

BOROUGH OF EMMAUS

**Financial Statements,
Independent Auditor's Report
and Supplementary Information**

December 31, 2020

**BOROUGH OF EMMAUS
TABLE OF CONTENTS**

	Page(s)
Independent Auditor's Report	1 - 3
 <u>Basic Financial Statements:</u>	
Statement of Net Position – Modified Cash Basis	4
Statement of Activities – Modified Cash Basis	5
Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis – Governmental Funds	6
Reconciliation of the Governmental Funds Statement of Assets, Liabilities and Fund Balances to the Statement of Net Position – Modified Cash Basis	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to The Statement of Activities – Modified Cash Basis	9
Statement of Net Position – Modified Cash Basis – All Proprietary Funds	10
Statement of Revenues, Expenditures and Changes in Net Position – Modified Cash Basis – All Proprietary Funds	11
Statement of Cash Flows – Modified Cash Basis – All Proprietary Funds	12
Statement of Net Position – Modified Cash Basis – All Fiduciary Funds	13
Statement of Changes in Net Position – Modified Cash Basis – All Fiduciary Funds	14
Notes to Financial Statements	15 - 50
 <u>Required Supplementary Information:</u>	
General Fund - Schedule of Revenues and Other Financing Sources – Modified Cash Basis – Budget Comparison	52
General Fund - Schedule of Expenditures and Other Financing Uses – Modified Cash Basis – Budget Comparison	53
Special Revenue Funds - Schedule of Revenues, Expenditures and Other Financing Sources – Modified Cash Basis – Budget Comparison	54
Capital Projects Fund - Schedule of Revenues, Expenditures and Other Financing Sources – Modified Cash Basis – Budget Comparison	55

Schedule of Borough Contributions – Non-Uniform Pension Plan	56
Schedule of Changes in Net Pension Liability and Related Ratios – Non-Uniform Pension Plan	57
Notes to Required Supplementary Schedules – Non-Uniform Pension Plan	58
Schedule of Borough Contributions – Uniformed Pension Plan	59
Schedule of Changes in Net Pension Liability and Related Ratios – Uniformed Pension Plan	60
Notes to Required Supplementary Schedules – Uniformed Pension Plan	61
Schedule of Changes in Net OPEB Liability and Related Ratios	62
<u><i>Other Supplementary Information:</i></u>	
Combining Balance Sheet - Modified Cash Basis - All Special Revenue Funds	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – All Special Revenue Funds	64
Combining Statement of Net Position – Modified Cash Basis – All Pension Funds	66
Combining Statement of Changes in Net Position – Modified Cash Basis – All Pension Funds	67
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	68 - 69

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Emmaus, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Emmaus as of December 31, 2020, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that budgetary comparison, pension and other postemployment benefit information on pages 52-62 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 opinions on the financial statements that collectively comprise the Borough of Emmaus' basic financial statements. Management's combining schedules on pages 62-65 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021 on our consideration of the Borough of Emmaus' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Emmaus' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Emmaus' internal control over financial reporting and compliance.

Corybell, Rappold & Yurawitz LLP

September 23, 2021

BOROUGH OF EMMAUS
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,354,865	\$ 253,341	\$ 6,608,206
Internal Balances	1,650,748	199,494	1,850,242
Total Current Assets	8,005,613	452,835	8,458,448
Noncurrent Assets:			
Land, Building and Improvements	6,276,268	-	6,276,268
Machinery and Equipment	6,822,866	-	6,822,866
Recreation	1,479,806	-	1,479,806
Water and Sewer System	-	10,809,099	10,809,099
Accumulated Depreciation	-	(8,228,599)	(8,228,599)
Total Noncurrent Assets	14,578,940	2,580,500	17,159,440
TOTAL ASSETS	22,584,553	3,033,335	25,617,888
LIABILITIES			
Current Liabilities:			
Accrued Expenses	1,137	-	1,137
Internal Balances	1,188,145	662,098	1,850,243
Current Portion of Capital Lease Obligations	131,785	-	131,785
Current Portion of Long-Term Debt	576,257	-	576,257
Total Current Liabilities	1,897,324	662,098	2,559,422
Noncurrent Liabilities:			
Capital Lease Obligations	317,162	-	317,162
Long-Term Debt	2,938,469	-	2,938,469
Total Noncurrent Liabilities	3,255,631	-	3,255,631
TOTAL LIABILITIES	5,152,955	662,098	5,815,053
NET POSITION			
Invested in Capital Assets, Net of Related Debt	10,615,267	2,580,500	13,195,767
Restricted for:			
Capital Projects	4,740,407	-	4,740,407
Special Revenue	3,584,104	-	3,584,104
Unrestricted	(1,508,180)	(209,263)	(1,717,443)
TOTAL NET POSITION	\$ 17,431,598	\$ 2,371,237	\$ 19,802,835

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

BOROUGH OF EMMAUS
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Activities
Governmental Activities:						
General Government	\$ 3,542,678	\$ 38,559	\$ 25,454	\$ 34,700	\$ (3,443,965)	\$
Public Safety	4,892,721	767,610	556,212	-	(3,568,899)	
Public Works	1,262,028	-	340,460	187,986	(733,582)	
Cultural and Recreation	304,951	9,077	106,585	-	(189,289)	
Interest on Long-Term Debt	92,742	-	-	-	(92,742)	
Total Governmental Activities	10,095,120	815,246	1,028,711	222,686	(8,028,477)	
Business Type Activities:						
Water	1,011,005	965,661	-	-	-	(
Sewer	1,363,871	1,556,866	-	-	-	1
Refuse	988,967	1,541,832	-	-	-	5
Total Business-Type Activities	3,363,843	4,064,359	-	-	-	7
Total Primary Government	\$ 13,458,963	\$ 4,879,605	\$ 1,028,711	\$ 222,686	\$ (8,028,477)	\$ 7
General Revenues:						
Taxes:						
Property Taxes, levied for general purposes, net					\$ 5,193,970	\$
Property Taxes, levied for fire protection, net					898,180	
Other Taxes, levied for general purposes, net					2,200,481	
Licenses and Permits					246,197	
Fines and Forfeits					38,596	
Miscellaneous Income					1,062,850	
Interest Income					271,540	
Transfers In/(Out)					731,935	(7
Total General Revenues, Special Items, Extraordinary Items, and Transfers					10,643,749	(7
Change in Net Position					2,615,272	(
Net Position - Beginning					14,816,326	2,4
Net Position - Ending					\$ 17,431,598	\$ 2,3

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

BOROUGH OF EMMAUS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES –
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Major Funds			Non-Major Funds	
	General	Special Revenue	Capital Projects	Debt Service	Total
ASSETS					
Cash and Cash Equivalents	\$ 1,547,748	\$ 509,246	\$ 4,297,744	127	\$ 6,354,865
Due from Other Funds	1,195,917	12,168	442,663	-	1,650,748
TOTAL ASSETS	<u>\$ 2,743,665</u>	<u>\$ 521,414</u>	<u>\$ 4,740,407</u>	<u>\$ 127</u>	<u>\$ 8,005,613</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accrued Expenses	\$ 1,137	\$ -	\$ -	\$ -	\$ 1,137
Due to Other Funds	9,562	22,280	1,156,303	-	1,188,145
TOTAL LIABILITIES	<u>10,699</u>	<u>22,280</u>	<u>1,156,303</u>	<u>-</u>	<u>1,189,282</u>
FUND BALANCES					
Assigned	1,156,303	-	-	-	1,156,303
Restricted	-	499,134	-	127	499,261
Committed	62,111	-	154,230	-	216,341
Unassigned	1,514,552	-	3,429,874	-	4,944,426
TOTAL FUND BALANCES	<u>2,732,966</u>	<u>499,134</u>	<u>3,584,104</u>	<u>127</u>	<u>6,816,331</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,743,665</u>	<u>\$ 521,414</u>	<u>\$ 4,740,407</u>	<u>\$ 127</u>	<u>\$ 8,005,613</u>

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

**BOROUGH OF EMMAUS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCES TO THE STATEMENT OF NET POSITION –
MODIFIED CASH BASIS
DECEMBER 31, 2020**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 6,816,331
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**Amounts Reported for Governmental Activities in the
Statement of Net Position - Modified Cash Basis 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 \$14,578,940.	14,578,940
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Long-term liabilities 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 Obligations	\$	(448,947)	
Notes Payable		<u>(3,514,726)</u>	<u>(3,963,673)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 17,431,598</u>
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The accompanying notes are an integral part of these financial statements.

BOROUGH OF EMMAUS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Major Funds			Non-Major Funds	
	General	Special Revenue	Capital Projects	Debt Service	Total
REVENUES					
Taxes	\$ 7,394,451	\$ 898,180	\$ -	\$ -	\$ 8,292,631
Licenses and Permits	246,197	-	-	-	246,197
Fines and Forfeitures	38,596	-	-	-	38,596
Interest and Rents	261,061	2,944	7,535	-	271,540
Intergovernmental Revenues	708,934	435,878	107,335	-	1,252,147
Charges for Services	790,987	23,509	-	-	814,496
Other Revenues	4,000,604	12,244	-	-	4,012,848
TOTAL REVENUES	13,440,830	1,372,755	114,870	-	14,928,455
EXPENDITURES					
General Government	3,470,517	72,161	12,855	-	3,555,533
Public Safety	4,095,382	866,534	-	-	4,961,916
Public Works	1,026,418	170,045	42,412	-	1,238,875
Cultural and Recreation	304,951	-	46,275	-	351,226
Debt Service - Principal Retirement	-	-	-	688,756	688,756
Debt Service - Interest	-	-	-	126,642	126,642
Capital Outlay	-	-	177,382	-	177,382
TOTAL EXPENDITURES	8,897,268	1,108,740	278,924	815,398	11,100,330
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	4,543,562	264,015	(164,054)	(815,398)	3,828,125
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	552,865	-	3,816,507	815,398	5,184,770
Operating Transfers Out	(4,341,252)	(279,473)	-	-	(4,620,725)
Total Other Financing Sources (Uses)	(3,788,387)	(279,473)	3,816,507	815,398	564,045
Net Change in Fund Balances	755,175	(15,458)	3,652,453	-	4,392,170
Fund Balances, January 1	1,977,791	514,592	(68,349)	127	2,424,161
FUND BALANCES, DECEMBER 31	\$ 2,732,966	\$ 499,134	\$ 3,584,104	\$ 127	\$ 6,816,331

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

BOROUGH OF EMMAUS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Net Change in Fund Balances - Governmental Funds \$ 4,392,170

**Amounts Reported for Governmental Activities in the
Statement of Activities - Modified Cash Basis are Different Because:**

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities - modified cash basis, the cost of those expenditures is not reported but treated as a capital asset on the statement of net position - modified cash basis

Capital Outlay	726,710	
Sale of Capital Assets	<u>(2,950,000)</u>	
		(2,223,290)

Repayments of capital leases is an expenditure in the governmental funds, but the repayment reduces capital lease liability in the statement of net position - modified cash basis	77,839
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Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position - modified cash basis	610,917
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Proceeds from issuance of debt, including leases, is a current resource as a financing source in the governmental funds, but an increase in a liability on the statement of net position - modified cash basis	<u>(242,364)</u>
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Change in Net Position of Governmental Activities	<u>\$ 2,615,272</u>
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The accompanying notes are an integral part of these financial statements.

