

BOROUGH OF EMMAUS

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

December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Borough of Emmaus, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Borough of Emmaus as of December 31, 2022, 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 for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Borough of Emmaus and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borough of Emmaus' basic financial statements. Management's budgetary comparison, pension schedules, and combining schedules on pages 47-60 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison, pension schedules, and 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 November 16, 2023 on our consideration of 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 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 Borough of Emmaus' internal control over financial reporting and compliance.

Congbell, Rappold & Yucasita LLP

November 16, 2023

BOROUGH OF EMMAUS
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2022

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets:			
Cash and Cash Equivalents	\$ 13,272,524	\$ 456,941	\$ 13,729,465
Internal Balances	1,648,748	199,494	1,848,242
Total Current Assets	<u>14,921,272</u>	<u>656,435</u>	<u>15,577,707</u>
Noncurrent Assets:			
Land, Building and Improvements	11,891,889	-	11,891,889
Machinery and Equipment	8,244,445	-	8,244,445
Recreation	1,562,397	-	1,562,397
Water and Sewer System	-	11,530,594	11,530,594
Accumulated Depreciation	-	(8,606,817)	(8,606,817)
Total Noncurrent Assets	<u>21,698,731</u>	<u>2,923,777</u>	<u>24,622,508</u>
TOTAL ASSETS	<u>36,620,003</u>	<u>3,580,212</u>	<u>40,200,215</u>
LIABILITIES			
Current Liabilities:			
Accrued Expenses	6,656	-	6,656
Internal Balances	1,186,145	662,097	1,848,242
Current Portion of Long-Term Debt	420,159	-	420,159
Total Current Liabilities	<u>1,612,960</u>	<u>662,097</u>	<u>2,275,057</u>
Noncurrent Liabilities:			
Long-Term Debt	12,594,720	-	12,594,720
Total Noncurrent Liabilities	<u>12,594,720</u>	<u>-</u>	<u>12,594,720</u>
TOTAL LIABILITIES	<u>14,207,680</u>	<u>662,097</u>	<u>14,869,777</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	8,683,852	2,923,777	11,607,629
Restricted for:			
Capital Projects	9,104,125	-	9,104,125
Special Revenue	601,648	-	601,648
Unrestricted	4,022,698	(5,662)	4,017,036
TOTAL NET POSITION	<u>\$ 22,412,323</u>	<u>\$ 2,918,115</u>	<u>\$ 25,330,438</u>

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, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
General Government	\$ 944,538	\$ 13,786	\$ 32,300	\$ -	\$ (898,452)	\$ -	\$ (898,452)
Public Safety	4,741,702	857,199	214,414	-	(3,670,089)	-	(3,670,089)
Public Works	1,435,700	-	338,298	608,416	(488,986)	-	(488,986)
Cultural and Recreation	581,093	241,200	37,237	-	(302,656)	-	(302,656)
Insurance and Employee Benefits	3,365,251	-	383,353	-	(2,981,898)	-	(2,981,898)
Interest on Long-Term Debt	234,282	-	-	-	(234,282)	-	(234,282)
Total Governmental Activities	11,302,566	1,112,185	1,005,602	608,416	(8,576,363)	-	(8,576,363)
Business Type Activities:							
Water	1,159,376	1,153,539	-	-	-	(5,837)	(5,837)
Sewer	1,457,733	1,611,299	-	158,791	-	312,357	312,357
Refuse	959,989	1,569,076	-	-	-	609,087	609,087
Total Business-Type Activities	3,577,098	4,333,914	-	158,791	-	915,607	915,607
Total Primary Government	\$ 14,879,664	\$ 5,446,099	\$ 1,005,602	\$ 767,207	\$ (8,576,363)	\$ 915,607	\$ (7,660,756)
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes, net					\$ 5,216,860	\$ -	\$ 5,216,860
Property Taxes, levied for fire protection, net					1,142,472	-	1,142,472
Other Taxes, levied for general purposes, net					2,544,753	-	2,544,753
Licenses and Permits					657,119	-	657,119
Fines and Forfeits					69,692	-	69,692
Miscellaneous Income					1,039,328	-	1,039,328
Interest Income and Rents					296,229	1,661	297,890
Transfers In/(Out)					423,435	(423,435)	-
Total General Revenues, Special Items, Extraordinary Items, and Transfers					11,389,888	(421,774)	10,968,114
Change in Net Position					2,813,525	493,833	3,307,358
Net Position - Beginning					19,598,798	2,424,282	22,023,080
Net Position - Ending					\$ 22,412,323	\$ 2,918,115	\$ 25,330,438

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, 2022

	Major Funds				Total
	General	Special Revenue	Capital Projects	Debt Service	
ASSETS					
Cash and Cash Equivalents	\$ 2,844,872	\$ 611,760	\$ 9,815,765	127	\$ 13,272,524
Due from Other Funds	1,193,917	12,168	442,663	-	1,648,748
TOTAL ASSETS	\$ 4,038,789	\$ 623,928	\$ 10,258,428	\$ 127	\$ 14,921,272
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accrued Expenses	\$ 6,656	\$ -	\$ -	\$ -	\$ 6,656
Due to Other Funds	9,562	22,280	1,154,303	-	1,186,145
TOTAL LIABILITIES	16,218	22,280	1,154,303	-	1,192,801
FUND BALANCES					
Assigned	1,154,303	-	-	-	1,154,303
Restricted	-	601,648	-	127	601,775
Committed	17,371	-	56,127	-	73,498
Unassigned	2,850,897	-	9,047,998	-	11,898,895
TOTAL FUND BALANCES	4,022,571	601,648	9,104,125	127	13,728,471
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,038,789	\$ 623,928	\$ 10,258,428	\$ 127	\$ 14,921,272

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, 2022**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 13,728,471

**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 the governmental funds. The cost of the assets is \$21,698,731. 21,698,731

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Long-term liabilities at year end consist of:

	Notes Payable <u>\$ (13,014,879)</u>	<u>(13,014,879)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>\$ 22,412,323</u></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, 2022

