

BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
**Financial Statements, Auditor's Report
and Supplementary Information**
December 31, 2019

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SLATINGTON, PENNSYLVANIA
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Borough Council
Borough of Slatington
Slatington, PA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Slatington, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from 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.

Opinions

In our opinion, because of the material effects of the omissions described within the emphasis of matter section, the basic financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Slatington, as of December 31, 2019, and the changes in its financial position or where applicable its cash flows for the year then ended.

Management has not presented the management's discussion and analysis that the Governmental Accounting Standards Board requires to supplement, although not to be a part of, the basic financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule and schedules of police pension plan on pages 43-52 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Borough of Slatington. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole although, as previously stated, the basic financial statements themselves do not conform with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, while the Borough has included capital assets and related accumulated depreciation and depreciation expense, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America, require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net position and expenses of the governmental activities. The amount by which this departure would affect assets and expenses of the governmental activities is not reasonably determinable.

Furthermore, utility plant in service and contributions in aid to construction costs prior to 1983 have not been capitalized in the Water Fund. The amounts, by which the financial statements would change if these items were included, while material, cannot be determined.

Corybell, Rappold & Yasuta LLP

October 12, 2021

BASIC FINANCIAL STATEMENTS

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019**

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash and Cash Equivalents	\$ 1,012,818	\$ 2,911,954	\$ 3,924,772
Investments	-	500,038	500,038
Taxes Receivable, Net	198,840	-	198,840
Accounts Receivable, Net	-	315,780	315,780
Authority Lease Receivable	-	1,379,916	1,379,916
Internal Balance	(190,366)	205,986	15,620
Intergovernmental Receivables	-	268,667	268,667
Other Receivables, Net	4,548	-	4,548
Total Current Assets	1,025,840	5,582,341	6,608,181
Noncurrent Assets:			
Construction In Progress	-	43,770	43,770
Land	166,486	80,223	246,709
Site Improvements and Mains, Net of Depreciation	1,607,377	8,358,043	9,965,420
Building and Building Improvements Net of Depreciation	51,831	-	51,831
Treatment Plants, Net of Depreciation	-	4,411,912	4,411,912
Machinery and Equipment, Net of Depreciation	5,299	69,167	74,466
Vehicles, Net of Depreciation	108,983	-	108,983
Total Noncurrent Assets	1,939,976	12,963,115	14,903,091
Total Assets	2,965,816	18,545,456	21,511,272
Deferred Outflows of Resources			
Prepaid Loan	-	21,429	21,429
Changes In Assumptions	3,687	-	3,687
Total Deferred Outflows of Resources	\$ 3,687	\$ 21,429	\$ 25,116
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 411,499	\$ -	\$ 411,499
Custodial Funds	12,469	-	12,469
Current Portion of Capital Lease Obligation	36,948	-	36,948
Other Current Liabilities	26,167	9,814	35,981
Total Current Liabilities	487,083	9,814	496,897
Noncurrent Liabilities:			
Authority Loan Payable	-	1,379,916	1,379,916
Lease Payable to Authority	-	1,379,916	1,379,916
Loan Payable to Borough	-	10,767	10,767
Capital Lease Obligation, Net	12,217	-	12,217
Long-Term Portion of Compensated Absences	119,954	-	119,954
Net Pension Liability	452,128	-	452,128
Total Noncurrent Liabilities	584,299	2,770,599	3,354,898
Total Liabilities	1,071,382	2,780,413	3,851,795
Deferred Inflows of Resources			
Deferred Revenue	32,000	-	32,000
Net Difference Between Projected and Actual Earning on Pension Plan Investments	27,684	-	27,684
Difference Between Expected and Actual Experience	91,035	-	91,035
Deferred Inflows of Resources	150,719	-	150,719
NET POSITION			
Invested in Capital Assets, Net of Related Debt	1,939,976	11,583,199	13,523,175
Restricted for:			
Special Revenue	120,349	-	120,349
Unrestricted	(312,923)	4,203,273	3,890,350
TOTAL NET POSITION	\$ 1,747,402	\$ 15,786,472	\$ 17,533,874

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

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 176,490	\$ 151,255	\$ 2,207	\$ -
Public Safety	980,613	104,993	107,530	-
Highways and Streets	334,852	-	130,854	80,445
Health and Sanitation	1,239	-	1,533	-
Culture and Recreation	32,791	1,370	-	-
Community Development and Housing	-	-	-	11,584
Miscellaneous	130,803	-	-	-
Interest on Long-Term Debt	2,253	-	-	-
Unallocated Depreciation Expense	148,300	-	-	-
Total Governmental Activities	<u>1,807,341</u>	<u>257,618</u>	<u>242,124</u>	<u>92,029</u>
Business Type Activities:				
Water	628,190	845,882	250,000	-
Sewer	944,231	843,067	605,785	-
Garbage	256,102	337,577	-	-
Total Business-Type Activities	<u>1,828,523</u>	<u>2,026,526</u>	<u>855,785</u>	<u>-</u>
Total Primary Government	<u>\$ 3,635,864</u>	<u>\$ 2,284,144</u>	<u>\$ 1,097,909</u>	<u>\$ 92,029</u>

General Revenues:

Taxes:

Property Taxes, levied for general purposes, net
Taxes levied for specific purposes
Franchise Tax (Fees)
Investment Earnings
Miscellaneous Income
Transfers In (Out)

**Total General Revenues, Special Items,
Extraordinary Items, and Transfers**

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (23,028)	\$ -	\$ (23,028)
(768,090)	-	(768,090)
(123,553)	-	(123,553)
294	-	294
(31,421)	-	(31,421)
11,584	-	11,584
(130,803)	-	(130,803)
(2,253)	-	(2,253)
(148,300)	-	(148,300)
(1,215,570)	-	(1,215,570)
-	467,692	467,692
-	504,621	504,621
-	81,475	81,475
-	1,053,788	1,053,788
(1,215,570)	1,053,788	(161,782)
925,510	-	925,510
491,415	-	491,415
63,955	-	63,955
1,544	17,448	18,992
33,032	-	33,032
-	-	-
1,515,456	17,448	1,532,904
299,886	1,071,236	1,371,122
1,447,516	14,715,236	16,162,752
<u>\$ 1,747,402</u>	<u>\$ 15,786,472</u>	<u>\$ 17,533,874</u>

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2019**

	General	Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 673,256	\$ 339,562	\$ 1,012,818
Receivables (Net)			
Taxes	198,840	-	198,840
Other	4,548	-	4,548
Due from Other Funds	10,063,342	131,569	10,194,911
TOTAL ASSETS	\$ 10,939,986	\$ 471,131	\$ 11,411,117
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to Other Funds	\$ 10,042,675	\$ 274,923	\$ 10,317,598
Accounts Payable	403,319	8,180	411,499
Custodial Funds	12,469	-	12,469
Note Payable to Sewer Fund	-	67,679	67,679
Deferred Revenues	107,852	-	107,852
Other Current Liabilities	26,014	-	26,014
TOTAL LIABILITIES	10,592,329	350,782	10,943,111
FUND BALANCES			
Assigned	-	120,349	120,349
Unassigned	347,657	-	347,657
TOTAL FUND BALANCES	347,657	120,349	468,006
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,939,986	\$ 471,131	\$ 11,411,117

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

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 468,006

**Amounts Reported for Governmental Activities in the
Statement of Net Position are Different Because:**

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$4,537,878 and the accumulated depreciation is \$2,597,902. 1,939,976

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 75,698

Deferred outflows (inflows) of resources related to pensions are applicable to future periods and therefore are not reported in governmental funds. (115,032)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Capital Lease Obligation	(49,165)	
Net Pension Liability	(452,128)	
Compensated Absences	(119,954)	
		(621,247)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 1,747,401

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

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Non-Major Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 1,314,218	\$ 85,753	\$ 1,399,971
Licenses and Permits	84,380	-	84,380
Fines and Forfeits	34,588	-	34,588
Interest and Rents	152,134	665	152,799
Intergovernmental Revenues	203,299	130,854	334,153
Charges for Current Service	51,350	-	51,350
Miscellaneous Revenue	30,711	2,323	33,034
TOTAL REVENUES	1,870,680	219,595	2,090,275
EXPENDITURES			
General Government	176,479	-	176,479
Administration	-	181	181
Fire Station and Truck	-	71,789	71,789
Public Safety	848,835	-	848,835
Highways and Streets	360,411	88,496	448,907
Health and Human Services	1,239	-	1,239
Culture and Recreation	32,791	-	32,791
Miscellaneous	130,804	-	130,804
Capital Outlay	-	-	-
Debt Service			
Principal	-	-	-
Interest	-	2,253	2,253
TOTAL EXPENDITURES	1,550,559	162,719	1,713,278
EXCESSIVE OF REVENUES UNDER EXPENDITURES	320,120	56,876	376,996
OTHER FINANCING SOURCES (USES)			
Transfers In	24,511	(24,511)	-
Transfers Out	(138,787)	-	(138,787)
Total Other Financing Sources (Uses)	(114,276)	(24,511)	(138,787)
Net Change in Fund Balances	205,844	32,365	238,209
Fund Balances, January 1	141,813	87,984	229,797
FUND BALANCES, DECEMBER 31	\$ 347,657	\$ 120,349	\$ 468,006