BOROUGH OF EMMAUS
STATEMENT OF NET POSITION – MODIFIED CASH BASIS – ALL PROPRIETARY FUNDS
DECEMBER 31, 2020

	Water Fund	Sewer Fund	Refuse Fund	Total Proprietary Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents - Unrestricted	\$ 183,323	\$ 70,018	\$ -	\$ 253,341
Due from Other Funds	-	199,494	-	199,494
Total Current Assets	<u>183,323</u>	<u>269,512</u>	<u>-</u>	<u>452,835</u>
Noncurrent Assets:				
Fixed Assets, Less Accumulated Depreciation	<u>1,360,976</u>	<u>1,219,524</u>	<u>-</u>	<u>2,580,500</u>
Total Noncurrent Assets	<u>1,360,976</u>	<u>1,219,524</u>	<u>-</u>	<u>2,580,500</u>
TOTAL ASSETS	<u>\$ 1,544,299</u>	<u>\$ 1,489,036</u>	<u>\$ -</u>	<u>\$ 3,033,335</u>
LIABILITIES				
Current Liabilities:				
Due to Other Funds	\$ 236,223	\$ 425,875	\$ -	\$ 662,098
Total Current Liabilities	<u>236,223</u>	<u>425,875</u>	<u>-</u>	<u>662,098</u>
TOTAL LIABILITIES	<u>236,223</u>	<u>425,875</u>	<u>-</u>	<u>662,098</u>
NET POSITION				
Invested in Capital Assets	1,360,976	1,219,524	-	2,580,500
Unrestricted	<u>(52,900)</u>	<u>(156,363)</u>	<u>-</u>	<u>(209,263)</u>
Total Net Position	<u>1,308,076</u>	<u>1,063,161</u>	<u>-</u>	<u>2,371,237</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,544,299</u>	<u>\$ 1,489,036</u>	<u>\$ -</u>	<u>\$ 3,033,335</u>

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

BOROUGH OF EMMAUS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION – MODIFIED CASH BASIS – ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Water Fund	Sewer Fund	Refuse Fund	Total Proprietary Funds
OPERATING REVENUES:				
Charges for Services	\$ 965,661	\$ 1,556,866	\$ 1,541,832	\$ 4,064,359
Intergovernmental Revenues	-	-	-	-
Total Operating Revenues	<u>965,661</u>	<u>1,556,866</u>	<u>1,541,832</u>	<u>4,064,359</u>
OPERATING EXPENSES:				
Personnel	395,043	328,696	1,491	725,230
Supplies	25,547	18,719	-	44,266
Professional Services	4,826	37,295	-	42,121
Employee Benefits	258,113	246,386	-	504,499
Insurance	34,756	34,756	-	69,512
Repairs and Maintenance	121,783	28,658	-	150,441
Disposal System	89,348	2,312	-	91,660
Contractual Services	-	548,655	987,476	1,536,131
Depreciation and Amortization	81,589	118,394	-	199,983
Total Operating Expenses	<u>1,011,005</u>	<u>1,363,871</u>	<u>988,967</u>	<u>3,363,843</u>
OPERATING INCOME (LOSS)	<u>(45,344)</u>	<u>192,995</u>	<u>552,865</u>	<u>700,516</u>
NON-OPERATING REVENUES:				
Interest Revenue	604	572	-	1,176
Total Non-operating Revenues	<u>604</u>	<u>572</u>	<u>-</u>	<u>1,176</u>
Income (Loss) Before Transfers	(44,740)	193,567	552,865	701,692
Transfers Out	(30,000)	(149,070)	(552,865)	(731,935)
Change in Net Position	<u>(74,740)</u>	<u>44,497</u>	<u>-</u>	<u>(30,243)</u>
Total Net Position - January 1	<u>1,382,816</u>	<u>1,018,664</u>	<u>-</u>	<u>2,401,480</u>
TOTAL NET POSITION - December 31	<u>\$ 1,308,076</u>	<u>\$ 1,063,161</u>	<u>\$ -</u>	<u>\$ 2,371,237</u>

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

BOROUGH OF EMMAUS
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS –
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Water Fund	Sewer Fund	Refuse Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 965,661	\$ 1,556,866	\$ 1,541,832	\$ 4,064,359
Cash Payment to Suppliers for Goods and Services	(276,260)	(670,395)	(987,476)	(1,934,131)
Cash Payments to Employees for Services	(653,156)	(575,082)	(1,491)	(1,229,729)
Net Cash Provided by Operating Activities	36,245	311,389	552,865	900,499
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Transfers Out	(30,000)	(149,070)	(552,865)	(731,935)
Net Cash Used In Noncapital Financing Activities	(30,000)	(149,070)	(552,865)	(731,935)
CASH FLOWS FROM CAPITAL ACTIVITIES:				
Acquisition of Capital Assets	(65,069)	(182,457)	-	(247,526)
Net Cash Used by Capital Activities	(65,069)	(182,457)	-	(247,526)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	604	572	-	1,176
Net Cash Provided by Investing Activities	604	572	-	1,176
Net Decrease in Cash and Cash Equivalents	(58,220)	(19,566)	-	(77,786)
Cash and Cash Equivalents, January 1	241,543	89,584	-	331,127
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 183,323	\$ 70,018	\$ -	\$ 253,341
Reconciliation of Operating Income (Loss) to Net Cash Provided Operating Activities				
Operating Income (Loss)	\$ (45,344)	\$ 192,995	\$ 552,865	\$ 700,516
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	81,589	118,394	-	199,983
Total Adjustments	81,589	118,394	-	199,983
Net Cash Provided by Operating Activities	\$ 36,245	\$ 311,389	\$ 552,865	\$ 900,499

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

BOROUGH OF EMMAUS
STATEMENT OF NET POSITION – MODIFIED CASH BASIS –
ALL FIDUCIARY FUNDS
DECEMBER 31, 2020

	Pension Funds	Custodial Funds
ASSETS:		
Cash and Cash Equivalents - Restricted	\$ -	\$ 142,950
Investments - at Fair Value		
Cash and Sweep Balances	793,051	-
Common Stock	11,662,943	-
Fixed Income	6,975,310	-
Accrued Income	6	-
	<u> </u>	<u> </u>
Total Assets	<u>\$ 19,431,310</u>	<u>\$ 142,950</u>
LIABILITIES:		
Due to Depositors	<u>\$ -</u>	<u>\$ 142,950</u>
	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>142,950</u>
NET POSITION:		
Restricted	<u>19,431,310</u>	<u>-</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Position	<u>\$ 19,431,310</u>	<u>\$ 142,950</u>

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

BOROUGH OF EMMAUS
STATEMENT OF CHANGES IN NET POSITION – MODIFIED CASH BASIS –
ALL FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Pension Funds	Custodial Funds
ADDITIONS:		
Contributions:		
Employer	\$ 1,019,235	\$ -
Plan Members	143,851	-
Total Contributions	1,163,086	-
Investment Earnings:		
Net Realized and Unrealized Gains	1,903,429	-
Interest and Dividends	303,665	-
Less: Investment Expenses	(57,350)	-
Total Investment Earnings	2,149,744	-
Miscellaneous Income	11,156	-
Collections from Other Entities	-	32,044
Total Additions	3,323,986	32,044
DEDUCTIONS:		
Administration	13,550	-
Benefit Payments	910,813	-
Payments to Other Entities	-	32,044
Total Deductions	924,363	32,044
NET INCREASE	2,399,623	-
NET POSITION:		
Net Position, January 1	17,031,687	-
Net Position, December 31	\$ 19,431,310	\$ -

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

BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Entity

The Borough of Emmaus (the "Borough") was incorporated in 1859 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania ("Commonwealth").

The Borough Council, a seven-member group, and a Mayor, 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, highways and streets, culture and recreation, public improvements, planning and zoning, and general administrative services. The Borough receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities.

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. Based upon the application of these criteria, there are no component units to be included in the financial reporting entity of the Borough.

2. Summary of Significant Accounting Policies

The financial statements of the Borough of Emmaus have been prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) and is described more fully under Basis of Accounting and Measurement Focus. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are described below to enhance the usefulness of the financial statements to the reader.

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, expenditures, or expenses, and other financing sources and uses. These various funds are summarized by type in the financial statements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The Borough's basic financial statements consist of government-wide statements, including a Statement of Net Position – Modified Cash Basis and a Statement of Activities – Modified Cash Basis, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements (i.e. the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis) 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 – Modified Cash Basis presents the financial condition of the governmental and business-type activity of the Borough at fiscal year-end. The Statement of Activities – Modified Cash Basis 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.

