures and \$10,000 to the 6060 Main Street Fund to cover rental expenses. The Water Fund transferred \$10,000 to the Capital Projects Fund for future equipment purchases.

**NOTE 8 – 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, 2019, the amount of accrued vacation and sick leave was \$4,740.

**NOTE 9 – 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 the year 2019, long-term debt changed as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Notes from Direct Borrowings and Direct Placements	\$ 270,362	\$ --	\$ 92,374	\$ 177,988
<b>Business-Type Activities</b>				
Notes from Direct Borrowings and Direct Placements	<u>76,407</u>	<u>--</u>	<u>14,199</u>	<u>62,208</u>
Total Long-Term Debt	<u>\$ 346,769</u>	<u>\$ --</u>	<u>\$ 106,573</u>	<u>\$ 240,196</u>

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

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

NOTE 9 – LONG-TERM DEBT (Continued)

The Borough's outstanding notes from direct borrowings and direct placements related to governmental activities of \$240,196 contain a provision that in the event of default, outstanding amounts become immediately due if the Borough is unable to make payment.

Long-term debt consists of the following:

	December 31, 2019	Interest Rate	Maturity Date
General Obligation Note – Series A of 2013	\$ 177,988	3.60%	1/1/2024
General Obligation Note – Series B of 2013	62,208	3.60%	1/1/2024
	<u>\$ 240,196</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 debt outstanding as of December 31, 2019 are as follows:

Year Ended December 31,	Principal	Interest	Total
2020	\$ 56,655	\$ 7,895	\$ 64,550
2021	58,782	5,768	64,550
2022	60,964	3,586	64,550
2023	63,795	755	64,550
	<u>\$ 240,196</u>	<u>\$ 18,004</u>	<u>\$ 258,200</u>

NOTE 10 – 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 full-time, 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, 2019, there were nine 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, 2019, the Borough contributed eight percent (8%) of salary amounts to the Plan. The employer contributions for the year ended December 31, 2019 were \$30,247.

NOTE 11 – FUND BALANCE

Restricted Fund Balance

The Borough's restricted fund balances are amounts restricted by outside parties. As of December 31, 2019, the Borough's restricted fund balance was \$1,576,514, which consisted of funds in the amount of \$379,444 restricted for use by the Commonwealth of Pennsylvania for Highway Aid purposes; \$1,000,853 restricted for Capital Purposes; and \$196,217 for fire protection services.



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

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

NOTE 11 – FUND BALANCE (Continued)

Assigned Fund Balance

As of December 31, 2019, the Borough's assigned fund balance of \$152,393 consisted of funds set aside for snow maintenance expenses in the amount of \$102,393 and funds set aside for public safety expenses in the amount of \$50,000.

NOTE 12 – 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, 2019 and the two previous fiscal years, no settlements exceeded insurance coverage.

NOTE 13 – SWIMMING POOL MAINTENANCE AGREEMENT

The Borough entered into a ten-year agreement (1/1/2019-12/31/2028) 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.

NOTE 14 – POLICE SERVICE CONTRACT

The Borough of East Petersburg contracts for police services with Manheim Township. The contract was originally signed in 1977. The Borough made six equal installments to Manheim Township totaling \$800,000 during the year ended December 31, 2019.

For 2020, the Borough contracted with Northern Lancaster County Regional Police. As part of the new agreement to begin January 1, 2020, the Borough agreed to pay start up costs during 2019. The Borough paid \$200,000 to Northern Lancaster County Regional Police during the year ended December 31, 2019. The Borough's contract with Northern Lancaster County Regional Police is effective January 1, 2020 through December 31, 2023. Expected annual payments for police services are as follows:

2020	\$ 685,720
2021	710,720
2022	736,568
2023	791,171

NOTE 15 – LEASES

The Borough contracts with Realty Professional Group, LLC for property maintenance services for the residential rental property located at 6060 Main Street within the Borough. The Borough received rental income of \$14,400 and paid property management fees of \$1,008 during the year ended December 31, 2019.

The Borough also receives cellular lease income for the rental of space on the Borough's property. For the year ended December 31, 2019, the Borough received \$82,691 from commercial entities in equal monthly installments.

NOTE 16 – TAX ABATEMENTS

The Borough has not entered into tax abatement agreements with taxpayers. However, the Borough is involved in the Pennsylvania Department of Agriculture's Clean and Green Program. The Clean and Green Program is a preferential tax assessment program that bases property taxes on use values rather than fair market values. The Pennsylvania General Assembly enacted the program in 1974 as a tool to encourage protection of the Commonwealth's valuable farmland, forestland, and open spaces. For the year ended December 31, 2019, the Borough abated \$2,977 under this program.

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

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

NOTE 17 – CONSTRUCTION COMMITMENT

The Borough awarded a bid for the Garden Street Stormwater Improvements to MacMor Construction, LLC in the amount of \$86,195. The Borough paid \$19,670 on the contract through December 31, 2019, leaving a commitment outstanding of \$66,525 remaining.

NOTE 18 – COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact financial position. Other financial impact could occur though such potential impact is unknown at this time.