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

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Governmental Funds \$ 238,209

**Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:**

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

	Capital Outlay	\$ 126,116	
	Capital Lease	(36,101)	
	Less: Depreciation Expense	<u>(148,300)</u>	
			(58,285)

Repayments of capital leases is an expenditure in the governmental funds, but the repayment reduces capital lease liability in the statement of net position. 48,168

Because some property taxes will not be collected for several months after the Borough's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. 16,954

In the statement of activities, certain operating expenses -- compensated absences (vacations) and special termination benefits (early retirement) and pensions -- are measured by the benefits earned during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. 54,840

Change in Net Position of Governmental Activities \$ 299,886

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

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2019**

	Water Division	Sewer Disposal	Garbage Division	Totals
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,159,473	\$ 1,274,389	\$ 478,092	\$ 2,911,954
Investments	299,800	200,238	-	500,038
Accounts Receivable (Net)	121,127	138,575	56,078	315,780
Authority Lease Receivable	-	1,379,916	-	1,379,916
Due From Other Funds	1,020,024	1,106,850	119,970	2,246,844
Intergovernmental Receivables	250,000	18,667	-	268,667
Prepaid Loan	-	21,429	-	21,429
Total Current Assets	2,850,424	4,140,064	654,140	7,644,628
Noncurrent Assets:				
Note Receivable from Fire Fund	-	67,679	-	67,679
Construction In Progress	-	43,770	-	43,770
Land	64,440	15,783	-	80,223
Treatment Plants	3,898,798	5,745,888	-	9,644,686
Machinery and Equipment	478,719	533,539	-	1,012,258
Furniture and Fixtures	6,105	26,686	-	32,791
Improvements Other Than Buildings	3,758,299	8,666,702	-	12,425,001
Less: Accumulated Depreciation	(4,002,833)	(6,272,781)	-	(10,275,614)
Total Noncurrent Assets	4,203,528	8,827,266	-	13,030,794
TOTAL ASSETS	\$ 7,053,952	\$ 12,967,330	\$ 654,140	\$ 20,675,422
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	1,334,987	773,550	-	2,108,537
Other Current Liabilities	5,141	4,378	295	9,814
Total Current Liabilities	1,340,128	777,928	295	2,118,351
Noncurrent Liabilities:				
Authority Loan Payable	-	1,379,916	-	1,379,916
Lease Payable to Authority	-	1,379,916	-	1,379,916
Loan Payable to Borough	-	10,767	-	10,767
Total Noncurrent Liabilities	-	2,770,599	-	2,770,599
TOTAL LIABILITIES	1,340,128	3,548,527	295	4,888,950
NET POSITION				
Invested in Capital Assets, Net of Related Debt	4,203,528	7,379,671	-	11,583,199
Unrestricted	1,510,296	2,039,132	653,845	4,203,273
Total Net Position	5,713,824	9,418,803	653,845	15,786,472
TOTAL LIABILITIES AND NET POSITION	\$ 7,053,952	\$ 12,967,330	\$ 654,140	\$ 20,675,422

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

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Water Division	Sewer Disposal	Garbage Division	Totals
OPERATING REVENUES:				
Charges For Services				
General Public (Net)	\$ 765,035	\$ 841,052	\$ 337,474	\$ 1,943,561
Other Governments	80,744	232,088	-	312,832
Rental Income	-	3,995	-	3,995
Grants				
Intergovernmental	250,000	355,785	-	605,785
Miscellaneous Operating Revenues	103	15,932	103	16,138
Total Operating Revenues	1,095,882	1,448,852	337,577	2,882,311
OPERATING EXPENSES:				
Administration	173,702	220,227	-	393,929
Operations				
Disposal System	-	392,822	256,102	648,924
Collection System	281,816	-	-	281,816
Distribution Expense	19,965	-	-	19,965
Depreciation	152,707	316,767	-	469,474
Total Operating Expense	628,190	929,816	256,102	1,814,108
OPERATING INCOME	467,692	519,036	81,475	1,068,203
NON OPERATING REVENUES (EXPENSES)				
Interest Income	4,356	12,381	673	17,410
Unrealized Gain (Loss)	(200)	238	-	38
Interest and Fiscal Charges	-	(14,415)	-	(14,415)
Total Non Operating Revenues (Expenses)	4,156	(1,796)	673	3,033
Income Before Contributions and Transfers	471,848	517,240	82,148	1,071,236
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in Net Position	471,848	517,240	82,148	1,071,236
Total Net Position - January 1	5,241,976	8,901,563	571,697	14,715,236
TOTAL NET POSITION - December 31	\$ 5,713,824	\$ 9,418,803	\$ 653,845	\$ 15,786,472

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

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Water Division	Sewer Disposal	Garbage Division	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 861,035	\$ 1,453,266	\$ 341,544	\$ 2,655,845
Cash Payments to Suppliers for Goods and Services	(301,255)	(402,656)	(256,106)	(960,017)
Cash Payments to Employees for Services	(173,702)	(220,227)	-	(393,929)
Other Operating Receipts	103	15,932	103	16,138
Net Cash Provided by Operating Activities	<u>386,181</u>	<u>846,315</u>	<u>85,541</u>	<u>1,318,037</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Borrowing/Repayments Under Interfund Loan Agreements	-	113,534	-	113,534
Net Cash Provided by Non-Capital Financing Activities	<u>-</u>	<u>113,534</u>	<u>-</u>	<u>113,534</u>
CASH FLOWS FROM CAPITAL ACTIVITIES				
Acquisition of Capital Assets	(409,102)	(455,831)	-	(864,933)
Interest Paid on Long-Term Debt	-	(14,415)	-	(14,415)
Net Borrowing/Repayment From Other Funds	300,002	84,541	14,590	399,133
Net Borrowing/Repayment on Loan	-	(113,534)	-	(113,534)
Net Interest in Long-Term Lease Obligation	-	(113,534)	-	(113,534)
Net Cash Provided (Used) by Capital Activities	<u>(109,100)</u>	<u>(612,773)</u>	<u>14,590</u>	<u>(707,283)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Investments	(199,745)	-	-	(199,745)
Unrealized Gain (Loss)	(200)	238	-	38
Interest Received	4,156	11,419	673	16,248
Net Cash Provided (Used) by Investing Activities	<u>(195,789)</u>	<u>11,657</u>	<u>673</u>	<u>(183,459)</u>
Net Increase in Cash and Cash Equivalents	81,292	358,733	100,804	540,829
Cash and Cash Equivalents, January 1	<u>1,078,181</u>	<u>915,656</u>	<u>377,288</u>	<u>2,371,125</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 1,159,473</u></u>	<u><u>\$ 1,274,389</u></u>	<u><u>\$ 478,092</u></u>	<u><u>\$ 2,911,954</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 467,692	\$ 519,036	\$ 81,475	\$ 1,068,203
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	152,707	316,767	-	469,474
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(234,744)	20,346	4,070	(210,328)
Increase (Decrease) in Accounts and Other Payables	526	(9,834)	(4)	(9,312)
Total Adjustments	<u>(81,511)</u>	<u>327,279</u>	<u>4,066</u>	<u>249,834</u>
Net Cash Provided by Operating Activities	<u><u>\$ 386,181</u></u>	<u><u>\$ 846,315</u></u>	<u><u>\$ 85,541</u></u>	<u><u>\$ 1,318,037</u></u>

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

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**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2019**

	<u>Pension Trust Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 64,756
Investments - at Fair Value	
Government Securities/Fixed Income	636,921
Mutual Funds	1,453,457
Domestic Common Stock	957,621
Foreign Common Stock	31,124
Accrued Interest	6,049
Accounts Receivable	<u>4,361</u>
 Total Assets	 <u>\$ 3,154,289</u>
LIABILITIES:	
Accounts Payable	\$ 4,250
Due to Other Funds	<u>15,619</u>
 Total Liabilities	 <u>19,869</u>
NET POSITION:	
Committed	158,992
Assigned	<u>2,975,428</u>
 Total Net Position	 <u>3,134,420</u>
 Total Liabilities and Net Position	 <u>\$ 3,154,289</u>