	Major Funds				Total
	General	Special Revenue	Capital Projects	Debt Service	
REVENUES					
Taxes	\$ 7,761,613	\$ 1,142,472	\$ -	\$ -	\$ 8,904,085
Licenses and Permits	657,119	-	-	-	657,119
Fines and Forfeitures	69,692	-	-	-	69,692
Interest and Rents	95,363	7,944	192,922	-	296,229
Intergovernmental Revenues	1,176,555	395,226	42,237	-	1,614,018
Charges for Services	1,098,997	13,188	-	-	1,112,185
Other Revenues	522,886	4,389	512,053	-	1,039,328
TOTAL REVENUES	11,382,225	1,563,219	747,212	-	13,692,656
EXPENDITURES					
General Government	885,178	59,360	97,046	-	1,041,584
Public Safety	3,828,087	913,616	63,593	-	4,805,296
Public Works	981,933	215,242	35,059	-	1,232,234
Cultural and Recreation	581,093	-	42,828	-	623,921
Insurance and Employee Benefits	3,365,251	-	-	-	3,365,251
Debt Service - Principal Retirement	-	24,907	-	3,199,699	3,224,606
Debt Service - Interest	-	4,643	-	229,637	234,280
Capital Outlay	-	134,314	5,577,592	-	5,711,906
TOTAL EXPENDITURES	9,641,542	1,352,082	5,816,118	3,429,336	20,239,078
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	1,740,683	211,137	(5,068,906)	(3,429,336)	(6,546,422)
OTHER FINANCING SOURCES (USES)					
Loan Proceeds	-	-	12,710,000	53,021	12,763,021
Operating Transfers In	609,087	-	1,648,459	3,376,315	5,633,861
Operating Transfers Out	(1,453,594)	(93,124)	(3,663,708)	-	(5,210,426)
Total Other Financing Sources (Uses)	(844,507)	(93,124)	10,694,751	3,429,336	13,186,456
Net Change in Fund Balances	896,176	118,013	5,625,845	-	6,640,034
Fund Balances, January 1	3,126,395	483,635	3,478,280	127	7,088,437
FUND BALANCES, DECEMBER 31	\$ 4,022,571	\$ 601,648	\$ 9,104,125	\$ 127	\$ 13,728,471

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, 2022**

Net Change in Fund Balances - Governmental Funds \$ 6,640,034

**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	<u>\$ 5,711,906</u>	5,711,906
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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		3,224,606
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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>(12,763,021)</u>
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Change in Net Position of Governmental Activities		<u><u>\$ 2,813,525</u></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, 2022

	Water Fund	Sewer Fund	Refuse Fund	Total Proprietary Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents - Unrestricted	\$ 228,101	\$ 228,840	\$ -	\$ 456,941
Due from Other Funds	-	199,494	-	199,494
Total Current Assets	<u>228,101</u>	<u>428,334</u>	<u>-</u>	<u>656,435</u>
Noncurrent Assets:				
Fixed Assets, Less Accumulated Depreciation	1,300,705	1,623,072	-	2,923,777
Total Noncurrent Assets	<u>1,300,705</u>	<u>1,623,072</u>	<u>-</u>	<u>2,923,777</u>
TOTAL ASSETS	<u>\$ 1,528,806</u>	<u>\$ 2,051,406</u>	<u>\$ -</u>	<u>\$ 3,580,212</u>
LIABILITIES				
Current Liabilities:				
Due to Other Funds	\$ 236,222	\$ 425,875	\$ -	\$ 662,097
Total Current Liabilities	<u>236,222</u>	<u>425,875</u>	<u>-</u>	<u>662,097</u>
TOTAL LIABILITIES	<u>236,222</u>	<u>425,875</u>	<u>-</u>	<u>662,097</u>
NET POSITION				
Invested in Capital Assets	1,300,705	1,623,072	-	2,923,777
Unrestricted	(8,121)	2,459	-	(5,662)
Total Net Position	<u>1,292,584</u>	<u>1,625,531</u>	<u>-</u>	<u>2,918,115</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,528,806</u>	<u>\$ 2,051,406</u>	<u>\$ -</u>	<u>\$ 3,580,212</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, 2022**

	Water Fund	Sewer Fund	Refuse Fund	Total Proprietary Funds
OPERATING REVENUES:				
Charges for Services	\$ 1,153,539	\$ 1,611,299	\$ 1,569,076	4,333,914
Intergovernmental Revenues	-	158,791	-	158,791
Total Operating Revenues	<u>1,153,539</u>	<u>1,770,090</u>	<u>1,569,076</u>	<u>4,492,705</u>
OPERATING EXPENSES:				
Personnel	430,581	391,773	9,406	831,760
Supplies	41,955	26,953	-	68,908
Professional Services	22,746	16,086	-	38,832
Employee Benefits	272,274	255,415	-	527,689
Insurance	34,050	34,050	-	68,100
Repairs and Maintenance	185,965	66,465	-	252,430
Disposal System	105,836	2,292	-	108,128
Contractual Services	-	528,090	950,583	1,478,673
Depreciation and Amortization	65,969	136,609	-	202,578
Total Operating Expenses	<u>1,159,376</u>	<u>1,457,733</u>	<u>959,989</u>	<u>3,577,098</u>
OPERATING INCOME (LOSS)	<u>(5,837)</u>	<u>312,357</u>	<u>609,087</u>	<u>915,607</u>
NON-OPERATING REVENUES:				
Interest Revenue	676	985	-	1,661
Total Non-Operating Revenues	<u>676</u>	<u>985</u>	<u>-</u>	<u>1,661</u>
Income (Loss) Before Transfers	(5,161)	313,342	609,087	917,268
Transfers In	77,751	405,775	-	483,526
Transfers Out	(25,000)	(272,874)	(609,087)	(906,961)
Change in Net Position	47,590	446,243	-	493,833
Total Net Position - January 1	<u>1,244,994</u>	<u>1,179,288</u>	<u>-</u>	<u>2,424,282</u>
TOTAL NET POSITION - December 31	<u>\$ 1,292,584</u>	<u>\$ 1,625,531</u>	<u>\$ -</u>	<u>\$ 2,918,115</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, 2022**