**OTHER INFORMATION**  
**OF**  
**BOROUGH OF EAST PETERSBURG**  
**EAST PETERSBURG, PENNSYLVANIA**  
**DECEMBER 31, 2019**

**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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Real Estate Taxes and Penalties	\$ 1,474,574	\$ 1,474,574	\$ 1,450,867	\$ (23,707)
Other Taxes	660,000	660,000	750,702	90,702
Licenses and Permits	60,015	60,015	65,756	5,741
Fines and Forfeits	15,000	15,000	14,545	(455)
Interest, Rents and Royalties	6,400	6,400	14,162	7,762
Intergovernmental Revenue	37,900	37,900	33,895	(4,005)
Charges for Services	51,400	51,400	71,344	19,944
Miscellaneous Revenue	1,000	1,000	3,805	2,805
	<u>2,306,289</u>	<u>2,306,289</u>	<u>2,405,076</u>	<u>98,787</u>
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES</b>				
General Government	242,278	242,278	256,275	(13,997)
Public Safety	1,176,300	1,176,300	1,182,500	(6,200)
Sanitation	250	250	1,672	(1,422)
Highways and Streets	280,058	280,058	204,666	75,392
Culture and Recreation	156,900	156,900	159,940	(3,040)
Debt Service	--	--	47,831	(47,831)
Employee Benefits, Insurance and Other Miscellaneous Expenditures	71,150	71,150	70,896	254
	<u>1,926,936</u>	<u>1,926,936</u>	<u>1,923,780</u>	<u>3,156</u>
<b>TOTAL EXPENDITURES</b>				
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	<u>379,353</u>	<u>379,353</u>	<u>481,296</u>	<u>101,943</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	--	--	15,000	15,000
Transfers Out	(342,000)	(342,000)	(282,706)	59,294
Refund of Prior Year Revenues	--	--	(208)	(208)
	<u>--</u>	<u>--</u>	<u>(208)</u>	<u>(208)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>				
	<u>(342,000)</u>	<u>(342,000)</u>	<u>(267,914)</u>	<u>74,086</u>
<b>Changes in Fund Balances</b>				
	37,353	37,353	213,382	176,029
<b>Fund Balances – January 1, 2019</b>	<u>843,787</u>	<u>843,787</u>	<u>843,787</u>	<u>--</u>
<b>Fund Balances – December 31, 2019</b>	<u>\$ 881,140</u>	<u>\$ 881,140</u>	<u>\$ 1,057,169</u>	<u>\$ 176,029</u>

See accompanying independent auditor's report.

**SUPPLEMENTARY INFORMATION**  
**OF**  
**BOROUGH OF EAST PETERSBURG**  
**EAST PETERSBURG, PENNSYLVANIA**  
**DECEMBER 31, 2019**

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

**COMBINING BALANCE SHEET – MODIFIED CASH BASIS  
CAPITAL PROJECTS FUNDS  
DECEMBER 31, 2019**

	<u>Capital Reserve Fund 30</u>	<u>Equipment Reserve Fund</u>	<u>Pool Reserve Fund</u>	<u>Park &amp; Open Space Fund</u>	<u>Total</u>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 308,368	\$ 35,874	\$ 25,901	\$ 1,881	\$ 372,024
Investments	516,982	69,735	--	27,112	613,829
Due from Other Funds	<u>15,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>15,000</u>
<b>Total Current Assets</b>	<u>840,350</u>	<u>105,609</u>	<u>25,901</u>	<u>28,993</u>	<u>1,000,853</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 840,350</u></u>	<u><u>\$ 105,609</u></u>	<u><u>\$ 25,901</u></u>	<u><u>\$ 28,993</u></u>	<u><u>\$ 1,000,853</u></u>
<b>LIABILITIES</b>					
<b>FUND BALANCES</b>					
Restricted	<u>840,350</u>	<u>105,609</u>	<u>25,901</u>	<u>28,993</u>	<u>1,000,853</u>
<b>TOTAL FUND BALANCES</b>	<u>840,350</u>	<u>105,609</u>	<u>25,901</u>	<u>28,993</u>	<u>1,000,853</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 840,350</u></u>	<u><u>\$ 105,609</u></u>	<u><u>\$ 25,901</u></u>	<u><u>\$ 28,993</u></u>	<u><u>\$ 1,000,853</u></u>

**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, 2019**

	<b>Capital Reserve Fund 30</b>	<b>Equipment Reserve Fund</b>	<b>Pool Reserve Fund</b>	<b>Park &amp; Open Space Fund</b>	<b>Total</b>
<b>REVENUES</b>					
Interest, Rents and Royalties	\$ 4,486	\$ 734	\$ --	\$ 112	\$ 5,332
Intergovernmental Revenue	18,177	--	--	--	18,177
Charges for Service	<u>--</u>	<u>--</u>	<u>--</u>	<u>18,000</u>	<u>18,000</u>
<b>TOTAL REVENUES</b>	<u>22,663</u>	<u>734</u>	<u>--</u>	<u>18,112</u>	<u>41,509</u>
<b>EXPENDITURES</b>					
General Government	67,872	47,641	--	--	115,513
Public Safety	100,000	--	--	--	100,000
Debt Service	<u>53,422</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>53,422</u>
<b>TOTAL EXPENDITURES</b>	<u>221,294</u>	<u>47,641</u>	<u>--</u>	<u>--</u>	<u>268,935</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(198,631)</u>	<u>(46,907)</u>	<u>--</u>	<u>18,112</u>	<u>(227,426)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In	252,706	25,000	5,000	--	282,706
Sale of Capital Assets	<u>--</u>	<u>9,875</u>	<u>--</u>	<u>--</u>	<u>9,875</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>252,706</u>	<u>34,875</u>	<u>5,000</u>	<u>--</u>	<u>292,581</u>
<b>Changes in Fund Balances</b>	54,075	(12,032)	5,000	18,112	65,155
<b>Fund Balances – January 1, 2019</b>	<u>786,275</u>	<u>117,641</u>	<u>20,901</u>	<u>10,881</u>	<u>935,698</u>
<b>Fund Balances – December 31, 2019</b>	<u>\$ 840,350</u>	<u>\$ 105,609</u>	<u>\$ 25,901</u>	<u>\$ 28,993</u>	<u>\$ 1,000,853</u>

See accompanying independent auditor's report.