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

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Pension Trust Funds</u>
ADDITIONS:	
Contributions:	
Employer	\$ 186,969
Plan Members	25,380
	<hr/>
Total Contributions	212,349
	<hr/>
Investment Earnings:	
Interest and Dividends	50,157
Realized Gain on Sale of Investments	287,879
Net Change in Fair Value	212,351
Less Investment Expenses	(28,504)
	<hr/>
Net Investment Income	521,883
	<hr/>
Total Additions	734,232
	<hr/>
DEDUCTIONS:	
Administration	-
Benefit Payments	165,912
	<hr/>
Total Deductions	165,912
	<hr/>
NET INCREASE	568,320
NET POSITION:	
Net Position, January 1	2,566,100
	<hr/>
Net Position, December 31	<u><u>\$ 3,134,420</u></u>

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

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. Entity

The Borough of Slatington was incorporated in 1864 and operates as a Pennsylvania Borough government under "The Borough Code" Act of February 1, 1996. The Borough Council, a seven-member group, is the level of government responsible for providing a full range of municipal services including those mandated by statute or ordinance. These include public safety (police, fire and communications), transportation (highways and streets), health and sanitation services, parks and recreation, community development and planning and general administrative services. The council receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. The report includes all of the services provided by the Borough to residents and businesses within its boundaries. Municipal services provided include public safety, recreation, public works, and general administration.

In evaluating the Borough as a reporting entity, management has addressed all potential component units for which the Borough may or may not be financially accountable, and as such, be includable within the Borough's financial statements. In accordance with Statement of Governmental Accounting Standards Board (GASB) No. 14 and No. 39, the Borough is financially accountable if it appoints a voting majority of the organization governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the Borough. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Following is a brief description of the component unit meeting the above criteria and as a result included within the financial reporting entity, a description of the component unit's relationship with the Borough, and a discussion of how component unit information has been incorporated into the financial statements:

Slatington Borough Authority (Authority) - Operates under the laws of the Commonwealth of Pennsylvania with a board appointed by the Borough Council. The Authority was created February 1, 1957 by the Borough of Slatington for the initial purpose of constructing a sanitary sewer system which was financed by the issuance of Sewer Revenue Bonds. The Authority funds are blended into the Sewer Fund.

2. Summary of Significant Accounting Policies

The financial statements of the Borough of Slatington have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Borough's accounting policies are described below.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. Summary of Significant Accounting Policies (Continued)

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 purpose for which they are to be spent.

Basis of Presentation

The Borough's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Statements: Government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Borough as a whole. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately in the government-wide financial statements from business-type activities which rely, to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activity of the Borough at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Borough and for each function of the Borough's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Borough.

Fund Financial Statements: Fund financial statements are also provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the Borough. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Borough's enterprise fund are service charges for water, sewer and garbage. Operating expenses for the Borough's enterprise funds include treatment and collection costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

The Borough reports the following major governmental funds:

General Fund is the primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The Borough reports three major proprietary funds:

Water Fund - is used to account for all costs incurred in the collection, treatment and distribution of water for consumption and is operated in a manner similar to a private business enterprise to be self-supporting.

Sewer Fund - is used to account for the operation and maintenance of the sanitary sewage treatment plant and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

Garbage Fund - is used to account for the administration of the collection and disposal of municipal waste and recyclables in the Borough and is operated in a manner similar to a private business enterprise to be self-supporting.

The Borough's Fiduciary Fund accounts for the Police Pension Trust Fund and the Non-uniform Pension Trust Fund

Police Pension Trust Fund - is used to account for pension benefits for police officers. The principal revenue sources for this fund are employer and employee contributions.

Non-Uniformed Pension Trust Fund - is used to account for pension benefits for Borough employees. The principal revenue sources for this fund are employer and employee contributions.

Additionally, the Borough reports the following non-major governmental funds:

General Capital Reserve Fund - is used to account for transfers from the general fund and related interest income for capital outlays not accounted for in another fund.

Fire Fund - is used to account for financial activity of the Borough's fire tax collection to be used for the acquisition of fire safety related equipment.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. Summary of Significant Accounting Policies (Continued)

Liquid Fuels Tax Fund - is used to account for the financial activity of the Borough's liquid fuels tax allocation from the Commonwealth of Pennsylvania.

Capital Projects Fund - is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Measurement Focus and Basis of Accounting

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific Borough expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Budgets and Budgetary Accounting

The Borough's budget is prepared primarily on a cash basis and includes appropriations to cover prior and anticipated current encumbrances. Budgets are approved by Borough Council which contains estimated revenues adequate to fully fund appropriations. Annual operating budgets are legally adopted for the General Fund, Fire Fund, Water Fund, Sewer Fund, Garbage Fund, and Liquid Fuels Tax Fund.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. Summary of Significant Accounting Policies (Continued)

Cash and Investments

Cash and cash equivalents on the Statement of Net Position are considered to be cash on hand, demand deposits, and cash with fiscal agent. For the purpose of the proprietary funds, "Statement of Cash Flows," cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value. Insurance holdings, if any, are valued at reported contract values.

Interfund Transactions

Flows of cash or goods from one fund to another without a requirement for repayment are reported as Inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund.

On fund financial statements, short-term inter-fund loans are classified as due from other funds and due to other funds. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities or governmental and agency funds, which are presented as internal balances.

Prepaid Expenses

In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances for governmental activities include property taxes, and grants. Business-type activities report utility charges as their major receivables.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the borough as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All reported capital assets except for, land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building and Land Improvements	20
Treatment Plants and Mains	50
Vehicles	5 to 15
Equipment	5 to 15

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net 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 (revenue) until then.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. Summary of Significant Accounting Policies (Continued)

Accrued Liabilities and Long-term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance cost, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

Compensated Absences

The Borough accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences." A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums, depending on years of service with the Borough. Benefits are earned on the first day of work each year. Administration personnel can carry over any unused vacation time, however, all other personnel must use up their vacation time by the end of the year. Sick leave accrues to full-time, permanent employees up to 40 days.

In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentations.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Deferred revenue may also result from revenues being collected in advance of the fiscal year to which they apply or in advance of their legal due date. Property taxes for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance fiscal year 2018 operations, have been recorded as deferred revenue.

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Borough or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Borough's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. Summary of Significant Accounting Policies (Continued)

Fund Balance Reserves

The fund balance of Governmental Fund Types and the Fiduciary Funds are classified in three separate categories. The categories, and their general meanings, are as follows:

- Committed fund balance – indicates the portion of the fund balance that can be used only for a specific purpose determined by the government’s highest level of decision-making authority.
- Assigned fund balance – indicates the portion of the fund balance that has been appropriated for specific purposes.
- Unassigned fund balance – indicates the portion of the fund balance that is available for appropriation and expenditures, in future periods.

Proprietary Fund FASB Usage

The Borough also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund, provided they do not conflict with or contradict GASB pronouncements.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and Investments

General

Section 1316 of the Pennsylvania Borough Code provides for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Commonwealth of Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposit and investment policy of the Borough adheres to the statutes of the Commonwealth. Deposits of the Borough, except for Pension Trust Fund deposits which are administered by trustees, are either maintained in demand deposits or are held in bank money market accounts. There were no deposit or investment transactions during the year that were in violation of either the Commonwealth’s statutes or the policy of the Borough.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

3. Cash and Investments (Continued)

Cash (Cash on Hand and Bank Balances)

At December 31, 2019, the carrying amount of the Borough's bank deposits (excluding those held in the Pension Trust Funds, but including Agency Funds) totaled \$3,924,472 and the corresponding bank balances were \$3,938,767 of which \$250,000 was insured by the Federal Deposit Insurance Corporation ("FDIC"); the uninsured bank balances of \$3,688,767 were collateralized, as described below.

Under Act No. 72 of the 1972 Session of the Pennsylvania General Assembly (the "Act of 72"), financial institutions were granted the authority to secure the deposits of public bodies by pledging a pool of assets, as defined in the Act of 72, to cover all public funds deposited in excess of FDIC limits. The uninsured bank balances of the Borough in the amount of \$3,688,767 were collateralized by this pool of assets maintained by the Borough's depository institutions.