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 refuse. 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.

BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting

For financial reporting purposes, the Borough's funds have been grouped by fund type and are presented in this report in the following manner:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Borough are financed. The acquisition, use and balances of the Borough's expendable financial resources and the related liabilities are accounted for through the following governmental funds:

- ***General Fund (Major Fund)*** - is used to account for all financial transactions applicable to the general operations of the Borough except for those required to be accounted for in another fund.
- ***Special Revenue Funds (Major Funds)*** - are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The following are special revenue fund types:

State Liquid Fuels Fund - is utilized to account for the financial activity of the Borough's motor vehicle fuel tax allocation from the Commonwealth of Pennsylvania.

Fire Protection Fund - is utilized to account for the financial activity of the Borough's fire tax revenue and its related expenditures.

- ***Capital Projects Fund (Major Fund)*** - is used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- ***Debt Service Fund*** - is used to account for the accumulation of resources for, and the payment of, principal and interest on general obligation debt supported by the full faith and credit of the Borough.

Proprietary Fund Types

Proprietary funds are used to account for the Borough's ongoing activities that are similar to those often found in the private sector. The measurement focus is based upon the determination of net income. The Borough has one type of proprietary fund - the Enterprise Fund.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting (Continued)

Proprietary Fund Types (Continued)

- ***Enterprise Fund*** - is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income are appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Borough has three Enterprise Funds described below.

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.

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Borough in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the Borough's fiduciary fund types:

- ***Pension Funds*** - are used to account for pension benefits for employees. The principal revenue sources for these funds are state aid, employer and employee contributions, and investment earnings. The Borough of Emmaus has two pension funds as described below:

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

Non-Uniform Pension Fund - is used to account for pension benefits for Borough employees. The principal revenue source for this fund is employer and employee contributions.

BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting (Continued)

Fiduciary Fund Types (Continued)

- ***Custodial Funds*** - are used to account for funds held in escrow for other parties. The Custodial Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting and Management Focus

Basis of Accounting

Basis of accounting refers to the timing of recognition of revenues and expenditures or expenses in the financial statements regardless of the measurement focus. The modified cash basis of accounting is followed for all governmental, proprietary and fiduciary funds of the Borough. The modified cash basis differs from GAAP in that certain revenues and the related assets are recognized when received rather than when earned and certain expenditures or expenses are recognized when paid rather than when a liability is incurred. Modifications to the cash basis of accounting include: fixed assets are capitalized and depreciated over their economic useful lives, the recording of payroll withholdings when withheld from employees' pay and the recording of investments held (in the Pension Funds) as assets. In addition, net unrealized gains and losses on investments are recorded as a result of changes in the fair value of investments, not when the investments are sold. The Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance - Modified Cash Basis - Governmental Funds presents the results of the Borough's activities; it does not purport to present the net income or loss for the period.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are accounted for on a spending or "financial flow" measurement focus. This means the Borough has elected to report on a modified cash basis while reporting long-term indebtedness in the Debt Service Fund. Governmental fund-type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with this activity are included on their statements of assets, liabilities, and net position. The reported fund equity is segregated into contributed capital and net position - modified cash basis. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in equity.

The Pension Fund uses "income determination" as its measurement focus. Plan member contributions and employer contributions (including the portion, if any, funded by State Aid) are recognized in the period in which contributions are paid. Benefits and refunds are recognized when paid in accordance with the terms of each plan.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

2. Summary of Significant Accounting Policies (Continued)

Budgets and Non-GAAP Budgetary Basis of Accounting

The Borough follows these procedures in establishing the budgetary data reflected in the financial statements:

- In accordance with the Borough Code and Borough procedures, at least thirty days prior to adoption, the Borough Manager submits to the Borough Council, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. Departments for budgetary purposes are general government, public safety, public works and culture and recreation.
- Public hearings are conducted to obtain taxpayer comment.
- By December 31, the budget is legally enacted for all governmental funds through passage of an ordinance. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.
- Each month the administration prepares a detailed budget report. The report cites the past month and year-to-date activity, as well as encumbrances and unencumbered balances by account.
- All modifications, transfers and amendments must be approved by Borough Council.
- Formal budgetary integration is employed as a management control device during the year for the General Fund, Debt Service Fund, Fire Protection Fund, State Liquid Fuels Fund and the Capital Projects Fund.
- The legally required and adopted budgets of the Borough are for the General Fund, Debt Service Fund, Fire Protection Fund, State Liquid Fuels Fund and the Capital Projects Fund.
- Budgets for the General Fund, Debt Service Fund, Fire Protection Fund, State Liquid Fuels Fund and the Capital Projects Fund are adopted on a cash basis of accounting discussed above.
- Borough Council may authorize supplemental appropriations during the year. No supplemental appropriations were made during fiscal 2020. Borough Council must approve all over expenditures of appropriations or transfers of appropriated amounts.

BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. Summary of Significant Accounting Policies (Continued)

Budgets and Non-GAAP Budgetary Basis of Accounting (Continued)

The Statements of Revenues Received, Expenditures Paid and Changes in Fund Balance - Modified Cash Basis - Budget and Actual present comparisons of legally adopted budgets with actual data. The budget has been prepared on the modified cash basis, which is the same basis of accounting used to prepare the financial statements as described more fully in Note 2. The Borough Council approves by a motion the total appropriations in the budget. Fund Balance and any revisions to the budget also require approval by Borough Council. There were no amendments to the budget as presented in the current year.

Cash and Investments

Cash and cash equivalents on the Statement of Net Position – Modified Cash Basis are considered to be cash on hand, demand deposits, cash with fiscal agent and deposits in the Pennsylvania Local Government Investment Trust (PLGIT).

For the purpose of the proprietary funds, “Statement of Cash Flows – Modified Cash Basis,” cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, all highly liquid investments with an original maturity of three months or less and deposits in the Pennsylvania Local Government Investment Trust (PLGIT).

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

Certain inter-fund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Other inter-fund transactions are reported as transfers. Non-recurring or non-routine permanent transfers of net position are reported as residual transfers of net position. All other inter-fund transfers are reported as operating transfers.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

2. Summary of Significant Accounting Policies (Continued)

Restricted Assets

Cash and investments have been restricted to the extent of escrows payable, pension reserves and specific uses.

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. 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.

Water and Sewer systems reported in the business-type activities are depreciated using the straight-line method over the estimated useful life of system components ranging from 7 to 50 years.

Net Position

Net position represents 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 is reported as restricted when there are limitations imposed on its 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.

Transfers

Legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers. Transfers to the pension funds are quasi-external transactions.

Management Estimates

The preparation of financial statements prepared with the modified cash basis of accounting requires 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.

BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. Summary of Significant Accounting Policies (Continued)

Government – Wide Fiduciary and Proprietary Fund Net Position

Net Position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted – consist of assets that are restricted by the Borough's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

Governmental Fund Balances

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

- Restricted fund balance - indicates the portion of the fund balance that can only be spent for specific purposes because of constitutional provisions, legislation, or constraints that are externally imposed.
- Committed fund balance - indicates the portion of the fund balance that can only be used for specific purposes determined by formal action of the Council.
- Assigned fund balance - indicates the portion of the fund balance that has been appropriated for specific purposes by authorization of the Council.
- Unassigned fund balance - indicates the portion of the fund balance that is available for appropriation and expenditure, in future periods.

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.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

2. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources (Continued)

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.

The Borough of Emmaus has not recorded any deferred outflows/inflows of resources because the Borough has elected to report its financial activities on the modified cash basis of accounting.

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 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.

Cash (Cash on Hand and Bank Balances)

At December 31, 2020, the carrying amount of the Borough's bank deposits at two financial institutions (excluding those held in the Pension Funds, but including Custodial Funds) totaled \$1,879,508 and the corresponding bank balances were \$2,047,102 of which \$252,714 was insured by the Federal Deposit Insurance Corporation ("FDIC"); the uninsured bank balances of \$1,794,388 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 \$1,794,388 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, 2020, the petty cash balance was \$300.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Cash and Investments (Continued)

Cash Equivalents

As of December 31, 2020, the carrying amounts of deposits in the Pennsylvania Local Government Investment Trust ("PLGIT" or "Trust") (excluding those held in the Pension Funds, but including Custodial Funds) were \$4,871,217. The Borough maintains deposits in the PLGIT portfolio of the Trust. The assets in these portfolios are marked to market daily, there are stated limits on the weighted average maturity of the portfolios and the Trust seeks to maintain a net asset value of \$1.00 per share. Accordingly, the market value for the deposits in PLGIT are not materially different from the carrying amount. All deposits in PLGIT are insured or registered, or securities held by the Borough's or its agent in the Borough's name.

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 funds are placed pursuant to guidelines established by the respective pension boards.

As of December 31, 2020, the Borough had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
<u>Investment - Pension Funds</u>		
Cash and Sweep Balances		\$ 793,051
Common Stock		11,662,943
Fixed Income	Dec. 2021	<u>6,975,310</u>
		<u>\$ 19,431,304</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.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Cash and Investments (Continued)

Investments (Continued)

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. Currently the Borough does not have any investments not included in the Pension Funds.

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.

4. Real Estate Taxes

Based upon assessed valuations provided by the County (\$910,845,000 in 2020), the Borough bills and collects its own property taxes. The schedule for property taxes levied for 2020 is as follows:

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

The Borough continues to collect delinquent real estate taxes through December of the current year. At that time, all unpaid real estate taxes are turned over to the County of Lehigh Tax Claim Bureau for further collection. The 2020 municipal tax rate for all purposes was 7.4115 mills (\$7.4115 per \$1,000 of assessed valuation).

BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. Inter-fund Receivables and Payables

Inter-fund receivable and payable balances as of December 31, 2020 as follows:

	Due From Other Funds	Due to Other Funds
<u>Governmental Activities</u>		
General Fund	\$ 1,195,917	\$ 9,561
Capital Projects Fund	442,663	1,156,303
Liquid Fuels Fund	12,168	22,280
<u>Business Type Activities</u>		
Water Fund	-	236,223
Sewer Fund	199,494	425,875
	<u>\$ 1,850,242</u>	<u>\$ 1,850,242</u>

6. Inter-fund Transfers

Inter-fund transfers during 2020 were as follows:

	Transfers from Other Funds	Transfers to Other Funds
<u>Governmental Activities</u>		
General Fund	\$ 720,755	\$ 4,341,252
Fire Fund	-	111,583
State Liquid Fuels Fund	-	167,890
Capital Projects Fund	3,816,507	-
Debt Service Fund	815,398	-
<u>Business Type Activities</u>		
Water Fund	-	30,000
Sewer Fund	-	149,070
Refuse Fund	-	552,865
	<u>\$ 5,352,660</u>	<u>\$ 5,352,660</u>

BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2020, was as follows:

	Balance Jan. 1, 2020	Additions	Retirements	Balance Dec. 31, 2020
Governmental Activities:				
<i>Capital Assets not Being Depreciated:</i>				
Land, Building and Improvements	\$ 9,167,307	\$ 58,961	\$ (2,950,000)	\$ 6,276,268
Machinery and Equipment	6,155,117	667,749	-	6,822,866
Recreation	1,479,806	-	-	1,479,806
Governmental Activities Capital Assets at Historical Cost	<u>\$ 16,802,230</u>	<u>\$ 726,710</u>	<u>\$ (2,950,000)</u>	<u>\$ 14,578,940</u>

No depreciation has been provided for the governmental activities' capital assets.

	Balance Jan. 1, 2020	Additions	Retirements	Balance Dec. 31, 2020
Business-Type Activities:				
<i>Capital Assets Being Depreciated</i>				
Water System	\$ 5,072,240	\$ 65,069	\$ -	\$ 5,137,309
Sewer System	5,489,333	182,457	-	5,671,790
Total Capital Assets Being Depreciated	<u>10,561,573</u>	<u>247,526</u>	<u>-</u>	<u>10,809,099</u>
Less Accumulated Depreciation	<u>(8,028,616)</u>	<u>(199,983)</u>	<u>-</u>	<u>(8,228,599)</u>
Business-Type Capital Assets, Net	<u>\$ 2,532,957</u>	<u>\$ 47,543</u>	<u>\$ -</u>	<u>\$ 2,580,500</u>

Depreciation expense for the Water Fund and Sewer Fund was \$81,589 and \$118,394, respectively in 2020.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

8. Long-Term Debt

Changes in long-term obligations for the year ended December 31, 2020, are as follows:

	Balance Outstanding Jan. 1, 2020	Additions	Reductions	Balance Outstanding Dec. 31, 2020	Amounts Due Within One Year
<i>Governmental Activities:</i>					
<u>General Obligation - Series 2011:</u>					
10-year Term Loan Payable to Bank, fixed interest annual interest rate of 2.00%. Payable in monthly installments, matures November, 2026	\$ 73,924	\$ -	\$ (10,198)	\$ 63,726	\$ 10,404
<u>General Obligation - Series 2015:</u>					
11-year Term Loan Payable to Bank, variable annual interest rate with a floor of 2.12% and a cap of 2.95%. Payable in semi-annual installments, matures August, 2026	3,910,000	-	(528,000)	3,382,000	539,000
<u>Installment Loan:</u>					
4-Year Loan Payable to Institution, fixed annual interest rate of 4.68%. Payable in annual installments, matures April, 2020	12,252	-	(12,252)	-	-
<u>Installment Loan:</u>					
4-Year Loan Payable to Institution, fixed annual interest rate of 1.92%. Payable in monthly installments, matures February, 2021	48,300	-	(41,333)	6,967	6,967
<u>Installment Loan:</u>					
5-Year Loan Payable to Institution, fixed annual interest rate of 3.93%. Payable in monthly installments, matures October, 2023	81,167	-	(19,134)	62,033	19,886
	<u>\$ 4,125,643</u>	<u>\$ -</u>	<u>\$ (610,917)</u>	<u>\$ 3,514,726</u>	<u>\$ 576,257</u>

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

8. Long-Term Debt (Continued)

The annual debt service requirements to maturity for governmental-type general obligation notes and installment loans, including interest are as follows, as of December 31, 2020:

		<u>Principal</u>	<u>Interest</u>
During the year ended December 31,			
2021	\$	576,257	\$ 75,331
2022		582,281	62,898
2023		594,308	69,212
2024		585,046	51,572
2025		597,269	34,416
2026		<u>579,565</u>	<u>16,903</u>
Totals	\$	<u>3,514,726</u>	\$ <u>310,332</u>

9. Defined Benefit Pension Plans

The Borough maintains two single-employer, defined benefit pension plans. One plan, the Borough of Emmaus Police Pension Plan, covers uniformed police personnel employed on a full-time basis. The other plan, the Borough of Emmaus Employees' ("Non-Uniform") Pension Plan, covers full-time non-uniform employees of the Borough.

Non-Uniform Pension Plan

Plan Description for the Non-Uniform Employees of the Borough of Emmaus

The Pension Plan for the non-uniform employees of the Borough of Emmaus is a single-employer defined benefit plan that covers all full-time non-uniform employees of the Borough who have attained age 18. The plan was restated in 2015, but effective January 1, 2008. The normal retirement benefit is equal to 2.0% of their average monthly compensation times years of benefit service. The normal retirement date is age 65 with 5 years of credited service and participants become 100% vested upon the completion of 5 years of service. The Plan also provides early retirement, death and disability benefits. The authority under which the benefit provisions have been established, or may be amended, remains with the Council of the Borough of Emmaus. The Plan does not issue a stand-alone financial report.

Funding Policy for the Non-Uniform Employees of the Borough of Emmaus

The Borough and the non-uniform employees of the Borough are required to contribute amounts necessary to fund the Plan, using the actuarial basis specified by the Borough of Emmaus. Non-uniform Borough employees are required to contribute 2.6% of their compensation to the Plan, however, no additional voluntary employee contributions are permitted.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

9. Defined Benefit Retirement Plans (Continued)

Non-Uniform Pension Plan (Continued)

Participation

Any person employed on a full-time basis by the employer, excluding uniformed employees. Participants must be at least age 18, employed before age 58 and complete an authorization of payroll deductions for mandatory contributions.

Employee Contributions

Participants will contribute 2.7% of Compensation in 2019, increasing 0.1% per year up to 2.9% in 2021. Secretaries will contribute 3.0% in 2022.

Normal Retirement

Eligibility - Age 65 and completion of 5 Years of Service.

Benefit - 2.0% of Average Monthly Compensation multiplied by Years of Service.

Early Retirement

Eligibility - Age 55 and completion of 5 Years of Service.

Benefit - Accrued Benefit at date of actual retirement, reduced to reflect early commencement of payments. The reduction is 1/180 for each of the first 60 months and 1/360 for each additional month by which commencement precedes Normal Retirement Date.

Late Retirement

Eligibility - Employment beyond Normal Retirement.

Benefit - The Accrued Benefit as of the end of the prior year (or normal retirement date, if later) actuarially increased.

Disability Retirement

Eligibility - Total and permanent disablement that occurs prior to Normal Retirement Date and qualifies for Social Security disability benefits.

Benefit - Accrued Benefit at date of disablement reduced (as for early retirement, or actuarially reduced if disablement occurs more than 10 years before normal retirement date) for commencement at date of disablement.

Benefit Commencement Date - First day of calendar month following disablement and continuing for the duration of Disability prior to Normal Retirement date and life thereafter.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

9. Defined Benefit Retirement Plans (Continued)

Non-Uniform Pension Plan (Continued)

Death Benefits

Before Early Retirement Eligibility - Refund of Accumulated Contributions is payable to the participant's beneficiary.

After Early Retirement Eligibility - Survivor's portion of the participant's Accrued Benefit as of the date of death, adjusted for the joint and 100% survivor option and early retirement (if applicable) is payable to the eligible spouse for life starting the first of the month following the participant's death.

Post-Retirement - None, except as provided by the form of payment in force at the time of death.

Termination of Employment / Vesting

Vesting Schedule - 100% after completion of 5 Years of Service.

Benefit - Non-vested participants receive a Refund of Employee Contributions. Vested participants may elect to receive the Accrued Benefit at date of termination payable monthly starting at Normal Retirement date in lieu of a Refund of Employee Contributions.

Benefit Commencement Date - Monthly vested benefit is payable starting at Normal Retirement date. Participant may elect to commence payments at Early Retirement date with the same reduction as Early Retirement.