	Water Fund	Sewer Fund	Refuse Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 1,153,539	\$ 1,770,090	\$ 1,569,076	\$ 4,492,705
Cash Payment to Suppliers for Goods and Services	(390,552)	(673,936)	(950,583)	(2,015,071)
Cash Payments to Employees for Services	(702,855)	(647,188)	(9,406)	(1,359,449)
Net Cash Provided by Operating Activities	<u>60,132</u>	<u>448,966</u>	<u>609,087</u>	<u>1,118,185</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Transfers In	77,751	405,775	-	483,526
Operating Transfers Out	(25,000)	(272,874)	(609,087)	(906,961)
Net Cash Provided by (Used In) Noncapital Financing Activities	<u>52,751</u>	<u>132,901</u>	<u>(609,087)</u>	<u>(423,435)</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:				
Acquisition of Capital Assets	(77,751)	(405,775)	-	(483,526)
Net Cash Used in Capital Activities	<u>(77,751)</u>	<u>(405,775)</u>	<u>-</u>	<u>(483,526)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	676	985	-	1,661
Net Cash Provided by Investing Activities	<u>676</u>	<u>985</u>	<u>-</u>	<u>1,661</u>
Net Increase in Cash and Cash Equivalents	35,808	177,077	-	212,885
Cash and Cash Equivalents, January 1	192,293	51,763	-	244,056
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 228,101</u>	<u>\$ 228,840</u>	<u>\$ -</u>	<u>\$ 456,941</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided Operating Activities				
Operating Income (Loss)	\$ (5,837)	\$ 312,357	\$ 609,087	\$ 915,607
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	65,969	136,609	-	202,578
Total Adjustments	<u>65,969</u>	<u>136,609</u>	<u>-</u>	<u>202,578</u>
Net Cash Provided by Operating Activities	<u>\$ 60,132</u>	<u>\$ 448,966</u>	<u>\$ 609,087</u>	<u>\$ 1,118,185</u>

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, 2022**

	Pension Funds	Custodial Funds
ASSETS:		
Cash and Cash Equivalents - Restricted	\$ -	\$ 482,596
Investments - at Fair Value		
Cash and Sweep Balances	546,881	-
Common Stock	11,572,663	-
Fixed Income	6,895,468	-
Accrued Income	1,736	-
	<u>\$ 19,016,748</u>	<u>\$ 482,596</u>
Total Assets	\$ 19,016,748	\$ 482,596
LIABILITIES:		
Due to Depositors	\$ -	\$ -
	<u>-</u>	<u>-</u>
Total Liabilities	-	-
NET POSITION:		
Restricted	19,016,748	482,596
	<u>19,016,748</u>	<u>482,596</u>
Total Liabilities and Net Position	\$ 19,016,748	\$ 482,596

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, 2022**

	Pension Funds	Custodial Funds
ADDITIONS:		
Contributions:		
Employer	\$ 1,174,369	\$ -
Plan Members	181,812	-
Total Contributions	1,356,181	-
Investment Earnings:		
Net Realized and Unrealized Losses	(3,359,002)	-
Interest and Dividends	472,394	478
Less: Investment Expenses	(64,944)	-
Total Investment Earnings	(2,951,552)	478
Miscellaneous Income	13,063	-
Collections from Other Entities	-	130,095
Total Additions	(1,582,308)	130,573
DEDUCTIONS:		
Administration	14,950	-
Benefit Payments	1,315,065	-
Payments to Other Entities	-	131,721
Total Deductions	1,330,015	131,721
NET DECREASE	(2,912,323)	(1,148)
NET POSITION:		
Net Position, January 1	21,929,071	483,744
Net Position, December 31	\$ 19,016,748	\$ 482,596

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

BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. Entity

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 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, 2022

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, 2022**

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 (Non-Major 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, 2022**

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 and is intended 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. 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 sources for this fund are employer and employee contributions.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 principal source of revenue for these funds are collections from other entities.

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, Expenditures 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, 2022**

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 2022. Borough Council must approve all over expenditures of appropriations or transfers of appropriated amounts.

BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. Summary of Significant Accounting Policies (Continued)

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

The Statements of Revenues, Expenditures and Other Financing Sources (Uses) - Modified Cash Basis - Budget Comparison 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.

Restricted Assets

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

BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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.

Leases

The Borough reports their financial statements in accordance with the modified cash basis of accounting. As such, the Borough does not report capital lease transactions because the acquisition of these assets did not involve a cash inflow or outflow at the time of acquisition or receipt.

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, 2022**

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, 2022**

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.

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.

Adoption of New Accounting Standard

In June 2017, the GASB issued Statement – 87 *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contracts. It establishes a single model for lease accounting based on the fundamental principle that leases are financing of the right to use an underlying asset. The requirements of the Statement are effective for reporting periods beginning after June 15, 2021. The Statement is effective for the Authority's fiscal year ended December 31, 2022. The Borough has determined that the implementation of the accounting standard did not significantly impact the financial statements and therefore, there were no required prior period adjustments.

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.

BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. Cash and Investments (Continued)

Cash (Cash on Hand and Bank Balances)

At December 31, 2022, the carrying amount of the Borough's bank deposits at one financial institution (excluding those held in the Pension Funds, but including Custodial Funds) totaled \$3,816,780 and the corresponding bank balances were \$3,922,597 of which \$250,000 was insured by the Federal Deposit Insurance Corporation ("FDIC"); the uninsured bank balances of \$3,672,597 were collateralized, as described below.

Under Act No. 72 of the 1972 Session of the Pennsylvania General Assembly (the "Act of 72"), financial institutions were granted the authority to secure the deposits of public bodies by pledging a pool of assets, as defined in the Act of 72, to cover all public funds deposited in excess of FDIC limits. The uninsured bank balances of the Borough in the amount of \$3,672,597 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, 2022, the petty cash balance was \$300.

Cash Equivalents

As of December 31, 2022, 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 \$10,394,981. 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 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.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

3. Cash and Investments (Continued)

Investments (Continued)

As of December 31, 2022, the Borough had the following investments:

	Maturities	Fair Value
<u>Investment - Pension Funds</u>		
Cash and Sweep Balances		\$ 546,881
Common Stock		11,572,663
Fixed Income	Dec. 2023	6,895,468
		\$ 19,015,012

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The Borough places limits on the amount the Borough may invest in any one issuer. 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 (\$686,151,443 in 2022), the Borough bills and collects its own property taxes. The schedule for property taxes levied for 2022 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

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

4. Real Estate Taxes (Continued)

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 2022 municipal tax rate for all purposes was 7.7115 mils (\$7.7115 per \$1,000 of assessed valuation).