In addition, the Borough included in cash, amounts held on hand in petty cash. At December 31, 2019, the petty cash balance was \$300.

Investments

Under Section 1316 of the Pennsylvania Borough Code, the Borough is authorized to invest in United States Treasury Bills, short-term obligations of the U.S. Government or its agencies or instrumentalities, obligations of the U.S. Government or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania or of 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, shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for Borough funds listed above and certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or similar agencies to the extent that such accounts are so insured. Investments of pension trust funds are placed pursuant to guidelines established by the respective pension boards.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

3. Cash and Investments (Continued)

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

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
<u>Pension Trust Funds</u>		
Corporate Bonds	Feb. 2021 - Nov. 2047	\$ 248,738
Municipal Bonds	March 2022 - Aug. 2029	78,698
US Treasury Notes and Bonds	Aug. 2020 - Nov. 2047	261,736
Foreign Bonds	Jan. 2021 - July 2027	47,749
Mutual Funds		1,453,457
Domestic Common Stocks		957,621
Foreign Common Stocks		31,124
		<u>\$ 3,079,123</u>
 <u>Business-Type Activities</u>		
Certificate of Deposit	Oct. 2020 - Nov. 2021	\$ 500,038
		<u>\$ 500,038</u>

Interest Rate Risk

The Borough has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Borough has no investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk

The Borough places limits on the amount the Borough may invest in any one issuer. Of the Borough's investments, (not including Pension Trust Funds) 100% are in certificates of deposit at various financial institutions all under the FDIC limit.

Custodial Credit Risk

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

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

4. Taxes Receivable

Based upon assessed valuations provided by the County (\$173,724,900 in 2019), the Borough bills and collects its own property taxes. The schedule for property taxes levied for 2019 is as follows:

April 1	- levy date
April 1 - May 30	- 2% discount period
June 1 - July 31	- face payment period
August 1 - December 31	- 10% penalty period
January 19	- lien date

The Borough tax rate for all purposes in 2019 was 5.30 mills (\$5.00 per \$1,000 of assessed valuation), of which 0.50 mills is allocated for the Fire Fund and the remaining 4.80 mills is allocated for the General Fund. The limit on millage for the general operations of the Borough is 30 mills, with separate millage limits available for fire protection, library, pension contributions and other uses. The Borough does not currently categorize the mills levied.

The balances at December 31, 2019 are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Deferred Taxes
Real Estate	\$ 77,405	\$ -	\$ 77,405	\$ 2,055	\$ 75,350
Per Capita	3,490	3,141	349	-	349
Earned Income Tax	103,072	-	103,072	-	-
Real Estate Transfer Tax	3,530	-	3,530	-	-
	<u>\$ 187,497</u>	<u>\$ 3,141</u>	<u>\$ 184,356</u>	<u>\$ 2,055</u>	<u>\$ 75,699</u>

The deferred revenue balance in the General Fund contains deferred taxes of \$75,699.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

5. Inter-fund Receivables and Payables

Inter-fund receivable and payable balances as of December 31, 2019 as follows:

	Due From Other Funds	Due to Other Funds
<i><u>Governmental Activities</u></i>		
General Fund	\$ 10,063,342	\$ 10,042,676
Nonmajor Funds	131,569	274,923
<i><u>Business Type Activities</u></i>		
Water Fund	1,020,024	1,334,987
Sewer Fund	1,106,850	773,550
Garbage Fund	119,970	-
<i><u>Fiduciary Activities</u></i>		
Pension Trust Funds	-	15,619
	<u>\$ 12,441,755</u>	<u>\$ 12,441,755</u>
	Transfers from Other Funds	Transfers to Other Funds
<i><u>Governmental Activities</u></i>		
General Fund	\$ -	\$ 24,511
Nonmajor Funds	24,511	-
	<u>\$ 24,511</u>	<u>\$ 24,511</u>

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

6. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2019, was as follows:

	Balance Jan. 1, 2019	Additions	Retirements	Balance Dec. 31, 2019
Governmental Activities:				
<i>Capital Assets not Being Depreciated:</i>				
Land	\$ 166,486	\$ -	\$ -	\$ 166,486
Total Capital Assets Not Being Depreciated	<u>166,486</u>	<u>-</u>	<u>-</u>	<u>166,486</u>
<i>Capital Assets Being Depreciated</i>				
Land Improvements	2,186,142	90,015	-	2,276,157
Building and Building Improvements	704,463	-	-	704,463
Machinery and Equipment	114,042	-	-	114,042
Vehicles	1,240,629	36,101	-	1,276,730
Total at Historical Cost	<u>4,245,276</u>	<u>126,116</u>	<u>-</u>	<u>4,371,392</u>
Less Accumulated Depreciation for:				
Land Improvements	(592,509)	(76,271)	-	(668,780)
Building and Improvements	(645,830)	(6,802)	-	(652,632)
Machinery and Equipment	(106,418)	(2,325)	-	(108,743)
Vehicles	(1,104,845)	(62,902)	-	(1,167,747)
Total Accumulated Depreciation	<u>(2,449,602)</u>	<u>(148,300)</u>	<u>-</u>	<u>(2,597,902)</u>
Government Activity Capital Assets, Net	<u>\$ 1,962,160</u>	<u>\$ (22,184)</u>	<u>\$ -</u>	<u>\$ 1,939,976</u>

Depreciation expense for general fund was \$148,300 in 2019.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

6. Capital Assets (Continued)

	Balance <u>Jan. 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>Dec. 31, 2019</u>
Business-Type Activities:				
<i>Capital Assets not Being Depreciated:</i>				
Land	\$ 80,223	\$ -	\$ -	\$ 80,223
Construction In Progress	43,770	-	-	43,770
Total Capital Assets not Being Depreciated	<u>123,993</u>	<u>-</u>	<u>-</u>	<u>123,993</u>
<i>Capital Assets Being Depreciated</i>				
Treatment Plants and Mains Improvements	9,201,667	443,019	-	9,644,686
Machinery and Equipment	12,015,899	409,102	-	12,425,001
Furniture and Fixtures	999,446	12,812	-	1,012,258
	32,791	-	-	32,791
Total Capital Assets Being Depreciated	<u>22,249,803</u>	<u>864,933</u>	<u>-</u>	<u>23,114,736</u>
Less Accumulated Depreciation	<u>(9,806,140)</u>	<u>(469,474)</u>	<u>-</u>	<u>(10,275,614)</u>
Business-type Capital Assets, Net	<u>\$ 12,567,656</u>	<u>\$ 395,459</u>	<u>\$ -</u>	<u>\$ 12,963,115</u>

Depreciation expense for water and sewer fund was \$469,474 in 2019.

7. Agreements with Other Governments

Borough of Walnutport

In 1976, the Borough of Slatington entered into an agreement with the Borough of Walnutport which provided that Slatington will process Walnutport's sewage at Slatington's treatment plant. The agreement states that Walnutport will reimburse Slatington a portion of the operating costs of the treatment plant and also a percentage of Slatington's debt service relating to the treatment plant. For the year ended December 31, 2019, the Borough of Walnutport's share of the treatment plant's costs amounted to \$138,500.

Washington Township

Agreement with Washington Township - In 1999, the Borough of Slatington entered into an agreement with the Township of Washington which provided that Slatington will process Washington Township sewage at Slatington's treatment plant. The agreement states that Washington Township will reimburse Slatington a portion of the operating costs of the treatment plant and shared portions of the collection system. For the year ended December 31, 2019, the Township of Washington's share of the treatment plant's cost and shared portions of the collection system amounted to \$93,587.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

8. Compensated Absences

Changes in compensated absences for the year ended December 31, 2019, are as follows:

	Balance Jan. 1, 2019	Increases	Decreases	Balance Dec. 31, 2019	Amounts Due Within One Year
<i>Governmental Activities</i>					
Compensated Absences	138,120	-	(18,166)	119,954	-
	<u>\$ 138,120</u>	<u>\$ -</u>	<u>\$ (18,166)</u>	<u>\$ 119,954</u>	<u>\$ -</u>

9. Commitments and Contingencies

The Borough receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Borough's management, such disallowances, if any, will not be significant to the Borough's basic purpose financial statements.