Plan Membership at December 31, 2020

Inactive Members or Beneficiaries Currently Receiving Benefits	16
Inactive Members Entitled to but not yet Receiving Benefits	11
Active Members	37
Total Members	<u>64</u>

Net Pension Liability

The net pension liability was measured as of December 31, 2020, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

9. Defined Benefit Retirement Plans (Continued)

Non-Uniform Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. 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. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Changes in Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2019	\$ 9,566,619	\$ 8,598,318	\$ 968,301
Changes for the year:			
Service Cost	290,817	-	290,817
Interest Cost	723,608	-	723,608
Changes in Benefit Terms	-	-	-
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	522,344	(522,344)
Contributions - Member	-	71,188	(71,188)
Net Investment Income	-	1,060,322	(1,060,322)
Benefit Payments	(426,369)	(426,369)	-
Administrative Expense	-	(36,556)	36,556
Other Changes	-	-	-
Net Changes	588,056	1,190,929	(602,873)
Balance at December 31, 2020	\$ 10,154,675	\$ 9,789,247	\$ 365,428

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

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 1,500,559	\$ 365,428	\$ (613,652)

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

9. Defined Benefit Retirement Plans (Continued)

Non-Uniform Pension Plan (Continued)

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

	2019	2020
Service Cost	\$ 276,969	\$ 290,817
Interest on the Total Pension Liability	677,895	723,608
Changes in Benefit Terms	-	-
Difference between Expected and Actual Experience	(103,869)	(103,869)
Changes of Assumptions	-	-
Member Contributions	(63,497)	(71,188)
Projected Earnings on Pension Plan Investments	(525,656)	(639,979)
Difference between Projected and Actual Earnings on Investments	18,899	(147,216)
Pension Plan Administrative Expense	30,937	36,556
Other Changes in Fiduciary Net Position	-	-
Pension Expense	<u>\$ 311,678</u>	<u>\$ 88,729</u>

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

For the year ended December 31, 2020, the Borough recognized pension expense of \$425,921. At December 31, 2020, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 417,739
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>374,559</u>	<u>910,203</u>
Total	<u>\$ 374,559</u>	<u>\$ 1,327,942</u>

BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

9. Defined Benefit Retirement Plans (Continued)

Non-Uniform Pension Plan (Continued)

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,		
	2021	\$ (249,224)
	2022	(163,341)
	2023	(350,619)
	2024	(144,382)
	2025	(41,649)
	Thereafter	(4,168)

Uniformed Pension Plan

Plan Description for the Uniformed Employees of the Borough of Emmaus

The Pension Plan for the Police Employees of the Borough of Emmaus is a single-employer defined benefit plan that covers all full-time uniformed employees of the Borough upon employment. The retirement benefit is equal to 50% of their final average monthly compensation during their last three years of employment. The normal retirement date is age 50 with 25 years of credited service and participants become 100% vested upon the completion of 12 years of service. The Plan also provides death and disability benefits. The authority under which the benefit provisions have been established, or may be amended, remains with the Council of the Borough of Emmaus. The Plan does not issue a stand-alone financial report.

Funding Policy for the Uniformed Employees of the Borough of Emmaus

The Borough is required to contribute amounts necessary to fund the Plan, using the actuarial basis specified by the Borough of Emmaus. If an actuarial study shows the plan to have insufficient assets to fund plan benefits, member contributions may be required. Effective January 1, 2009, members are required to contribute a percentage of their compensation to the Plan to assist in the funding of the plan benefit provisions. The required contribution rate for 2020 is 4.5%.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

9. Defined Benefit Retirement Plans (Continued)

Uniformed Pension Plan (Continued)

Participation

Borough police officers begin participation in the plan on their full-time hire date.

Employee Contributions

Participants will contribute 5% of Compensation. Contributions will be reduced to 4.0% in 2019 and 4.5% in 2020.

Normal Retirement

Eligibility - Age 50 and completion of 25 Years of Service.

Benefit - 50% of Final Monthly Average Salary plus Service Increment, if any.

Disability Retirement

Eligibility - Total and permanent disablement that occurs in the line of duty.

Benefit - 50% of the Member's Salary at Time the Disability Was Incurred.

Death Benefits

Before Retirement Eligibility - Refund of Employee Contributions.

After Retirement Eligibility - A monthly benefit equal to 50% of the pension the participant was receiving or was entitled to receive on the day of the participant's death is payable to the Participant's spouse for life. If there is no spouse or the spouse later dies, the benefit will be paid to the participant's dependent children, if any, until age 18, or age 23 if attending college.

Deferred Retirement Option Plan (DROP)

Eligibility - Attainment of Normal Retirement Eligibility.

Participation - Participant selects effective date of DROP participation and date of DROP termination which may be no more than 3 years later.

Benefit - A monthly benefit is calculated in the same manner as Normal Retirement as of initial DROP participation date. During the DROP period, the monthly benefit is credited to a DROP account and credited with interest equal to the actual earnings on the DROP account but no less than 0.0% nor more than 4.5% annually. At final retirement, the participant receives the lump sum value of the DROP account and begins receiving a monthly pension.

Cost-of-Living Adjustment

Annually by the action of the governing body of the employer a cost of living adjustment may be granted according to the terms of Act 600.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

9. Defined Benefit Retirement Plans (Continued)

Uniformed Pension Plan (Continued)

Termination of Employment / Vesting

Vesting Schedule - 100% after completion of 12 Years of Service.

Benefit - Non-vested participants receive a Refund of Employee Contributions. Vested participants may elect to receive the Accrued Benefit at date of termination payable monthly starting at Normal Retirement date in lieu of a Refund of Employee Contributions.

Plan Membership at December 31, 2020

Inactive Members or Beneficiaries Currently Receiving Benefits	20
Inactive Members Entitled to but not yet Receiving Benefits	0
Active Members	<u>18</u>
Total Members	<u><u>38</u></u>

Net Pension Liability

The net pension liability was measured as of December 31, 2020, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. 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. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

9. Defined Benefit Retirement Plans (Continued)

Uniformed Pension Plan (Continued)

Changes in the Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2019	\$ 10,689,375	\$ 8,576,107	\$ 2,113,268
Changes for the year:			
Service Cost	266,127	-	266,127
Interest Cost	803,808	-	803,808
Changes in Benefit Terms	-	-	-
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	496,891	(496,891)
Contributions - Member	-	84,056	(84,056)
Net Investment Income	-	1,013,981	(1,013,981)
Benefit Payments	(484,892)	(484,892)	-
Administrative Expense	-	(34,343)	34,343
Other Changes	-	-	-
Net Changes	585,043	1,075,693	(490,650)
Balance at December 31, 2020	\$ 11,274,418	\$ 9,651,800	\$ 1,622,618

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

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 2,958,141	\$ 1,622,618	\$ 508,498

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

9. Defined Benefit Retirement Plans (Continued)

Uniformed Pension Plan (Continued)

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

	<u>2019</u>	<u>2020</u>
Service Cost	\$ 253,454	\$ 266,127
Interest on the Total Pension Liability	764,070	803,808
Changes in Benefit Terms	-	-
Difference between Expected and Actual Experience	15,018	15,018
Changes of Assumptions	-	-
Member Contributions	(67,209)	(84,056)
Projected Earnings on Pension Plan Investments	(532,829)	(636,745)
Difference between Projected and Actual Earnings on Investments	32,764	(140,356)
Pension Plan Administrative Expense	31,928	34,343
Other Changes in Fiduciary Net Position	-	-
Pension Expense	<u>\$ 497,196</u>	<u>\$ 258,139</u>

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

For the year ended December 31, 2020, the Borough recognized pension expense of \$484,892. At December 31, 2020, 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	\$ 54,786	\$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>385,090</u>	<u>882,504</u>
Total	<u>\$ 439,876</u>	<u>\$ 882,504</u>

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

9. Defined Benefit Retirement Plans (Continued)

Uniformed Pension Plan (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources (Continued)

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,		
	2021	\$ (123,480)
	2022	(30,445)
	2023	(223,468)
	2024	(65,235)
	2025	-
	Thereafter	-

10. Deferred Compensation Plan

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, with optional participation available to all Borough employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship. Amendments to the laws governing Section 457 deferred compensation plans substantially became effective January 1, 1997. The Borough approved plan amendments such that plan assets are held in trust, with the Borough serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose.

11. Postemployment Benefits Other Than Pensions

Plan Description

The Borough provides postemployment benefits coverage to Borough employees based on eligibility requirements set for each group of employees. The benefits are based on negotiated memorandums of understanding with employee contracts. The Plan provides medical, Rx, dental, and vision benefits to eligible retired police officers, spouses, and dependents and to eligible retired non-police employees and spouses. The Plan does not issue a stand-alone financial report.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

11. Postemployment Benefits Other Than Pensions (Continued)

Police Department Employees

Eligibility

Police officers hired prior to January 1, 2018 retiring on pension whether due to Normal Retirement or Service-Related Disability Retirement. Officers hired prior to January 1, 2018 utilizing the DROP become eligible for OPEB upon DROP exit.

Normal Retirement Eligibility (and DROP Eligibility)

Attainment of age 50 and completing 25 years of service (Maximum DROP participant is 3 years).

Service-Related Disability Retirement Eligibility

Total and complete disablement that occurs in the line of duty.

Covered Persons

Eligible retired police officer, spouse and dependents.

Benefits

The Borough shall pay 100% of health insurance premiums in excess of the portion the retiree was paying at the time of retirement, for coverages including medical, Rx, dental and vision as well as reimburse deductibles and co-pay differences as specified in the contract for the retiree and his/her family until the death of the retiree. Participants on the Senior 65 Plan receive reimbursement for Medicare Part B premiums and Medicare deductibles also. Surviving spouses will continue to be provided health insurance until the spouse's death.

Retiree Contributions

Retirees will continue to contribute the amount they were contributing toward coverage at the time of retirement up to age 65 and 50% of that amount after age 65. In 2020 active officers do not contribute. Beginning in 2021, officers are required to contribute \$300 per year toward coverage.

Health Plans Available

Medical: Capital Blue Cross PPO with deductibles of \$500 for individual or \$1,000 for family. Upon reaching age 65, Capital Blue Cross Senior 65 Plan, with Secure Ex post-65 prescription drug coverage.

Dental: United Concordia Plan D or United Concordia Option II.

Vision: Davis Vision Option A.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

11. Postemployment Benefits Other Than Pensions (Continued)

Non-Police Employees

Eligibility

For retiring Secretaries and Non-Union staff hired before January 1, 2011, having attained at least age 55 and satisfied the Rule of 80 at retirement/termination of employment. A sunset clause modifies eligibility through December 31, 2022, such that individuals could alternatively become eligible for coverage after attainment of age 62 and satisfaction of the Rule of 70.

For all other union retirees hired before January 1, 2016, having attained at least age 55 and satisfied the Rule of 80 at retirement/termination of employment. If hired after the dates shown above, no post-retirement health care benefits are offered.

The Rule of 80 is satisfied if the retiree's years of service with the Borough plus the retiree's age at retirement equals or exceeds 80. The rule of 70 is satisfied if the retiree's years of service with the Borough plus the retiree's age equals or exceeds 70.