5. Inter-fund Receivables and Payables

Inter-fund receivable and payable balances as of December 31, 2022 as follows:

	Due From Other Funds	Due to Other Funds
<i><u>Governmental Activities</u></i>		
General Fund	\$ 1,193,917	\$ 9,562
Capital Projects Fund	442,663	1,154,303
State Liquid Fuels Fund	12,168	22,280
<i><u>Business Type Activities</u></i>		
Water Fund	-	236,222
Sewer Fund	199,494	425,875
	\$ 1,848,242	\$ 1,848,242

6. Inter-fund Transfers

Inter-fund transfers during 2022 were as follows:

	Transfers from Other Funds	Transfers to Other Funds
<i><u>Governmental Activities</u></i>		
General Fund	\$ 609,087	\$ 1,453,594
Fire Protection Fund	-	93,124
Capital Projects Fund	1,648,459	3,663,708
Debt Service Fund	3,376,315	-
<i><u>Business Type Activities</u></i>		
Water Fund	77,751	25,000
Sewer Fund	405,775	272,874
Refuse Fund	-	609,087
	\$ 6,117,387	\$ 6,117,387

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

7. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2022, was as follows:

	Balance <u>Jan. 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>Dec. 31, 2022</u>
Governmental Activities:				
<i>Capital Assets not Being Depreciated:</i>				
Land, Building and Improvements	\$ 6,681,370	\$ 5,210,519	\$ -	\$ 11,891,889
Machinery and Equipment	7,799,722	444,723	-	8,244,445
Recreation	<u>1,505,733</u>	<u>56,664</u>	<u>-</u>	<u>1,562,397</u>
Governmental Activities Capital Assets at Historical Cost	<u>\$ 15,986,825</u>	<u>\$ 5,711,906</u>	<u>\$ -</u>	<u>\$ 21,698,731</u>

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

	Balance <u>Dec. 31, 2022</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>Dec. 31, 2022</u>
Business-Type Activities:				
<i>Capital Assets Being Depreciated</i>				
Water System	\$ 5,137,309	\$ 77,751	\$ -	\$ 5,215,060
Sewer System	<u>5,919,147</u>	<u>405,775</u>	<u>(9,388)</u>	<u>6,315,534</u>
Total Capital Assets Being Depreciated	<u>11,056,456</u>	<u>483,526</u>	<u>(9,388)</u>	<u>11,530,594</u>
Less Accumulated Depreciation	<u>(8,413,627)</u>	<u>(202,578)</u>	<u>9,388</u>	<u>(8,606,817)</u>
Business-Type Capital Assets, Net	<u>\$ 2,642,829</u>	<u>\$ 280,948</u>	<u>\$ -</u>	<u>\$ 2,923,777</u>

Depreciation expense for the Water Fund and Sewer Fund was \$65,969 and \$136,609, respectively in 2022.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

8. Long-Term Debt

Changes in long-term obligations for the year ended December 31, 2022, are as follows:

	Balance Outstanding Jan. 1, 2022	Additions	Reductions	Balance Outstanding Dec. 31, 2022	Amounts Due Within One Year
<i>Governmental Activities:</i>					
<u>General Obligation - Series 2022:</u>					
Maturing August 2051, variable interest rate ranging from 2.00% to 4.00%, principal paid yearly and interest paid semi-annually in February and August.	-	12,710,000	(175,000)	12,535,000	245,000
<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 Secured by general obligation.	2,843,000	-	(2,843,000)	-	-
<u>Installment Loan:</u>					
10-Year Term Loan Payable to Bank, fixed interest annual interest rate of 2.00%. Payable in monthly installments, matures November, 2026 Secured by vehicle.	\$ 53,322	\$ -	\$ (10,614)	\$ 42,708	\$ 10,827
<u>Installment Loan:</u>					
5-Year Loan Payable to Institution, fixed annual interest rate of 3.93% Payable in monthly installments, matures October, 2023 Secured by equipment.	42,147	-	(20,667)	21,480	21,480
<u>2019 Police Server:</u>					
5- Year Lease with a fixed interest rate of 1.58%. Payable in annual installments, matures October, 2023 Secured by equipment.	76,192	-	(38,096)	38,096	38,096
<u>2019 Dump Truck Loan:</u>					
4- Year Lease with a fixed interest rate of 3.88%. Payable in monthly installments, matures March, 2023 Secured by vehicle.	50,279	-	(40,353)	9,926	9,926
<u>2019 Hyundai Santa Fe Loan:</u>					
3- Year Lease with a fixed interest rate of 2.32%. Payable in monthly installments, matures March, 2022 Secured by vehicle.	800	-	(800)	-	-
<u>2020 Ford F550 Loan:</u>					
2- Year Lease with a fixed interest rate of 2.49%. Payable in annual installments, matures August, 2022 Secured by vehicle.	29,105	-	(29,105)	-	-

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

8. Long-Term Debt (Continued)

	Balance Outstanding Jan. 1, 2022	Additions	Reductions	Balance Outstanding Dec. 31, 2022	Amounts Due Within One Year
<i>Governmental Activities:</i>					
<u>Street Sweeper Loan:</u>					
7- Year Lease with a fixed interest rate of 2.89%. Payable in annual installments, matures May, 2027 Secured by vehicle.	160,663	-	(24,906)	135,757	25,627
<u>Wheel Loader Loan:</u>					
5- Year Lease with a fixed interest rate of 2.39%. Payable in annual installments, matures February, 2026 Secured by vehicle.	120,956	-	(23,049)	97,907	23,606
<u>Fire Pumper Loan:</u>					
5- Year Lease with a fixed interest rate of 2.49%. Payable in annual installments, matures May, 2026 Secured by vehicle.	100,000	-	(19,016)	80,984	19,496
<u>Pumper Truck Loan:</u>					
2- Year Lease with a fixed interest rate of 3.10%. Payable in annual installments, matures June, 2024 Secured by vehicle.	-	53,021	-	53,021	26,101
	<u>\$ 3,476,464</u>	<u>\$ 12,763,021</u>	<u>\$ (3,224,606)</u>	<u>\$ 13,014,879</u>	<u>\$ 420,159</u>

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, 2022:

	Principal	Interest
During the year ended December 31,		
2023	\$ 420,159	\$ 469,159
2024	363,496	457,187
2025	348,652	444,063
2026	358,852	431,333
2027	313,720	418,293
2028-2032	1,570,000	1,938,213
2033-2037	1,910,000	1,598,013
2038-2042	2,325,000	1,184,013
2043-2047	2,805,000	706,225
2048-2052	2,600,000	214,500
Totals	<u>\$ 13,014,879</u>	<u>\$ 7,860,999</u>

9. Defined Benefit Retirement Plans

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

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

9. Defined Benefit Retirement Plans (Continued)

Non-Uniform Pension Plan

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

The Pension Plan for the non-uniform employees of 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 Borough of Emmaus. The Plan does not issue a stand-alone financial report.