10. Deferred Revenue

In June 2002, the Northern Lehigh Playground Assoc., Inc. prepaid rent to the Borough in the amount of \$50,000 to lease a parcel of land for the construction of a new community center. This deferred rent is being amortized over 50 years and the unamortized balance at December 31, 2019 is \$32,000.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

11. Intergovernmental Grants

A summary of intergovernmental grants recognized in the financial statements is as follows:

	Federal	State	Local
Alcoholic Beverage Licenses (D)	\$ -	\$ 1,000	\$ -
PA Liquid Fuels Grant (D)	-	130,854	-
PA Public Utility Realty Tax (D)	-	1,207	-
PA Act 205 Pension Grant (D)	-	107,530	-
Payment in Lieu of Taxes (D)	-	-	11,584
PA Municipal Recycling Grant (D)	-	1,533	-
PA Small Water & Sewer Program (D)	-	605,785	-
CDBG Grant (P)	80,445	-	-
	<u>\$ 80,445</u>	<u>\$ 847,909</u>	<u>\$ 11,584</u>

(D) Represents Direct Funding.

(P) Represents Pass-Through Funding.

12. Defined Contribution Retirement Plan

The Borough provides pension benefits for all of its eligible full-time non-uniform employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees who complete 1,000 hours of service are eligible to participate. The plan requires the Borough to contribute an amount equal to 9% of the employee's salary as defined by the plan each year. The Borough's contributions for each employee and investment earnings allocated to the employee's account are fully vested upon entering the plan.

The Borough's total non-police officer payroll for 2019 was \$587,400. The Borough's contribution using the above salaries amounts to \$48,026 for 2019.

At December 31, 2019, participants in the plans were as follows:

Participants:	
Retirees and Beneficiaries	0
Deferred Vested	0
Active Employees:	
Vested	10
Non-vested	0

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

13. Defined Benefit Retirement Plan

Plan Description

The Borough of Slatington Police Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance 663 adopted pursuant to Act 600. The plan is governed by the Borough of Slatington which may amend plan provisions, and which is responsible for the management of plan assets. The Borough of Slatington has delegated the authority to manage certain plan assets to National Penn Investors Trust Company.

The Borough of Slatington filed actuarial valuation report Form 201C with the Municipal Pension Reporting Program. The report dated January 1, 2019, was the most recently certified by the municipality's chief administrative officer. This report indicated the municipality maintains a pension plan to provide pension or retirement benefits for Uniform employees.

Benefits Provided

Borough of Slatington provides normal retirement, early retirement, and disability benefits to plan members and their beneficiaries. Normal retirement benefits are calculated on 50% of members average monthly compensation during the last 36 months of employment with the Borough when the member obtains the age of 50 and completes 25 years of credited service. In addition, a member shall receive a service increment of \$100 per month for each full year of service in excess of 25 years. The monthly benefit attributable to the service increment shall not exceed \$100. Early retirement benefits are determined based on an actuarial equivalent of the accrued retirement benefit, the member must have completed 20 years of service. Disability retirement benefits are equal to 50% of the salary of the member.

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

Participants:

Retirees and Beneficiaries	6
Active Employees	6
Terminated Employees	0

Contributions

Act 205 requires that annual contributions to the plan be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, employees are required to contribute 5% of compensation to the plan. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

13. Defined Benefit Retirement Plan (Continued)

Contributions (Continued)

Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

Employee contributions are based on the employee's annual covered salary. For the year ended December 31, 2019, the employee contribution rate was 5%. The Borough Council may, on an annual basis, reduce or eliminate member contributions to the fund.

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board. The investment policy of the plan is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent.

The plan's investment policy established that the portfolio may be invested in the following asset classes with the following target asset allocation:

Asset Class	Target	Asset Class	Target
Domestic Equity		International Equity	14%
Large Cap	43%	Fixed Income	31%
Mid Cap	0%	Cash	3%
Small Cap	9%		

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 19.93%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the municipality as of December 31, 2019 were as follows:

Total Pension Liability (TPL)	\$ 2,673,119
Plan Fiduciary Net Position	\$ 2,220,991
Net Pension Liability (NPL)	\$ 452,128
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.1%

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

13. Defined Benefit Retirement Plan (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.25%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity		International Equity	8.24%
Large Cap	6.09%	Fixed Income	3.17%
Mid Cap	7.27%	Cash	0.82%
Small Cap	7.27%		

Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumption, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

13. Defined Benefit Retirement Plan (Continued)

Changes in Net Position Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2018	\$ 2,608,559	\$ 1,854,510	\$ 754,049
Changes for the year:			
Service Cost	77,531	-	77,531
Interest	204,161	-	204,161
Differences Between Expected and Actual Experience	(51,035)	-	(51,035)
Changes in Assumptions	-	-	-
Contributions - Employer	-	34,341	(34,341)
Contributions - State Aid	-	107,530	(107,530)
Contributions - Member	-	22,358	(22,358)
Net Investment Income	-	369,279	(369,279)
Benefit Payments	(166,097)	(166,097)	-
Administrative Expense	-	(930)	930
Balance at December 31, 2019	<u>\$ 2,673,119</u>	<u>\$ 2,220,991</u>	<u>\$ 452,128</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 8% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net Pension Liability	\$ 758,060	\$ 452,128	\$ 190,955

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Borough of Slatington's Retirement Plan financial report.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

13. Defined Benefit Retirement Plan (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended December 31, 2019, the Borough recognized expense of \$128,901. At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ (91,035)
Changes in Assumptions	3,687	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>-</u>	<u>(27,684)</u>
Total	<u>\$ 3,687</u>	<u>\$(118,719)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Years Ended December 31,	
2020	\$ (15,403)
2021	(24,645)
2022	(6,911)
2023	(62,043)
2024	(6,030)
Thereafter	-

At December 31, 2019, the Borough of Slatington had no outstanding employer contributions for the year.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

14. Fund Balances

The fund balances have been categorized based on the relative strength of the spending constraints placed on the purpose for which the resources can be used, as follows:

	General Fund	Fire Fund	General Capital Reserve Fund	Liquid Fuels Tax Fund	Pension Trust Fund	Totals
Committed	\$ -	\$ -	\$ -	\$ -	\$ 158,992	\$ 158,992
Assigned	-	(221,980)	287,880	54,449	2,975,428	3,095,777
Unassigned	<u>347,657</u>	-	-	-	-	<u>347,657</u>
Totals	<u>\$ 347,657</u>	<u>\$ (221,980)</u>	<u>\$ 287,880</u>	<u>\$ 54,449</u>	<u>\$ 3,134,420</u>	<u>\$ 3,602,426</u>

15. Operating Lease

The Borough leases certain equipment under a long-term lease agreement, expiring 2023. Expenses incurred under the leases were \$4,940 for 2019. Future minimum lease payments are as follows:

Year ending December 31,		
	2020	\$ 4,508
	2021	2,132
	2022	2,132
	2023	<u>2,132</u>
Total Minimum Lease Payments		<u>\$ 10,904</u>

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

16. Capital Lease

The Borough leases a police vehicle and a dump truck under non-cancellable lease that are classified as capital leases expiring June 2021. The lease agreements contain a bargain purchase option at the end of the lease term.

Future minimum lease payments under the capital lease is as follows:

Year ending December 31,		
	2020	\$ 38,764
	2021	<u>12,361</u>
Total minimum lease payments		51,125
Less: amount representing interest		<u>(1,960)</u>
Present value of minimum lease payments		\$ 49,165
Less: Current Portion		<u>(36,948)</u>
Capital Lease Obligation, Net		<u><u>\$ 12,217</u></u>

Property and equipment include the following amounts for lease obligations which have been capitalized.

Equipment	\$ 112,440
Less: Accumulated Depreciation	<u>(26,512)</u>
Net Book Value	<u><u>\$ 85,928</u></u>

Lease amortization, included in depreciation expense, was \$29,996 in 2019.

17. Risk Management and Litigation

Risk Management

The Borough is exposed to various risk of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are provided for through insurance from private insurance companies. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably stated. In determining claims, events that might create claims, but for which none have been reported are considered. During the year ended December 31, 2019 and the two previous fiscal years, no settlements exceeded insurance coverage.

Litigation

In the normal course of operations, the Borough is involved in various civil disputes. Management and Borough solicitor estimate that the amount of actual potential claims against the Borough as of December 31, 2019, will not materially affect the financial condition of the Borough.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

18. Commitments and Contingencies

Loan Guarantee

Borough of Slatington is a Guarantor of the loan with a related party Slatington Borough Authority as of December 31, 2019. The Borough would be obligated to perform under these guarantees if Slatington Borough Authority failed to pay principal and interest payments to the lenders when due.