Covered Persons

Eligible retired non-police employee and spouse.

Benefits

The Borough shall provide health insurance including medical, Rx, dental and vision for the retiree and his/her spouse until the death of the retiree as well as reimburse deductibles and co-pay differences as outlined in the employment contracts for the retiree and his/her spouse until the death of the retiree. Surviving spouses will continue to be provided health insurance until the spouse's death.

Retiree Contributions

If the eligible retiree satisfies the Rule of 80 (or Rule of 70 for non-union and Secretaries through December 31, 2022), the retiree will pay 10% of the monthly premium. If the eligible retiree satisfies the Rule of 85 (or Rule of 75 for non-union and Secretaries through December 31, 2022), the retiree will pay 5% of the monthly premium.

Health Plans Available

Medical: Capital Blue Cross PPO with deductibles of \$500 for individual or

\$1,000 for family. Upon reaching age 65, Capital Blue Cross Senior 65 Plan.

Dental: United Concordia Plan D or United Concordia Option II.

Vision: Davis Vision Option A.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

11. Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions

The total pension liability in the January 1, 2020 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

A. Economic

1. Annual Trend Rates:

Year	Medical/ Rx	Dental & Vision
2020	-2.10%	0.0%
2021	6.50%	3.0%
2022	6.00%	3.0%
2023	5.50%	3.0%
2024	5.25%	3.0%
2025 and later	5.00%	3.0%

2. Inflation: 3.00%

3. Discount Rate: 3.00% per year
The discount rate was based on the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

B. Demographic Assumptions

1. Mortality: RP-2000 Combined Healthy Mortality Table

2. Mortality Improvement: Rates projected to improve with 100% of scale AA

3. Withdrawal: Table D-1

4. Disablement: Police: Rates interpolated from the 2010 Social Security Administration's projections of disability incidence (ultimate rates only)
Non-Police Employees: No Discount

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

11. Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

5. Retirement Age: Police: Age 54 and 28 years of service or attained age if currently past assumed retirement age
Non-Police Employees: Rule of 80 with a minimum age of 55
6. Participation: 100% of those hired with eligibility for employer-paid post retirement medical coverage (hired prior to dates identified for each group in the Eligibility section).
7. Coverage Election:
- Future Retires: Police: 15% individual, 45% husband/wife, 40% family
Non-Police: 65% individual, 35% husband/wife
- Current Retires: Continuance of current coverage level for duration of eligibility.
8. Spouse Age: Female spouse assumed to be 3 years younger than male spouse.
9. Dependent Child Coverage: Two children of retirees who currently have family coverage are assumed to remain on the coverage for seven more years.
- Two children of future retirees assumed to have family coverage will remain on coverage for 7 years after the participants retirement.

Participant Data

Based on census information as of January 1, 2020.

At December 31, 2020, the following eligible employees and retirees were covered by the plan:

Active Members	42
Vested Former Participants	0
Retired Participants	37
Total Participants	<u>79</u>

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

11. Postemployment Benefits Other Than Pensions (Continued)

Net OPEB Liability

The components of the net OPEB liability of the Borough at December 31, 2020 were as follows:

Total OPEB Liability	\$ 24,289,266
Plan Fiduciary Net Position	<u>-</u>
Net OPEB Liability	<u><u>\$ 24,289,266</u></u>

Projection of Changes in Net OPEB Liability

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

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at December 31, 2019	\$ 23,514,068	\$ -	\$ 23,514,068
Changes for the year:			
Service Cost	874,523	-	874,523
Interest Cost	719,467	-	719,467
Changes in Benefit Terms	-	-	-
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	818,792	(818,792)
Contributions - Member	-	-	-
Net Investment Income	-	-	-
Benefit Payments ¹	(818,792)	(818,792)	-
Administrative Expense	-	-	-
Other Changes	-	-	-
Net Changes	<u>775,198</u>	<u>-</u>	<u>775,198</u>
Balance at December 31, 2020	<u><u>\$ 24,289,266</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,289,266</u></u>

¹ Benefit payments are estimates for each year based on the actual valuation as of January 1, 2020. They are based upon the data and projections from that valuation. These amounts may be adjusted for actual pay-as-you go experience with an implicit rate subsidy if appropriate, which would necessitate adjustment of other values.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

11. Postemployment Benefits Other Than Pensions (Continued)

Net OPEB Liability Sensitivity – Discount Rate

The following is a sensitivity analysis of the net OPEB liability to changes in the discount rate. The table below presents the net OPEB liability calculated using the discount rate of 3.00% as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower (2.00%) or one percent higher (4.00%) than the current rate:

	<u>1% Decrease 2.00%</u>	<u>Current Discount Rate 3.00%</u>	<u>1% Increase 4.00%</u>
Net OPEB Liability	\$ 28,556,068	\$ 24,289,266	\$ 20,931,885

Net OPEB Liability Sensitivity – Healthcare Trend

The following is a sensitivity analysis of the net OPEB liability to changes in the healthcare trend rate. The table below presents the net OPEB liability calculated using the current trend rate as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is one percent higher and one percent lower than expected.

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 20,568,913	\$ 24,289,266	\$ 29,118,613

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

	<u>2020</u>
Service Cost	\$ 874,523
Interest on the Total OPEB Liability	719,467
Changes in Benefit Terms	-
Contributions - Employee	-
Amortization of Deferred Outflows	-
Amortization of Deferred Inflows	-
Other Changes	-
OPEB Expense	<u>\$ 1,593,990</u>

BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

11. Postemployment Benefits Other Than Pensions (Continued)

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

For the year ended December 31, 2020, the Borough recognized OPEB expense of \$653,261. At December 31, 2020, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to postemployment benefits other than pensions will be recognized in OPEB expense as follows:

Years Ended December 31,	
2021	\$ -
2022	-
2023	-
2024	-
2025	-

12. 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	Capital Projects Fund	Fire Fund	Liquid Fuels Fund	Debt Service Fund	Pension Trust Funds	Agency Funds	Totals
Unassigned	\$ 1,514,552	\$ 3,429,874	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,944,426
Restricted	-	-	211,491	287,643	127	-	-	499,261
Committed	62,111	154,230	-	-	-	19,431,310	-	19,647,651
Assigned	<u>1,156,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,156,303</u>
Totals	<u>\$ 2,732,966</u>	<u>\$ 3,584,104</u>	<u>\$ 211,491</u>	<u>\$ 287,643</u>	<u>\$ 127</u>	<u>\$ 19,431,310</u>	<u>\$ -</u>	<u>\$ 26,247,641</u>

BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

13. Operating Leases

The Borough leases various pieces of equipment under multiple long-term lease agreements, expiring December 2024. Expenses incurred under the leases were \$6,780 for 2020. Future minimum lease payments are as follows:

Year ending December 31,		
	2021	\$ 6,780
	2022	4,855
	2023	4,680
	2024	<u>4,680</u>
Total Minimum Lease Payments		<u>\$ 20,995</u>

14. Capital Lease

The Borough leases equipment under various non-cancellable leases that are classified as capital leases expiring at various dates through December 2027. The lease agreements contain a bargain purchase option at the end of the lease terms.

Future minimum lease payments under the capital leases are as follows:

Year ending December 31,		
	2021	\$ 142,536
	2022	140,726
	2023	78,768
	2024	29,550
	2025	29,550
	2026-2027	<u>59,100</u>
Total minimum lease payments		480,230
Less: amount representing interest		<u>(31,283)</u>
Present value of minimum lease payments		448,947
Less: Current Portion		<u>(131,785)</u>
Capital Lease Obligation, Net		<u>\$ 317,162</u>

BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

15. 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, 2020 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, 2020, will not materially affect the financial condition of the Borough.

16. Commitments and Contingencies

Federal and State Grants

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.

Compensated Absences

The Borough of Emmaus has not accrued compensated absences because the Borough has elected to report its financial activities on the modified cash basis of accounting. However, employees of the Borough are entitled to paid vacation and sick days, depending on their length of service.

Insurance

The Borough is exposed to various risks of loss, including workers' compensation; property, casualty and public official liability; employee benefit administration; employment practice liability; and general liability claims. During the past four calendar years, there have not been any settlements that exceeded insurance coverage. The Borough is contingently liable to the extent any potential future judgment exceeds available insurance coverage.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

17. Commitments to Related Party

The Borough of Emmaus has entered into an agreement to guarantee the Borough of Emmaus Fire Department's 2011 2.0% interest Pennsylvania Emergency Management Agency (PEMA) loan in the amount of \$150,000, for the purchase of a Central States Custom Rescue Pumper truck. Balance on the PEMA loan is \$63,726 at December 31, 2020.

18. Subsequent Events

In preparing these financial statements, the Township has evaluated events and transactions for potential recognition or disclosure through September 23, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF EMMAUS
GENERAL FUND - SCHEDULE OF REVENUES AND OTHER
FINANCING SOURCES – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2020

	Actual	Original Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes			
Real Estate	\$ 5,193,970	\$ 5,043,540	\$ 150,430
Real Estate Transfer	307,463	220,000	87,463
Per Capita	79,988	82,000	(2,012)
Earned Income	1,541,046	1,500,000	41,046
Mercantile	41,820	46,800	(4,980)
Local Services Tax	230,164	260,000	(29,836)
Total Taxes	7,394,451	7,152,340	242,111
Licenses and Permits			
Permits	61,180	110,100	(48,920)
TV Cable	176,911	185,000	(8,089)
Miscellaneous	8,106	1,220	6,886
Total Licenses and Permits	246,197	296,320	(50,123)
Fines and Forfeitures			
Ordinance Violations	11,508	10,000	1,508
Vehicle Code Violations	27,088	50,500	(23,412)
Total Fines and Forfeitures	38,596	60,500	(21,904)
Interest and Rents			
Interest	6,259	4,000	2,259
Rents	254,802	145,236	109,566
Total Interest and Rents	261,061	149,236	111,825
Intergovernmental Revenues			
Federal Funds	34,700	34,700	-
State Funds	666,780	568,264	98,516
PURTA Tax	7,454	6,500	954
Local Funds	-	-	-
Total Intergovernmental Revenues	708,934	609,464	99,470
Charges for Services			
Zoning Fees	28,995	28,000	995
Recreation Fees	9,077	224,700	(215,623)
Public Safety	19,309	14,500	4,809
Emergency Services	724,042	957,045	(233,003)
Miscellaneous	9,564	53,088	(43,524)
Total Charges for Services	790,987	1,277,333	(486,346)
Other Revenues			
Sale of Property	3,380,327	29,000	3,351,327
Refunds	617,450	276,000	341,450
Other	2,827	580,000	(577,173)
Total Other Revenues	4,000,604	885,000	3,115,604
Total Revenues Received	\$ 13,440,830	\$ 10,430,193	\$ 3,010,637

See independent auditor's report on required supplementary information.