Funding Policy for the Non-Uniform Employees of 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 Borough of Emmaus. Non-uniform Borough employees are required to contribute 3.0% of their compensation to the Plan, however, no additional voluntary employee contributions are permitted.

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 2.9% of Compensation 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.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

9. Defined Benefit Retirement Plans (Continued)

Non-Uniform Pension Plan (Continued)

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.

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, 2022

Inactive Members or Beneficiaries Currently Receiving Benefits	28
Inactive Members Entitled to but not yet Receiving Benefits	5
Active Members	<u>38</u>
Total Members	<u><u>71</u></u>

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

9. Defined Benefit Retirement Plans (Continued)

Non-Uniform Pension Plan (Continued)

Net Pension Liability (Asset)

The net pension liability (asset) was measured as of December 31, 2022, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021. 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 (asset). 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 (Asset)

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at December 31, 2021	\$ 10,363,962	\$ 11,126,560	\$ (762,598)
Changes for the year:			
Service Cost	301,694	-	301,694
Interest Cost	778,586	-	778,586
Changes in Benefit Terms	-	-	-
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	575,775	(575,775)
Contributions - Member	-	80,950	(80,950)
Net Investment Income	-	(1,465,440)	1,465,440
Benefit Payments	(579,479)	(579,479)	-
Administrative Expense	-	(41,590)	41,590
Other Changes	-	-	-
Net Changes	500,801	(1,429,784)	1,930,585
Balance at December 31, 2022	<u>\$ 10,864,763</u>	<u>\$ 9,696,776</u>	<u>\$ 1,167,987</u>

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

9. Defined Benefit Retirement Plans (Continued)

Non-Uniform Pension Plan (Continued)

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	\$ 2,384,767	\$ 1,167,987	\$ 124,414

Components of Pension Expense

	2022
Service Cost	\$ 301,694
Interest on the Total Pension Liability	778,586
Changes in Benefit Terms	-
Difference between Expected and Actual Experience	(153,294)
Changes of Assumptions	-
Member Contributions	(80,950)
Projected Earnings on Pension Plan Investments	(821,586)
Difference between Projected and Actual Earnings on Investments	310,882
Pension Plan Administrative Expense	41,590
Other Changes in Fiduciary Net Position	-
Pension Expense	\$ 376,922

Pension Expense

For the year ended December 31, 2022, the Borough recognized pension expense of \$595,662.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

9. Defined Benefit Retirement Plans (Continued)

Uniformed Pension Plan

Plan Description for the Uniformed Employees of Borough of Emmaus

The Pension Plan for the Police Employees of 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 Borough of Emmaus. The Plan does not issue a stand-alone financial report.

Funding Policy for the Uniformed Employees of Borough of Emmaus

The Borough is required to contribute amounts necessary to fund the Plan, using the actuarial basis specified by 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%.

Participation

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

Employee Contributions

Participants will contribute 5% of Compensation.

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.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

9. Defined Benefit Retirement Plans (Continued)

Uniformed Pension Plan (Continued)

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.

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, 2022

Inactive Members or Beneficiaries Currently Receiving Benefits	21
Inactive Members Entitled to but not yet Receiving Benefits	0
Active Members	<u>16</u>
Total Members	<u><u>37</u></u>

Net Pension Liability

The net pension liability was measured as of December 31, 2022, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021. 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, 2022**

9. Defined Benefit Retirement Plans (Continued)

Uniformed 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 the Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2021	\$ 11,744,124	\$ 10,808,997	\$ 935,127
Changes for the year:			
Service Cost	294,356	-	294,356
Interest Cost	875,380	-	875,380
Changes in Benefit Terms	-	-	-
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	606,627	(606,627)
Contributions - Member	-	99,882	(99,882)
Net Investment Income	-	(1,408,105)	1,408,105
Benefit Payments	(746,995)	(746,995)	-
Administrative Expense	-	(38,304)	38,304
Other Changes	-	-	-
Net Changes	<u>422,741</u>	<u>(1,486,895)</u>	<u>1,909,636</u>
Balance at December 31, 2022	<u>\$ 12,166,865</u>	<u>\$ 9,322,102</u>	<u>\$ 2,844,763</u>

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

9. Defined Benefit Retirement Plans (Continued)

Uniformed Pension Plan (Continued)

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	\$ 4,312,681	\$ 2,844,763	\$ 1,619,708

Components of Pension Expense

	2022
Service Cost	\$ 294,356
Interest on the Total Pension Liability	875,380
Changes in Benefit Terms	-
Difference between Expected and Actual Experience	15,458
Changes of Assumptions	-
Member Contributions	(99,882)
Projected Earnings on Pension Plan Investments	(793,206)
Difference between Projected and Actual Earnings on Investments	314,313
Pension Plan Administrative Expense	38,304
Other Changes in Fiduciary Net Position	-
Pension Expense	\$ 644,723

Pension Expense

For the year ended December 31, 2022, the Borough recognized pension expense of \$578,707.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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.

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.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

11. Postemployment Benefits Other Than Pensions (Continued)

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.

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.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

11. Postemployment Benefits Other Than Pensions (Continued)

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.

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%

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

11. Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

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
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 Retirees: Police: 15% individual, 45% husband/wife, 40% family
Non-Police: 65% individual, 35% husband/wife
- Current Retirees: Continuance of current coverage level for duration of eligibility.
8. Spouse Age: Female spouse assumed to be 3 years younger than male spouse.

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

11. Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions (Continued)

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, 2022, the following eligible employees and retirees were covered by the plan:

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

OPEB Expense

For the year ended December 31, 2022, the Borough recognized OPEB expense of \$650,141.

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 Protection Fund	State Liquid Fuels Fund	Debt Service Fund	Totals
Unassigned	\$ 2,850,897	\$ 9,047,998	\$ -	\$ -	\$ -	\$ 11,898,895
Restricted	-	-	277,252	324,396	127	601,775
Committed	17,371	56,127	-	-	-	73,498
Assigned	<u>1,154,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,154,303</u>
Totals	<u><u>\$ 4,022,571</u></u>	<u><u>\$ 9,104,125</u></u>	<u><u>\$ 277,252</u></u>	<u><u>\$ 324,396</u></u>	<u><u>\$ 127</u></u>	<u><u>\$ 13,728,471</u></u>

**BOROUGH OF EMMAUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

13. 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, 2022 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, 2022, will not materially affect the financial condition of the Borough.