19. Subsequent Events

Management has evaluated subsequent events through October 12, 2021, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
GENERAL FUND - SCHEDULE OF REVENUES AND OTHER
FINANCING SOURCES - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
<u>TAXES</u>				
Real Estate,				
Current Year	\$ 797,500	\$ 797,500	\$ 781,044	\$ (16,456)
Prior Year	40,000	40,000	41,759	1,759
Interim	250	250	-	(250)
Per Capita,				
Current Year	8,750	8,750	7,852	(898)
Prior Year	3,000	3,000	2,015	(985)
Proportional Assessment, Act 511				
Real Estate Transfer Tax	45,000	45,000	61,863	16,863
Earned Income Taxes	362,500	362,500	390,900	28,400
Local Service Tax	29,750	29,750	28,785	(965)
Total Taxes	1,286,750	1,286,750	1,314,218	27,468
<u>LICENSES AND PERMITS</u>				
Building Permits	5,800	5,800	4,410	(1,390)
Miscellaneous Permits and Fees	16,800	16,800	16,015	(785)
Franchise	67,500	67,500	63,955	(3,545)
Total Licenses and Permits	90,100	90,100	84,380	(5,720)
<u>FINES AND FORFEITS</u>				
Violation of Ordinances	6,700	6,700	9,413	2,713
Justices	25,000	25,000	25,175	175
Total Fines and Forfeits	31,700	31,700	34,588	2,888
<u>INTEREST AND RENTS</u>				
Interest Income	100	100	879	779
Rent of Building	150,289	150,289	151,255	966
Total Interest and Rents	150,389	150,389	152,134	1,745
<u>INTERGOVERNMENTAL REVENUE</u>				
Public Utility Realty Tax	1,325	1,325	1,207	(118)
Beverage Licenses	1,100	1,100	1,000	(100)
State Aid for Pension	80,000	80,000	107,530	27,530
Snow Removal and Recycling Grants	3,000	3,000	1,533	(1,467)
Volunteer Fireman Relief Association	19,000	19,000	-	(19,000)
Miscellaneous Grants	110,445	110,445	80,445	(30,000)
Payments in Lieu of Taxes	9,710	9,710	11,584	1,874
Total Intergovernmental Revenue	224,580	224,580	203,299	(21,281)

See independent auditor's report on required supplementary information.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
GENERAL FUND - SCHEDULE OF REVENUES AND OTHER
FINANCING SOURCES - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
<u>CHARGES FOR CURRENT</u>				
<u>SERVICES:</u>				
Protection Services for Plant	\$ 45,000	\$ 45,000	\$ 45,000	\$ -
Parking Meters, Permits and Signs	2,500	2,500	4,980	2,480
Animal Control	-	-	-	-
Recreational Facilities	1,400	1,400	1,370	(30)
Total Charges for Services	48,900	48,900	51,350	2,450
<u>MISCELLANEOUS REVENUES:</u>				
Sale of Supplies	50	50	75	25
Postage and Certified Fees	7,400	7,400	10,255	2,855
Miscellaneous	1,075	1,075	58	(1,017)
Insurance Proceeds	-	-	4,878	4,878
Proceeds from Sale of Assets	400	400	-	(400)
Refunds of Prior Year Expenditures	-	-	103	103
Refund of Medical Benefit Expenses	40,000	40,000	15,342	(24,658)
Total Miscellaneous Revenue	48,925	48,925	30,711	(18,214)
<u>OTHER FINANCING PROVIDED:</u>				
Transfer from Liquid Fuels	-	-	24,511	(24,511)
Total Other Financing Provided	-	-	24,511	(24,511)
TOTAL REVENUES	\$ 1,881,344	\$ 1,881,344	\$ 1,895,191	\$ (10,664)

See independent auditor's report on other required supplementary information.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
GENERAL FUND - SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
GENERAL GOVERNMENT:				
<i>Administration:</i>				
Council-Salaries	\$ 2,063	\$ 2,063	\$ 2,046	\$ 17
Mayor-Salary	375	375	375	-
Borough Manager - Salary	9,000	9,000	-	9,000
Secretary-Salary	6,722	6,722	6,029	693
Treasurer-Salary	6,627	6,627	7,504	(877)
Janitorial Wages	21,000	21,000	20,361	639
Materials and Supplies-General	7,375	7,375	4,918	2,457
Postage	1,550	1,550	1,091	459
Mileage	100	100	-	100
Advertising and Printing	3,200	3,200	1,415	1,785
Insurance	21,300	21,300	16,456	4,844
Association Expenses	1,140	1,140	996	144
Auditing Services	29,000	29,000	20,860	8,140
Engineering Services	8,500	8,500	765	7,735
Legal Services	34,250	34,250	16,071	18,179
Communication Expenses	3,000	3,000	2,785	215
Bank Fees	3,000	3,000	4,363	(1,363)
IT and Data Processing	8,250	8,250	3,722	4,528
Processing Fees	2,700	2,700	2,586	114
Vehicle Maintenance and Repairs	500	500	-	500
Gas and Oil	200	200	-	200
Property Taxes	-	-	-	-
Seminars and Education	650	650	-	650
Capital Purchases	1,000	1,000	1,400	(400)
	<u>171,502</u>	<u>171,502</u>	<u>113,743</u>	<u>57,759</u>
<i>Tax Collection:</i>				
Tax Enumerator-Salary	10,000	10,000	8,708	1,292
Contracted Services - EIT Collection	5,000	5,000	6,108	(1,108)
Miscellaneous	1,250	1,250	149	1,101
	<u>16,250</u>	<u>16,250</u>	<u>14,965</u>	<u>1,285</u>
<i>Municipal Buildings or Offices:</i>				
Fuel, Light and Water	32,225	32,225	30,613	1,612
Maintenance and Repairs	40,100	40,100	17,158	22,942
	<u>72,325</u>	<u>72,325</u>	<u>47,771</u>	<u>24,554</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 260,077</u>	<u>\$ 260,077</u>	<u>\$ 176,479</u>	<u>\$ 83,598</u>

See independent auditor's report on required supplementary information.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
GENERAL FUND - SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
PUBLIC SAFETY:				
<i><u>Police:</u></i>				
Chief-Salary	\$ 88,130	\$ 88,130	\$ 85,330	\$ 2,800
Patrolmen-Salary	455,318	455,318	407,713	47,605
Special-Salary	115,000	115,000	131,531	(16,531)
Foreman and Labor	2,000	2,000	2,144	(144)
Materials and Supplies	5,150	5,150	6,139	(989)
Uniforms	5,000	5,000	405	4,595
Pension Contribution	138,787	138,787	-	138,787
Ammunition and Similar Supplies	2,620	2,620	2,643	(23)
Postage	440	440	361	79
Mileage	500	500	521	(21)
Advertising and Printing	450	450	951	(501)
Insurance	46,000	46,000	46,618	(618)
Association Expense	150	150	200	(50)
Legal Services	17,500	17,500	20,934	(3,434)
Communication Expense	2,000	2,000	2,122	(122)
IT and Data Processing	7,000	7,000	7,950	(950)
Maintenance and Repairs	14,120	14,120	5,785	8,335
Lab Testing and Evidence Collection	-	-	357	(357)
Court Reporter	-	-	795	(795)
Capital Outlay	2,610	2,610	13,940	(11,330)
Police - Seminars	200	200	1,430	(1,230)
Child Abuse Investigator	1,500	1,500	1,500	-
Vehicle Expense,-				
Insurance	6,800	6,800	5,320	1,480
Communication Expense	150	150	-	150
Vehicle Maintenance and Repairs	9,500	9,500	14,153	(4,653)
Gas, Oil and Grease	10,300	10,300	10,321	(21)
Vehicle Purchases	24,072	24,072	24,588	(516)
	<u>955,297</u>	<u>955,297</u>	<u>793,751</u>	<u>161,546</u>
<i><u>Planning and Zoning:</u></i>				
Ordinance Enforcement Officer	34,372	34,372	40,853	(6,481)
Zoning Hearing Board	200	200	-	200
General Expense	400	400	468	(68)
Office Supplies	-	-	331	(331)
Uniforms	50	50	103	(53)
Professional Services	50	50	-	50
Legal Services	2,500	2,500	603	1,897
Postage	50	50	216	(166)
Vehicle Maintenance	-	-	1,730	(1,730)
Printing	200	200	269	(69)
Education	100	100	-	100
Advertising	350	350	-	350
Communication Expense	100	100	397	(297)
Gas and Oil	-	-	-	-
Court Reporter	500	500	135	365
	<u>38,872</u>	<u>38,872</u>	<u>45,105</u>	<u>(6,233)</u>
<i><u>Ambulance</u></i>				
Donation	9,300	9,300	9,500	(200)
Insurance	700	700	479	221
	<u>10,000</u>	<u>10,000</u>	<u>9,979</u>	<u>21</u>
<i><u>Fire Proection</u></i>				
Volunteer Fireman Relief Association	19,000	19,000	-	19,000
	<u>19,000</u>	<u>19,000</u>	<u>-</u>	<u>19,000</u>
TOTAL PUBLIC SAFETY	<u>\$ 1,023,169</u>	<u>\$ 1,023,169</u>	<u>\$ 848,835</u>	<u>\$ 174,334</u>