The accompanying notes to required supplementary schedules are an integral part of these schedules.

BOROUGH OF EMMAUS
GENERAL FUND - SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2020

	Actual	Original Budget	Variance Favorable (Unfavorable)
EXPENDITURES PAID			
General Government			
Legislative	\$ 23,865	\$ 25,709	\$ 1,844
Administrative and Executive	2,858,413	3,143,066	284,653
Financial Administration	62,313	61,069	(1,244)
Planning and Zoning	104,186	45,000	(59,186)
Legal	44,164	66,000	21,836
Tax Collection	77,129	68,568	(8,561)
Insurance	300,447	288,146	(12,301)
Total General Government	3,470,517	3,697,558	227,041
Public Safety			
Police Protection	3,046,932	3,153,142	106,210
Protective Inspection and Code Enforcement	199,089	276,062	76,973
Ambulance	849,361	1,057,506	208,145
Total Public Safety	4,095,382	4,486,710	391,328
Public Works - Highways and Streets			
Street Maintenance	1,742	3,900	2,158
Repairs and Maintenance	42,914	48,200	5,286
Weed Control	493	500	7
General Services	981,269	1,051,992	70,723
Total Public Works - Highways and Streets	1,026,418	1,104,592	78,174
Culture and Recreation			
Playground and Parks	208,701	491,333	282,632
Library	96,250	122,014	-
Total Culture and Recreation	304,951	613,347	282,632
Interest	-	-	-
Total Expenditures Paid	8,897,268	9,902,207	979,175
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	4,543,562	527,986	3,989,812
Other Financing Sources (Uses)			
Transfers In	552,865	-	552,865
Transfers Out	(4,341,252)	1,051,379	(5,392,631)
Total Other Financing Sources (Uses), Net	(3,788,387)	1,051,379	(4,839,766)
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	755,175	1,579,365	(849,954)
FUND BALANCE - JANUARY 1, 2020	1,977,791	1,977,791	-
FUND BALANCE - DECEMBER 31, 2020	\$ 2,732,966	\$ 3,557,156	\$ (849,954)

See independent auditor's report on required supplementary information.

The accompanying notes to required supplementary schedules are an integral part of these schedules.

BOROUGH OF EMMAUS
SPECIAL REVENUE FUNDS - SCHEDULE OF REVENUES, EXPENDITURES AND
OTHER FINANCING SOURCES – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2020

	Actual	Original Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes	\$ 898,180	\$ 875,375	\$ 22,805
Intergovernmental Revenues	435,878	604,144	(168,266)
Charges for Services	23,509	5,000	18,509
Miscellaneous	12,244	6,100	6,144
Interest	2,944	5,500	(2,556)
Total Revenues Received	<u>1,372,755</u>	<u>1,496,119</u>	<u>(123,364)</u>
EXPENDITURES PAID			
General Government	72,161	71,521	(640)
Public Safety	866,534	1,204,361	337,827
Public Works - Highways and Streets	170,045	613,654	443,609
Total Expenditures Paid	<u>1,108,740</u>	<u>1,889,536</u>	<u>780,796</u>
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	264,015	(393,417)	657,432
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(279,473)	(111,583)	(167,890)
Total Other Financing Sources (Uses), Net	<u>(279,473)</u>	<u>(111,583)</u>	<u>(167,890)</u>
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	(15,458)	(505,000)	489,542
FUND BALANCE - JANUARY 1, 2020	<u>514,592</u>	<u>514,592</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2020	<u><u>\$ 499,134</u></u>	<u><u>\$ 9,592</u></u>	<u><u>\$ 489,542</u></u>

BOROUGH OF EMMAUS
CAPITAL PROJECTS FUND - SCHEDULE OF REVENUES, EXPENDITURES AND
OTHER FINANCING SOURCES – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2020

	Actual	Original Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Interest and Rents	\$ 7,535	\$ -	\$ 7,535
Intergovernmental Revenues	107,335	141,995	(34,660)
Total Revenues Received	114,870	141,995	(27,125)
EXPENDITURES PAID			
General Government	12,855	-	(12,855)
Public Works	42,412	-	(42,412)
Culture and Recreation	46,275	-	(46,275)
Capital Outlay	177,382	512,575	335,193
Total Expenditures Paid	278,924	512,575	233,651
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	(164,054)	(370,580)	206,526
Other Financing Sources (Uses)			
Transfers In	3,816,507	-	3,816,507
Transfers Out	-	-	-
Total Other Financing Sources (Uses), Net	3,816,507	-	3,816,507
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	3,652,453	(370,580)	4,023,033
FUND BALANCE - JANUARY 1, 2020	(68,349)	(68,349)	-
FUND BALANCE - DECEMBER 31, 2020	\$ 3,584,104	\$ (438,929)	\$ 4,023,033

**BOROUGH OF EMMAUS
SCHEDULE OF BOROUGH CONTRIBUTIONS -
NON-UNIFORM PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

<u>Year</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions From Employer</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a % of Payroll</u>
2013	\$ 429,647	\$ 429,647	\$ -	\$ 1,825,308	23.5%
2014	416,684	416,684	-	1,889,386	22.1%
2015	456,903	456,903	-	1,926,185	23.7%
2016	458,214	458,214	-	2,035,626	22.5%
2017	473,193	473,194	(1)	2,146,008	22.0%
2018	498,032	498,032	-	2,304,212	21.6%
2019	507,193	507,193	-	2,534,860	20.0%
2020	522,344	522,344	-	2,574,465	20.3%

Ultimately, this schedule should present information for the last ten years. However, until the 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.

The accompanying notes to required supplementary schedules are an integral part of these schedules.

BOROUGH OF EMMAUS
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS -
NON-UNIFORM PENSION PLAN
FOR THE LAST TEN YEARS ENDED

	2019	2020
Total Pension Liability		
Service Cost	\$ 276,969	\$ 290,817
Interest	677,895	723,608
Changes of Benefit Terms	-	-
Changes for Experience	(295,711)	-
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Member Contributions	(294,433)	(426,369)
Net Change in Total Pension Liability	364,720	588,056
Total Pension Liability - Beginning	9,201,899	9,566,619
 Total Pension Liability - Ending	 <u>\$ 9,566,619</u>	 <u>\$ 10,154,675</u>
 Plan Fiduciary Net Pension		
Contributions - Employer	\$ 507,193	\$ 522,344
Contributions - Member	63,497	71,188
Net Investment Income	1,339,069	1,060,322
Benefit Payments, Including Refunds of Member Contributions	(294,433)	(426,369)
Administrative Expense	(30,937)	(36,556)
Net Change in Plan Fiduciary Net Position	1,584,389	1,190,929
Plan Net Position - Beginning	7,013,929	8,598,318
 Plan Net Position - Ending	 <u>\$ 8,598,318</u>	 <u>\$ 9,789,247</u>
 Municipality's Net Pension Liability	 \$ 968,301	 \$ 365,428
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 89.9%	 96.4%
 Covered Employee Payroll	 \$ 2,534,860	 \$ 2,574,465
 Municipality's Net Pension Liability as a Percentage	 38.2%	 14.2%

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

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**BOROUGH OF EMMAUS
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES –
NON-UNIFORM PENSION PLAN
DECEMBER 31, 2020**

Actuarial Assumptions

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

A. Economic

- | | |
|-----------------------|-----------------|
| 1. Interest Rate: | 7.50% per year. |
| 2. Salary Projection: | 5.00% per year. |
| 3. Inflation: | 3.00% per year. |

B. Employee Characteristics

- | | |
|---------------------------|--|
| 1. Mortality: | RP-2000 Combined Healthy Mortality Table |
| 2. Mortality Improvement: | Rates projected with scale AA. |
| 3. Disablement: | None assumed. |
| 4. Withdrawal: | Table D-1. |
| 5. Marital Status: | 100% of participants are assumed to be married; all spouses are of the opposite sex. Female spouse assumed to be 3 years younger than male spouse. |

C. Retirement

- | | |
|------------------------------|--|
| 1. Valuation Retirement Age: | Normal Retirement Age, or attained age if currently past assumed retirement age. |
| 2. Benefit Form: | Life annuity. |

See independent auditor's report on required supplementary information.

**BOROUGH OF EMMAUS
SCHEDULE OF BOROUGH CONTRIBUTIONS -
UNIFORMED PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

Year	Actuarially Determined Contributions	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Payroll
2013	\$ 280,068	\$ 280,068	\$ -	\$ 1,467,795	19.1%
2014	291,002	291,002	-	1,519,452	19.2%
2015	339,337	339,337	-	1,570,657	21.6%
2016	336,321	336,321	-	1,617,394	20.8%
2017	393,274	393,274	-	1,742,491	22.6%
2018	544,414	549,031	(4,617)	1,692,403	32.4%
2019	489,509	489,509	-	1,792,558	27.3%
2020	488,151	496,891	(8,740)	1,750,817	28.4%

Ultimately, this schedule should present information for the last ten years. However, until the 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.

The accompanying notes to required supplementary schedules are an integral part of these schedules.