14. 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

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, 2022**

14. Commitments and Contingencies (Continued)

Leases

The Borough leases two pieces of office equipment under multiple long-term lease agreements with monthly lease payments of \$390 and \$151, respectively. The leases expire in December 2024 and December 2026, respectively. Lease payments are recognized as expenditures when paid.

15. Commitments to Related Party

Borough of Emmaus has entered into an agreement to guarantee 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 \$10,828 at December 31, 2022.

16. Subsequent Events

In preparing these financial statements, the Borough has evaluated events and transactions for potential recognition or disclosure through November 16, 2023, the date the financial statements were available to be issued, and has determined that with the exception of the item noted below, no material subsequent events exist that require disclosure.

The Borough has currently engaged outside counsel to advise the Borough regarding the ongoing potential litigation with several defendants regarding the contamination of several of the Borough's water wells by usage of Aqueous Film-Forming (AFFs) products. The case sounds in products liability against the manufacturers of the AFFs. The Borough is a litigant within this litigation, the Borough is not a defendant, and is solely involved regarding an award and or settlement which will be made to the Borough. This will reduce overall liabilities of the Borough, either via verdict or settlement, and therefore there is no possibility of an unfavorable outcome that will cost the Borough monies.

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, 2022**

	<u>Actual</u>	<u>Original Budget</u>	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes			
Real Estate	\$ 5,216,860	\$ 5,126,500	\$ 90,360
Real Estate Transfer	343,808	260,000	83,808
Per Capita	79,479	82,000	(2,521)
Earned Income	1,836,686	1,540,000	296,686
Mercantile	39,926	43,800	(3,874)
Local Services Tax	244,854	230,000	14,854
Total Taxes	<u>7,761,613</u>	<u>7,282,300</u>	<u>479,313</u>
Licenses and Permits			
Permits	338,222	279,100	59,122
TV Cable	158,396	175,000	(16,604)
Miscellaneous	160,501	1,200	159,301
Total Licenses and Permits	<u>657,119</u>	<u>455,300</u>	<u>201,819</u>
Fines and Forfeitures			
Ordinance Violations	16,959	8,000	8,959
Vehicle Code Violations	52,733	45,000	7,733
Total Fines and Forfeitures	<u>69,692</u>	<u>53,000</u>	<u>16,692</u>
Interest and Rents			
Interest	7,886	4,000	3,886
Rents	87,477	77,307	10,170
Total Interest and Rents	<u>95,363</u>	<u>81,307</u>	<u>14,056</u>
Intergovernmental Revenues			
Federal Funds	652,141	32,000	620,141
State Funds	516,271	526,259	(9,988)
PURTA Tax	8,143	6,500	1,643
Local Funds	-	-	-
Total Intergovernmental Revenues	<u>1,176,555</u>	<u>564,759</u>	<u>611,796</u>
Charges for Services			
Zoning Fees	30,261	28,000	2,261
Recreation Fees	241,200	314,600	(73,400)
Public Safety	33,474	31,000	2,474
Emergency Services	780,276	730,050	50,226
Miscellaneous	13,786	26,274	(12,488)
Total Charges for Services	<u>1,098,997</u>	<u>1,129,924</u>	<u>(30,927)</u>
Other Revenues			
Sale of Property	6,622	-	6,622
Refunds	509,041	317,000	192,041
Other	7,223	1,750,000	(1,742,777)
Total Other Revenues	<u>522,886</u>	<u>2,067,000</u>	<u>(1,544,114)</u>
Total Revenues Received	<u>\$ 11,382,225</u>	<u>\$ 11,633,590</u>	<u>\$ (251,365)</u>

See independent auditor's report on supplementary information.

BOROUGH OF EMMAUS
GENERAL FUND - SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Actual</u>	<u>Original Budget</u>	Variance Favorable (Unfavorable)
EXPENDITURES PAID			
General Government			
Legislative	\$ 25,290	\$ 26,709	\$ 1,419
Administrative and Executive	573,412	1,063,332	489,920
Financial Administration	64,947	63,385	(1,562)
Planning and Zoning	74,715	70,000	(4,715)
Legal	31,115	65,000	33,885
Tax Collection	66,284	57,650	(8,634)
Physical Plant	49,415	53,528	4,113
Total General Government	<u>885,178</u>	<u>1,399,604</u>	<u>514,426</u>
Public Safety			
Police Protection	2,679,508	2,761,942	82,434
Protective Inspection and Code Enforcement	365,715	462,286	96,571
Ambulance	782,864	939,299	156,435
Total Public Safety	<u>3,828,087</u>	<u>4,163,527</u>	<u>335,440</u>
Public Works - Highways and Streets			
Street Maintenance	2,925	8,000	5,075
Repairs and Maintenance	86,484	47,991	(38,493)
Weed Control	781	500	(281)
General Services	891,743	1,101,795	210,052
Total Public Works - Highways and Streets	<u>981,933</u>	<u>1,158,286</u>	<u>176,353</u>
Culture and Recreation			
Playground and Parks	463,292	534,850	71,558
Library	117,801	126,724	-
Total Culture and Recreation	<u>581,093</u>	<u>661,574</u>	<u>71,558</u>
Insurance and Benefits	3,365,251	3,593,940	228,689
Interest	-	-	-
Total Expenditures Paid	<u>9,641,542</u>	<u>10,976,931</u>	<u>1,326,466</u>
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	1,740,683	656,659	1,075,101
Other Financing Sources (Uses)			
Transfers In	609,087	-	609,087
Transfers Out	(1,453,594)	1,220,814	(2,674,408)
Total Other Financing Sources (Uses), Net	<u>(844,507)</u>	<u>1,220,814</u>	<u>(2,065,321)</u>
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	896,176	1,877,473	(990,220)
FUND BALANCE - JANUARY 1, 2022	<u>3,126,395</u>	<u>3,126,395</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2022	<u>\$ 4,022,571</u>	<u>\$ 5,003,868</u>	<u>\$ (990,220)</u>

See independent auditor's report on supplementary information.