See independent auditor's report on required supplementary information.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
GENERAL FUND - SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
HEALTH AND HUMAN SERVICES:				
<i>Health Services</i>				
Wages	\$ 1,150	\$ 1,150	\$ 1,230	\$ (80)
General Expense	250	250	9	241
Uniforms	-	-	-	-
Contracted Services	400	400	-	400
Legal Services	-	-	-	-
Communication Expense	-	-	-	-
Postage	-	-	-	-
Mileage	-	-	-	-
Advertising	100	100	-	100
Gas and Oil	-	-	-	-
Vehicle Maint. and Repairs	-	-	-	-
TOTAL HEALTH AND HUMAN SERVICES	<u>\$ 1,900</u>	<u>\$ 1,900</u>	<u>\$ 1,239</u>	<u>\$ 661</u>

See independent auditor's report on required supplementary information.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
GENERAL FUND - SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
HIGHWAY AND STREETS:				
<i>General Services:</i>				
Salaries, Forman and Labor	\$ 154,000	\$ 154,000	\$ 139,660	\$ 14,340
Borough Manager	-	-	-	-
Supplies and Materials	15,550	15,550	12,420	3,130
Advertising	2,000	2,000	1,178	822
Insurance	20,250	20,250	18,722	1,528
Engineering Services	25,000	25,000	35,272	(10,272)
Contracted Services	-	-	-	-
Legal Services	2,525	2,525	1,598	927
IT and Data Processing	300	300	-	300
Highway - Seminars	800	800	1,045	(245)
Vehicle Expense -				
Maintenance and Repairs (Vehicles)	9,350	9,350	6,275	3,075
Gas, Oil and Grease	14,500	14,500	13,479	1,021
Tires and Tubes	1,200	1,200	2,122	(922)
Maint. and Repairs (Equipment)	7,200	7,200	7,826	(626)
Construction Projects	90,445	90,445	87,185	3,260
Major Equipment Purchase	-	-	24,511	(24,511)
	<u>343,120</u>	<u>343,120</u>	<u>351,293</u>	<u>(8,173)</u>
<i>Winter Maintenance:</i>				
Snow and Ice Removal	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Traffic Control Devices:</i>				
Street Signs and Markings	1,850	1,850	2,272	(422)
Electrical, Street Lights	-	-	5,878	(5,878)
Electrical, Traffic Lights	-	-	-	-
Maintenance, Traffic Lights	500	500	80	420
	<u>2,350</u>	<u>2,350</u>	<u>8,230</u>	<u>(5,880)</u>
<i>Repairs of Tools & Machinery</i>				
Tool and Machinery	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Parking Facilities</i>				
Lighting and Maintenance	1,225	1,225	888	337
	<u>1,225</u>	<u>1,225</u>	<u>888</u>	<u>337</u>
TOTAL HIGHWAYS AND STREETS	<u>\$ 346,695</u>	<u>\$ 346,695</u>	<u>\$ 360,411</u>	<u>\$ (13,716)</u>

See independent auditor's report on required supplementary information.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
GENERAL FUND - SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES - BUDGET COMPARISON
For the Year Ended December 31, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
CULTURE AND RECREATION:				
<i>General Services</i>				
Wages	\$ 7,250	\$ 7,250	\$ 5,632	\$ 1,618
General Expense	7,075	7,075	3,900	3,175
Advertising	25	25	-	25
Insurance	350	350	271	79
Legal Services	225	225	289	(64)
Parks and Playgrounds	5,800	5,800	4,003	1,797
Repairs and Maintenance - Building	1,500	1,500	-	1,500
Recreation Authority	-	-	-	-
Contributions	18,696	18,696	18,696	-
Capital Projects	46,000	46,000	-	46,000
TOTAL CULTURE AND RECREATION	\$ 86,921	\$ 86,921	\$ 32,791	\$ 54,130
MISCELLANEOUS:				
<i>Miscellaneous:</i>				
Unemployment Compensation	\$ 3,500	\$ 3,500	\$ 2,475	\$ (1,025)
Social Security	35,500	35,500	35,051	(449)
Non-Uniform Pension Expense	17,650	17,650	15,928	(1,722)
Hospitalization	92,500	92,500	76,335	(16,165)
Transfer to Employees' Pension Fund	-	-	-	-
Miscellaneous	1,600	1,600	1,015	(585)
TOTAL MISCELLANEOUS	\$ 150,750	\$ 150,750	\$ 130,804	\$ (19,946)
DEBT SERVICE:				
Interest	\$ -	\$ -	\$ -	\$ -
TOTAL DEBT SERVICE	\$ -	\$ -	\$ -	\$ -
OTHER FINANCING USES:				
<i>Transfers:</i>				
Transfer to Police Pension	\$ 138,787	\$ 138,787	\$ 138,787	\$ -
Transfer to Other Funds	-	-	-	-
TOTAL OTHER FINANCING USES	\$ 138,787	\$ 138,787	\$ 138,787	\$ -
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 2,008,299	\$ 2,008,299	\$ 1,689,346	\$ 279,061

See independent auditor's report on required supplementary information.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
SCHEDULE OF BOROUGH CONTRIBUTIONS -
POLICE PENSION PLAN
FOR THE LAST TEN YEARS**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution	\$ 130,264	\$ 108,991	\$ 114,149	\$ 107,484	\$ 129,978	\$ 124,276	\$ 142,190	\$ 148,077	\$ 163,902	\$ 138,787
Contributions in Relation to the Actuarially Determined Contribution	<u>131,310</u>	<u>108,991</u>	<u>114,149</u>	<u>107,484</u>	<u>129,978</u>	<u>142,276</u>	<u>142,190</u>	<u>148,077</u>	<u>163,902</u>	<u>141,871</u>
Contribution Excess	<u>\$ (1,046)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,084)</u>
Covered Employee Payroll	\$ 415,954	\$ 437,681	\$ 485,464	\$ 438,293	\$ 488,686	\$ 400,816	\$ 432,497	\$ 497,131	\$ 674,000	\$ 547,800
Contributions as a Percentage of Covered Employee Payroll	31.6%	24.9%	23.5%	24.5%	26.6%	35.5%	32.9%	29.8%	24.3%	25.9%

See independent auditor's report on required supplementary information.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS –
POLICE PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

	2015	2016	2017	2018	2019
Total Pension Liability					
Service Cost	\$ 62,023	\$ 65,124	\$ 73,828	\$ 77,519	\$ 77,531
Interest	179,899	186,841	189,051	198,656	204,161
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	-	-	(89,057)	-	(51,035)
Changes of Assumptions	-	-	6,699	-	-
Benefit Payments, Including Refunds of Member Contributions	(161,567)	(154,936)	(146,417)	(146,602)	(166,097)
Net Change in Total Pension Liability	80,355	97,029	34,104	129,573	64,560
Total Pension Liability - Beginning	2,267,498	2,347,853	2,444,882	2,478,986	2,608,559
Total Pension Liability - Ending	\$ 2,347,853	\$ 2,444,882	\$ 2,478,986	\$ 2,608,559	\$ 2,673,119
Plan Fiduciary Net Pension					
Contributions - Employer	\$ 63,859	\$ 67,141	\$ 65,488	\$ 69,194	\$ 34,341
Contributions - State Aid	78,417	75,049	82,589	94,708	107,530
Contributions - Member	24,391	25,330	26,502	27,874	22,358
Net Investment Income	(20,057)	80,080	222,884	(141,445)	369,279
Benefit Payments, Including Refunds of Member Contributions	(161,567)	(154,936)	(146,417)	(146,602)	(166,097)
Administrative Expense	-	-	-	(800)	(930)
Net Change in Plan Fiduciary Net Position	(14,957)	92,664	251,046	(97,071)	366,481
Plan Net Position - Beginning	1,622,828	1,607,871	1,700,535	1,951,581	1,854,510
Plan Net Position - Ending	\$ 1,607,871	\$ 1,700,535	\$ 1,951,581	\$ 1,854,510	\$ 2,220,991
Municipality's Net Pension Liability	\$ 739,982	\$ 744,347	\$ 527,405	\$ 754,049	\$ 452,128
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.5%	69.6%	78.7%	71.1%	83.1%
Covered Employee Payroll	\$ 400,816	\$ 432,497	\$ 497,131	\$ 674,000	\$ 547,800
Municipality's Net Pension Liability as a Percentage of Covered Employee Payroll	184.6%	172.1%	106.1%	111.9%	82.5%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