**BOROUGH OF EMMAUS
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS -
UNIFORMED PENSION PLAN
FOR THE LAST TEN YEARS ENDED**

	2019	2020
Total Pension Liability		
Service Cost	\$ 253,454	\$ 266,127
Interest	764,070	803,808
Changes of Benefit Terms	-	-
Changes for Experience	61,278	-
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Member Contributions	(515,278)	(484,892)
Net Change in Total Pension Liability	563,524	585,043
Total Pension Liability - Beginning	10,125,851	10,689,375
 Total Pension Liability - Ending	 <u>\$ 10,689,375</u>	 <u>\$ 11,274,418</u>
 Plan Fiduciary Net Pension		
Contributions - Employer	\$ 489,509	\$ 496,891
Contributions - Member	67,209	84,056
Net Investment Income	1,345,627	1,013,981
Benefit Payments, Including Refunds of Member Contributions	(515,278)	(484,892)
Administrative Expense	(31,928)	(34,343)
Net Change in Plan Fiduciary Net Position	1,355,139	1,075,693
Plan Net Position - Beginning	7,220,968	8,576,107
 Plan Net Position - Ending	 <u>\$ 8,576,107</u>	 <u>\$ 9,651,800</u>
 Municipality's Net Pension Liability	 \$ 2,113,268	 \$ 1,622,618
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 80.2%	 85.6%
 Covered Employee Payroll	 \$ 1,792,558	 \$ 1,750,817
 Municipality's Net Pension Liability as a Percentage	 117.9%	 92.7%

Ultimately, this schedule should present information for the last ten years. However, until the 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.

The accompanying notes to required supplementary schedules are an integral part of these schedules.

BOROUGH OF EMMAUS
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES –
UNIFORMED PENSION PLAN
DECEMBER 31, 2020

Actuarial Assumptions

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

A. Economic

- | | |
|-----------------------|-----------------|
| 1. Interest Rate: | 7.50% per year. |
| 2. Salary Projection: | 5.00% per year. |
| 3. Inflation: | 3.00% per year. |

B. Employee Characteristics

- | | |
|---------------------------|--|
| 1. Mortality: | RP-2000 Combined Healthy Mortality Table |
| 2. Mortality Improvement: | Rates projected with scale AA. |
| 3. Disablement: | None assumed. |
| 4. Withdrawal: | Table D-1. |
| 5. Marital Status: | 100% of participants are assumed to be married; all spouses are of the opposite sex. Female spouse assumed to be 3 years younger than male spouse. |
| 6. Type of Disability: | 100% assumed to be service-related. |

C. Retirement

- | | |
|-------------------------------|--|
| 1. Valuation Retirement Age: | The later of age 51 and 25 Years of Service, or attained age if currently past assumed retirement age. |
| 2. Benefit Form: | Joint and 50% survivor annuity. |
| 3. Cost of Living Adjustment: | No future Cost-of-Living Adjustments assumed. |
| 4. DROP Utilization: | No gains or losses on DROP assets assumed. |

See independent auditor's report on required supplementary information.

**BOROUGH OF EMMAUS
SCHEDULE OF CHANGES IN NET OPEB
LIABILITY AND RELATED RATIOS
FOR THE LAST TEN YEARS ENDED**

	2020
Total OPEB Liability	
Service Cost	\$ 874,523
Interest	719,467
Changes of Benefit Terms	-
Differences between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Member Contributions	(818,792)
Other Changes	-
Net Change in Total OPEB Liability	775,198
Total OPEB Liability - Beginning	23,514,068
Total OPEB Liability - Ending	<u>\$ 24,289,266</u>
Plan Fiduciary Net Pension	
Contributions - Employer	\$ 818,792
Contributions - Employee	-
Net Investment Income	-
Benefit Payments, Including Refunds of Member Contributions	(818,792)
Administrative Expense	-
Net Change in Plan Fiduciary Net Position	-
Plan Net Position - Beginning	-
Plan Net Position - Ending	<u>\$ -</u>
Municipality's Net OPEB Liability	\$ 24,289,266
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%
Covered Employee Payroll	\$ 3,309,491
Municipality's Net OPEB Liability as a Percentage of Covered Employee Payroll	733.9%

Ultimately, this schedule should present information for the last ten years. However, until the 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.

The accompanying notes to required supplementary schedules are an integral part of these schedules.

OTHER SUPPLEMENTARY INFORMATION

**BOROUGH OF EMMAUS
COMBINING BALANCE SHEET – MODIFIED CASH BASIS –
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Fire Protection	State Liquid Fuels	Total
ASSETS			
Cash and Cash Equivalents	\$ 211,491	\$ 297,755	\$ 509,246
Due from Other Funds	-	12,168	12,168
Total Assets	<u>\$ 211,491</u>	<u>\$ 309,923</u>	<u>\$ 521,414</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to Other Funds	\$ -	\$ 22,280	\$ 22,280
Total Liabilities	-	22,280	22,280
Fund Balance			
Restricted	211,491	287,643	499,134
Total Liabilities and Fund Balances	<u>\$ 211,491</u>	<u>\$ 309,923</u>	<u>\$ 521,414</u>

See independent auditor's report on supplementary information.

BOROUGH OF EMMAUS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS –
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Fire Protection	State Liquid Fuels	Total
REVENUES RECEIVED			
Taxes	\$ 898,180	\$ -	\$ 898,180
Intergovernmental Revenues	95,418	340,460	435,878
Charges for Services	23,509	-	23,509
Miscellaneous	2,244	10,000	12,244
Interest	469	2,475	2,944
Total Revenues Received	<u>1,019,820</u>	<u>352,935</u>	<u>1,372,755</u>
EXPENDITURES PAID			
General Government	72,161	-	72,161
Public Safety	866,534	-	866,534
Public Works - Highways and Streets	-	170,045	170,045
Total Expenditures Paid	<u>938,695</u>	<u>170,045</u>	<u>1,108,740</u>
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	<u>81,125</u>	<u>182,890</u>	<u>264,015</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(111,583)	(167,890)	(279,473)
Total Other Financing Sources (Uses), Net	<u>(111,583)</u>	<u>(167,890)</u>	<u>(279,473)</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	<u>(30,458)</u>	<u>15,000</u>	<u>(15,458)</u>
Fund Balances - January 1, 2020	<u>241,949</u>	<u>272,643</u>	<u>514,592</u>
Fund Balances - December 31, 2020	<u>\$ 211,491</u>	<u>\$ 287,643</u>	<u>\$ 499,134</u>

See independent auditor's report on supplementary information.

BOROUGH OF EMMAUS
COMBINING STATEMENT OF NET POSITION – MODIFIED CASH BASIS –
ALL PENSION FUNDS
DECEMBER 31, 2020

	Uniformed Pension	Non-Uniform Pension	Total
ASSETS:			
Investments - At Fair Value			
Cash and Sweep Balances	\$ 516,353	\$ 276,698	\$ 793,051
Common Stock	5,716,508	5,946,435	11,662,943
Fixed Income	3,413,106	3,562,204	6,975,310
Accrued Income	4	2	6
	<u>4</u>	<u>2</u>	<u>6</u>
Total Assets	<u><u>\$ 9,645,971</u></u>	<u><u>\$ 9,785,339</u></u>	<u><u>\$ 19,431,310</u></u>
LIABILITIES:			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION:			
Restricted	<u>9,645,971</u>	<u>9,785,339</u>	<u>19,431,310</u>
Total Liabilities and Net Position	<u><u>\$ 9,645,971</u></u>	<u><u>\$ 9,785,339</u></u>	<u><u>\$ 19,431,310</u></u>

See independent auditor's report on supplementary information.

BOROUGH OF EMMAUS
COMBINING STATEMENT OF CHANGES IN NET POSITION – MODIFIED CASH BASIS –
ALL PENSION FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Uniformed Pension	Non-Uniform Pension	Total
ADDITIONS:			
<i>Contributions:</i>			
Employer	\$ 496,891	\$ 522,344	\$ 1,019,235
Plan Members	78,227	65,624	143,851
Total Contributions	575,118	587,968	1,163,086
<i>Investment Earnings:</i>			
Net Realized and Unrealized Gains	1,002,887	900,542	1,903,429
Interest and Dividends	149,501	154,164	303,665
Less: Investment Expenses	(28,734)	(28,616)	(57,350)
Total Investment Earnings	1,123,654	1,026,090	2,149,744
Miscellaneous Income	5,540	5,616	11,156
Total Additions	1,704,312	1,619,674	3,323,986
DEDUCTIONS:			
Administration	5,609	7,941	13,550
Benefit Payments	484,892	425,921	910,813
Total Deductions	490,501	433,862	924,363
Excess of Additions Over Deductions	1,213,811	1,185,812	2,399,623
NET POSITION			
Net Position, January 1, 2020	8,432,160	8,599,527	17,031,687
Net Position, December 31, 2020	\$ 9,645,971	\$ 9,785,339	\$ 19,431,310

See independent auditor's report on supplementary information.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of Borough Council
Borough of Emmaus
Emmaus, PA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Borough of Emmaus, which comprise the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2020, and the related notes to the financial statements, which collectively comprise the Borough of Emmaus' basic financial statements, and have issued our report thereon dated - September 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Emmaus' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Emmaus' internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Emmaus' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We did identify a deficiency in internal control that we consider to be a significant deficiency:

Adequacy of Bonding Insurance Coverage

During our audit, we noted the Borough of Emmaus carries bonding insurance only for the Director of Finance and Borough Manager. There is no insurance coverage for those employees involved with the handling of cash. Bonding coverage protects a Borough from a loss due to theft or embezzlement. We strongly recommend the Borough contact its insurance agent and consider obtaining bonding insurance. Adequate bonding coverage is considered to be a critical element of a strong system of internal controls.

Views of Responsible Officials and Planned Corrective Actions

Recommendations are to be implemented in the 2021 fiscal year and the deficiency will be fully corrected.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Emmaus' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cory Bell, Rappold & Yurawitz LLP

September 23, 2021