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, 2022

	Actual	Original Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes	\$ 1,142,472	\$ 1,128,300	\$ 14,172
Intergovernmental Revenues	395,226	475,363	(80,137)
Charges for Services	13,188	7,000	6,188
Miscellaneous	4,389	3,100	1,289
Interest	7,944	3,000	4,944
Total Revenues Received	<u>1,563,219</u>	<u>1,616,763</u>	<u>(53,544)</u>
EXPENDITURES PAID			
General Government	59,360	59,674	314
Public Safety	913,616	1,275,132	361,516
Public Works - Highways and Streets	215,242	613,833	398,591
Debt Service - Principal Retirement	24,907	-	(24,907)
Debt Service - Interest	4,643	-	(4,643)
Capital Outlay	134,314	-	(134,314)
Total Expenditures Paid	<u>1,352,082</u>	<u>1,948,639</u>	<u>596,557</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	211,137	(331,876)	543,013
Other Financing Sources (Uses)			
Loan Proceeds	-	-	-
Transfers In	-	-	-
Transfers Out	(93,124)	(93,124)	-
Total Other Financing Sources (Uses), Net	<u>(93,124)</u>	<u>(93,124)</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	118,013	(425,000)	543,013
FUND BALANCE - JANUARY 1, 2022	<u>483,635</u>	<u>483,635</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2022	<u>\$ 601,648</u>	<u>\$ 58,635</u>	<u>\$ 543,013</u>

See independent auditor's report on supplementary information.

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, 2022

	<u>Actual</u>	<u>Original Budget</u>	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Interest and Rents	\$ 192,922	\$ -	\$ 192,922
Intergovernmental Revenues	42,237	582,500	(540,263)
Miscellaneous	<u>512,053</u>	<u>-</u>	<u>512,053</u>
Total Revenues Received	<u>747,212</u>	<u>582,500</u>	<u>164,712</u>
EXPENDITURES PAID			
General Government	97,046	-	(97,046)
Public Safety	63,593	-	(63,593)
Public Works	35,059	-	(35,059)
Culture and Recreation	42,828	-	(42,828)
Capital Outlay	<u>5,577,592</u>	<u>14,494,384</u>	<u>8,916,792</u>
Total Expenditures Paid	<u>5,816,118</u>	<u>14,494,384</u>	<u>8,678,266</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	(5,068,906)	(13,911,884)	8,842,978
Other Financing Sources (Uses)			
Loan Proceeds	12,710,000	13,414,544	(704,544)
Transfers In	1,648,459	497,340	1,151,119
Transfers Out	<u>(3,663,708)</u>	<u>-</u>	<u>(3,663,708)</u>
Total Other Financing Sources (Uses), Net	<u>10,694,751</u>	<u>13,911,884</u>	<u>(3,217,133)</u>
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	5,625,845	-	5,625,845
FUND BALANCE - JANUARY 1, 2022	<u>3,478,280</u>	<u>3,478,280</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2022	<u>\$ 9,104,125</u>	<u>\$ 3,478,280</u>	<u>\$ 5,625,845</u>

See independent auditor's report on supplementary information.

**BOROUGH OF EMMAUS
SCHEDULE OF BOROUGH CONTRIBUTIONS -
NON-UNIFORM 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	\$ 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%
2021	559,275	559,275	-	2,612,939	21.4%
2022	575,775	575,775	-	2,518,856	22.9%

See independent auditor's report on supplementary information.

The accompanying notes to 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	2021	2022
Total Pension Liability				
Service Cost	\$ 276,969	\$ 290,817	\$ 303,347	\$ 301,694
Interest	677,895	723,608	738,232	778,586
Changes of Benefit Terms	-	-	-	-
Changes for Experience	(295,711)	-	(405,283)	-
Changes of Assumptions	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(294,433)	(426,369)	(427,009)	(579,479)
Net Change in Total Pension Liability	364,720	588,056	209,287	500,801
Total Pension Liability - Beginning	9,201,899	9,566,619	10,154,675	10,363,962
Total Pension Liability - Ending	<u>\$ 9,566,619</u>	<u>\$ 10,154,675</u>	<u>\$ 10,363,962</u>	<u>\$ 10,864,763</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 507,193	\$ 522,344	\$ 559,275	\$ 575,775
Contributions - Member	63,497	71,188	77,508	80,950
Net Investment Income	1,339,069	1,060,322	1,165,390	(1,465,440)
Benefit Payments, Including Refunds of Member Contributions	(294,433)	(426,369)	(427,009)	(579,479)
Administrative Expense	(30,937)	(36,556)	(37,851)	(41,590)
Net Change in Plan Fiduciary Net Position	1,584,389	1,190,929	1,337,313	(1,429,784)
Plan Net Position - Beginning	7,013,929	8,598,318	9,789,247	11,126,560
Plan Net Position - Ending	<u>\$ 8,598,318</u>	<u>\$ 9,789,247</u>	<u>\$ 11,126,560</u>	<u>\$ 9,696,776</u>
Municipality's Net Pension Liability (Asset)	\$ 968,301	\$ 365,428	\$ (762,598)	\$ 1,167,987
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	89.9%	96.4%	107.4%	89.2%
Covered Employee Payroll	\$ 2,534,860	\$ 2,574,465	\$ 2,612,939	\$ 2,518,856
Municipality's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	38.2%	14.2%	-29.2%	46.4%

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 supplementary information.

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

**BOROUGH OF EMMAUS
NOTES TO SUPPLEMENTARY SCHEDULES –
NON-UNIFORM PENSION PLAN
DECEMBER 31, 2022**

Actuarial Assumptions

The total pension liability in the January 1, 2021 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 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%
2021	608,120	618,431	(10,311)	1,843,392	33.5%
2022	591,906	606,627	(14,721)	2,066,324	29.4%

See independent auditor's report on supplementary information.

The accompanying notes to 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	2021	2022
Total Pension Liability				
Service Cost	\$ 253,454	\$ 266,127	\$ 280,339	\$ 294,356
Interest	764,070	803,808	842,639	875,380
Changes of Benefit Terms	-	-	-	-
Changes for Experience	61,278	-	2,289	-
Changes of Assumptions	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(515,278)	(484,892)	(655,561)	(746,995)
Net Change in Total Pension Liability	563,524	585,043	469,706	422,741
Total Pension Liability - Beginning	10,125,851	10,689,375	11,274,418	11,744,124
Total Pension Liability - Ending	<u>\$ 10,689,375</u>	<u>\$ 11,274,418</u>	<u>\$ 11,744,124</u>	<u>\$ 12,166,865</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 489,509	\$ 496,891	\$ 618,431	\$ 606,627
Contributions - Member	67,209	84,056	90,494	99,882
Net Investment Income	1,345,627	1,013,981	1,115,976	(1,408,105)
Benefit Payments, Including Refunds of Member Contributions	(515,278)	(484,892)	(655,561)	(746,995)
Administrative Expense	(31,928)	(34,343)	(38,006)	(38,304)
Administrative Expense	-	-	25,863	-
Net Change in Plan Fiduciary Net Position	1,355,139	1,075,693	1,157,197	(1,486,895)
Plan Net Position - Beginning	7,220,968	8,576,107	9,651,800	10,808,997
Plan Net Position - Ending	<u>\$ 8,576,107</u>	<u>\$ 9,651,800</u>	<u>\$ 10,808,997</u>	<u>\$ 9,322,102</u>
Municipality's Net Pension Liability	\$ 2,113,268	\$ 1,622,618	\$ 935,127	\$ 2,844,763
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.2%	85.6%	92.0%	76.6%
Covered Employee Payroll	\$ 1,792,558	\$ 1,750,817	\$ 1,843,392	\$ 2,066,324
Municipality's Net Pension Liability as a Percentage of Covered Employee Payroll	117.9%	92.7%	50.7%	137.7%

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 supplementary information.