See independent auditor's report on required supplementary information.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES -
POLICE PENSION PLAN
DECEMBER 31, 2019**

Actuarial Methods

1. Liabilities - All plan benefits are valued using the entry age normal cost valuation method.

Actuarial Assumptions

1. Economic Assumptions
 - a) Investment Return - 8% per annum, net investment expenses
 - b) Salary Increases - 5% compounded annually
2. Economic Assumptions
 - a) Mortality
 - Pre-Retirement - None
 - Post-Retirement - The Blue Collar RP-2000 Mortality Table Projected to 2017 using Scale AA
 - b) Termination - None assumed
 - c) Disability - None assumed
 - d) Retirement Age - normal retirement age, or age on valuation date if greater
 - e) Marital Status - 100% of active members are assumed to be married. Female spouse is assumed to be 3 years younger than male spouse
 - f) Form of Annuity - 50% Joint and Survivor

OTHER SUPPLEMENTARY INFORMATION

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**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
COMBINING BALANCE SHEET – NON - MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>Special Revenue Funds</u>			Fire Fund	Total Non-Major Governmental Funds
	Liquid Fuels Tax	General Capital Reserve Fund	Total		
ASSETS					
Cash and Cash Equivalents	\$ 161,682	\$ 177,880	\$ 339,562	\$ -	\$ 339,562
Due from Other Funds	-	110,000	110,000	21,569	131,569
Total Assets	<u>\$ 161,682</u>	<u>\$ 287,880</u>	<u>\$ 449,562</u>	<u>\$ 21,569</u>	<u>\$ 471,131</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 8,180	\$ -	\$ 8,180	\$ -	\$ 8,180
Due to Other Funds	99,053	-	99,053	175,870	274,923
Note Payable to Sewer Fund	-	-	-	67,679	67,679
Total Liabilities	<u>107,233</u>	<u>-</u>	<u>107,233</u>	<u>243,549</u>	<u>350,782</u>
Fund Balances					
Assigned	54,449	287,880	342,329	(221,980)	120,349
Total Fund Balances	<u>54,449</u>	<u>287,880</u>	<u>342,329</u>	<u>(221,980)</u>	<u>120,349</u>
Total Liabilities and Fund Balances	<u>\$ 161,682</u>	<u>\$ 287,880</u>	<u>\$ 449,562</u>	<u>\$ 21,569</u>	<u>\$ 471,131</u>

See independent auditor's report on supplementary information.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – NON - MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019**

	Special Revenue Funds			Fire Fund	Total Non-Major Governmental Funds
	Liquid Fuels Tax	General Capital Reserve Fund	Total		
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 85,753	\$ 85,753
Interest Earnings	310	355	665	-	665
Intergovernmental	130,854	-	130,854	-	130,854
Miscellaneous	-	-	-	2,323	2,323
Total Revenues	<u>131,164</u>	<u>355</u>	<u>131,519</u>	<u>88,076</u>	<u>219,595</u>
EXPENDITURES					
General Government	-	-	-	-	-
Administration	-	-	-	181	181
Highways and Streets	88,496	-	88,496	-	88,496
Fire Station and Truck	-	-	-	71,789	71,789
Community Develop. and Housing	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	2,253	2,253
Total Expenditures	<u>88,496</u>	<u>-</u>	<u>88,496</u>	<u>74,223</u>	<u>162,719</u>
Excess of Revenues over Expenditures	<u>42,668</u>	<u>355</u>	<u>43,023</u>	<u>13,853</u>	<u>56,876</u>
OTHER FINANCING USES					
Transfers In (Out)	<u>(24,511)</u>	<u>-</u>	<u>(24,511)</u>	<u>-</u>	<u>(24,511)</u>
Total Other Financing Sources and Uses	<u>(24,511)</u>	<u>-</u>	<u>(24,511)</u>	<u>-</u>	<u>(24,511)</u>
Net Changes in Fund Balances	18,157	355	18,512	13,853	32,365
Fund Balances, January 1	<u>36,292</u>	<u>287,525</u>	<u>323,817</u>	<u>(235,833)</u>	<u>87,984</u>
Fund Balances, December 31	<u>\$ 54,449</u>	<u>\$ 287,880</u>	<u>\$ 342,329</u>	<u>\$ (221,980)</u>	<u>\$ 120,349</u>

See independent auditor's report on supplementary information.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
COMBINING STATEMENT OF NET POSITION
ALL PENSION AND PRIVATE PURPOSE TRUST FUNDS
DECEMBER 31, 2019**

	Pension Trust Funds		
	Police Pension	Employees' Pension	Total
ASSETS:			
Cash and Cash Equivalents	\$ 64,756	\$ -	\$ 64,756
Investments - At Fair Value			
Government Securities/Fixed Income	636,921	-	636,921
Mutual Funds	524,520	928,937	1,453,457
Domestic Common Stock	957,621	-	957,621
Foreign Common Stock	31,124	-	31,124
Accrued Interest	6,049	-	6,049
Accounts Receivable	859	3,502	4,361
Total Assets	\$ 2,221,850	\$ 932,439	\$ 3,154,289
LIABILITIES:			
Accounts Payable	\$ 4,250	\$ -	\$ 4,250
Due to Other Funds	15,619	-	15,619
Due to Employer	-	-	-
Deferred Pension Contribution	-	-	-
Total Liabilities	19,869	-	19,869
NET POSITION:			
Committed	158,992	-	158,992
Assigned	2,042,989	932,439	2,975,428
Total Net Position	2,201,981	932,439	3,134,420
Total Liabilities and Net Position	\$ 2,221,850	\$ 932,439	\$ 3,154,289

See independent auditor's report on supplementary information.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
COMBINING STATEMENT OF CHANGES IN NET POSITION
ALL PENSION AND PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Pension Trust Funds		
	Police Pension	Employees' Pension	Total
ADDITIONS:			
<i>Contributions:</i>			
Employer	\$ 138,788	\$ 48,181	\$ 186,969
Plan Members	25,380	-	25,380
Total Contributions	<u>164,168</u>	<u>48,181</u>	<u>212,349</u>
<i>Investment Earnings:</i>			
Interest and Dividends	50,157	-	50,157
Realized Gain on Sale of Investments	287,879	-	287,879
Net Change in Fair Value	52,263	160,088	212,351
Less Investment Expenses	<u>(26,386)</u>	<u>(2,118)</u>	<u>(28,504)</u>
Total Additions	<u>528,081</u>	<u>206,151</u>	<u>734,232</u>
DEDUCTIONS:			
Administration	-	-	-
Benefit Payments	<u>165,912</u>	<u>-</u>	<u>165,912</u>
Total Deductions	<u>165,912</u>	<u>-</u>	<u>165,912</u>
Excess of Additions Over Deductions	362,169	206,151	568,320
NET POSITION			
Net Position, January 1,	<u>1,839,812</u>	<u>726,288</u>	<u>2,566,100</u>
Net Position, December 31	<u>\$ 2,201,981</u>	<u>\$ 932,439</u>	<u>\$ 3,134,420</u>

See independent auditor's report on supplementary information.

**BOROUGH OF SLATINGTON
SLATINGTON, PENNSYLVANIA
SCHEDULE OF ACCUMULATED EMPLOYEE CONTRIBUTIONS
POLICE PENSION FUND**

	Balance 1/1/2019	Contributions 2019	Payments 2019	Balance 12/31/2019
Alercia, David	\$ 29,143	\$ 4,806	\$ -	\$ 33,949
Borst, William	19,808	5,596	-	25,404
Dorward, Dwayne	31,228	5,272	-	36,500
Rachman, David	27,961	4,249	-	32,210
Taibi, Salvatore	29,016	1,363	(30,379)	-
Wagner, Timothy	26,835	4,094	-	30,929
TOTAL ASSETS	<u>\$ 163,991</u>	<u>\$ 25,380</u>	<u>\$ (30,379)</u>	<u>\$ 158,992</u>

Auditor's Note: (1) Ordinance #402 provides for employee contributions to be refunded within 60 days upon discontinuance of employment for reasons other than retirement.

See independent auditor's report on supplementary information.