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

**BOROUGH OF EMMAUS
NOTES TO SUPPLEMENTARY SCHEDULES –
UNIFORMED PENSION PLAN
DECEMBER 31, 2022**

Actuarial Assumptions

The total pension liability in the January 1, 2021 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:
Service, | The later of age 51 and 25 Years of
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:
assumed. | No gains or losses on DROP assets |

See independent auditor's report on supplementary information.

**BOROUGH OF EMMAUS
 COMBINING BALANCE SHEET – MODIFIED CASH BASIS –
 ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Fire Protection Fund</u>	<u>State Liquid Fuels Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 277,252	\$ 334,508	\$ 611,760
Due from Other Funds	<u>-</u>	<u>12,168</u>	<u>12,168</u>
Total Assets	<u>\$ 277,252</u>	<u>\$ 346,676</u>	<u>\$ 623,928</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to Other Funds	<u>\$ -</u>	<u>\$ 22,280</u>	<u>\$ 22,280</u>
Total Liabilities	<u>-</u>	<u>22,280</u>	<u>22,280</u>
Fund Balance			
Restricted	<u>277,252</u>	<u>324,396</u>	<u>601,648</u>
Total Liabilities and Fund Balances	<u>\$ 277,252</u>	<u>\$ 346,676</u>	<u>\$ 623,928</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, 2022**

	Fire Protection Fund	State Liquid Fuels Fund	Total
REVENUES RECEIVED			
Taxes	\$ 1,142,472	\$ -	\$ 1,142,472
Intergovernmental Revenues	73,907	321,319	395,226
Charges for Services	13,188	-	13,188
Miscellaneous	4,389	-	4,389
Interest	880	7,064	7,944
	<u>1,234,836</u>	<u>328,383</u>	<u>1,563,219</u>
Total Revenues Received			
EXPENDITURES PAID			
General Government	59,360	-	59,360
Public Safety	913,616	-	913,616
Public Works - Highways and Streets	-	215,242	215,242
Debt Service - Principal Retirement	-	24,907	24,907
Debt Service - Interest	-	4,643	4,643
Capital Outlay	55,699	78,615	134,314
	<u>1,028,675</u>	<u>323,407</u>	<u>1,352,082</u>
Total Expenditures Paid			
DEFICIT OF REVENUES RECEIVED OVER EXPENDITURES PAID	<u>206,161</u>	<u>4,976</u>	<u>211,137</u>
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	-	-	-
Transfers In	-	-	-
Transfers Out	(93,124)	-	(93,124)
	<u>(93,124)</u>	<u>-</u>	<u>(93,124)</u>
Total Other Financing Sources (Uses), Net			
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	113,037	4,976	118,013
Fund Balances - January 1, 2022	<u>164,215</u>	<u>319,420</u>	<u>483,635</u>
Fund Balances - December 31, 2022	<u>\$ 277,252</u>	<u>\$ 324,396</u>	<u>\$ 601,648</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, 2022**

	Uniformed Pension	Non-Uniform Pension	Total
ASSETS:			
Investments - At Fair Value			
Cash and Sweep Balances	\$ 285,936	\$ 260,945	\$ 546,881
Common Stock	5,650,185	5,922,478	11,572,663
Fixed Income	3,370,861	3,524,607	6,895,468
Accrued Income	885	851	1,736
	<u>9,307,867</u>	<u>9,708,881</u>	<u>19,016,748</u>
Total Assets	\$ 9,307,867	\$ 9,708,881	\$ 19,016,748
LIABILITIES:			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	-	-	-
NET POSITION:			
Restricted	<u>9,307,867</u>	<u>9,708,881</u>	<u>19,016,748</u>
Total Liabilities and Net Position	\$ 9,307,867	\$ 9,708,881	\$ 19,016,748

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, 2022

	Uniformed Pension	Non-Uniform Pension	Total
ADDITIONS:			
<i>Contributions:</i>			
Employer	\$ 595,662	\$ 578,707	\$ 1,174,369
Plan Members	100,253	81,559	181,812
Total Contributions	<u>695,915</u>	<u>660,266</u>	<u>1,356,181</u>
<i>Investment Earnings:</i>			
Net Realized and Unrealized Losses	(1,639,211)	(1,719,791)	(3,359,002)
Interest and Dividends	224,731	247,663	472,394
Less: Investment Expenses	<u>(32,051)</u>	<u>(32,893)</u>	<u>(64,944)</u>
Total Investment Earnings	<u>(1,446,531)</u>	<u>(1,505,021)</u>	<u>(2,951,552)</u>
Miscellaneous Income	<u>6,374</u>	<u>6,689</u>	<u>13,063</u>
Total Additions	<u>(744,242)</u>	<u>(838,066)</u>	<u>(1,582,308)</u>
DEDUCTIONS:			
Administration	6,253	8,697	14,950
Benefit Payments	<u>746,995</u>	<u>568,070</u>	<u>1,315,065</u>
Total Deductions	<u>753,248</u>	<u>576,767</u>	<u>1,330,015</u>
Deficit of Additions Over Deductions	(1,497,490)	(1,414,833)	(2,912,323)
NET POSITION			
Net Position, January 1, 2022	<u>10,805,357</u>	<u>11,123,714</u>	<u>21,929,071</u>
Net Position, December 31, 2022	<u>\$ 9,307,867</u>	<u>\$ 9,708,881</u>	<u>\$ 19,016,748</u>

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 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, 2022, and the related notes to the financial statements and have issued our report thereon dated November 16, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Borough of Emmaus' internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

Campbell, Roppold & Yurasita LLP

November 16, 2023