



# **Borough of Littlestown**

## **Financial Statements and Supplementary Information**

**(Audited)**

December 31, 2021

# BOROUGH OF LITTLESTOWN

## TABLE OF CONTENTS

---

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-3
<b>FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements	
Statement of Net Position - Modified Cash Basis	4
Statement of Activities - Modified Cash Basis	5
Fund Financial Statements	
Balance Sheet - Governmental Funds - Modified Cash Basis	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position - Modified Cash Basis	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Modified Cash Basis	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis	9
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund - Modified Cash Basis	10
Statement of Net Position - Proprietary Funds - Modified Cash Basis	11
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds - Modified Cash Basis	12-13
Statement of Cash Flows - Proprietary Funds - Modified Cash Basis	14-15
Statement of Fiduciary Net Position - Modified Cash Basis	16
Statement of Changes in Fiduciary Net Position - Pension Funds - Modified Cash Basis	17
Notes to Financial Statements - Modified Cash Basis	18-40
<b>SUPPLEMENTARY INFORMATION</b>	
Combining Balance Sheet - Non-Major Governmental Funds - Modified Cash Basis	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds - Modified Cash Basis	42

## INDEPENDENT AUDITOR'S REPORT

Borough Council  
Borough of Littlestown  
Littlestown, Pennsylvania

### **Report on the Audit of the Financial Statements**

#### ***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 the Borough of Littlestown, Pennsylvania, (Borough) as of and for the year ended December 31, 2021, 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 respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Littlestown, Pennsylvania, as of December 31, 2021, 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 1.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Borough and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Basis of Accounting***

We draw your attention to Note 1 of the Financial Statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than the accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this manner.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***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 opinions. 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 GAAS 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 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 GAAS, 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 the Borough's 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 the Borough's 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1.

RKL LLP

Chambersburg, Pennsylvania  
March 30, 2022

# BOROUGH OF LITTLESTOWN

## STATEMENT OF NET POSITION MODIFIED CASH BASIS

December 31, 2021

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash & cash equivalents	\$ 3,938,431	\$ 4,808,819	\$ 8,747,250
Investments	93,841	1,239	95,080
Internal balances	16,462	76,172	92,634
Prepaid bond insurance - net of accumulated amortization	5,104	5,638	10,742
Property & equipment - net of accumulated depreciation	6,226,009	17,125,469	23,351,478
<b>TOTAL ASSETS</b>	<u>10,279,847</u>	<u>22,017,337</u>	<u>32,297,184</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding - net of accumulated amortization	20,008	41,737	61,745
<b>LIABILITIES</b>			
Internal balances	11,914	80,720	92,634
Payroll liabilities	8,137	-	8,137
Bonds payable			
Due within one year	180,000	80,000	260,000
Due in more than one year	965,577	2,469,295	3,434,872
Notes payable			
Due within one year	-	379,886	379,886
Due in more than one year	-	5,105,363	5,105,363
<b>TOTAL LIABILITIES</b>	<u>1,165,628</u>	<u>8,115,264</u>	<u>9,280,892</u>
<b>NET POSITION</b>			
Invested in capital assets - net of related debt	5,080,432	9,090,925	14,171,357
Restricted for:			
Highway aid	229,278	-	229,278
Parks & recreation	53,876	67,063	120,939
Traffic control	99,141	-	99,141
Christmas lighting	48,360	-	48,360
Public safety	7,135	-	7,135
Fire protection	1,890	-	1,890
Unrestricted	3,614,115	4,785,822	8,399,936
<b>TOTAL NET POSITION</b>	<u>\$ 9,134,227</u>	<u>\$ 13,943,810</u>	<u>\$ 23,078,037</u>

See accompanying notes to financial statements.

# BOROUGH OF LITTLESTOWN

## STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended December 31, 2021

Functions / Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
General government	\$ 180,137	\$ 71,747	\$ 238,049	\$ -	\$ 129,659	\$ -	\$ 129,659
Public safety	1,024,513	67,585	8,128	21,306	(927,494)	-	(927,494)
Public works	491,479	10,910	129,516	-	(351,053)	-	(351,053)
Culture & recreation	50,732	6,980	-	11,340	(32,412)	-	(32,412)
Debt service	44,318	-	-	-	(44,318)	-	(44,318)
Employer paid benefits	630,356	-	119,932	-	(510,424)	-	(510,424)
Insurance	16,872	-	-	-	(16,872)	-	(16,872)
<b>Total Governmental Activities</b>	<b>2,438,407</b>	<b>157,222</b>	<b>495,625</b>	<b>32,646</b>	<b>(1,752,914)</b>	<b>-</b>	<b>(1,752,914)</b>
<b>Business-Type Activities</b>							
Water	840,055	909,537	-	-	-	69,482	69,482
Sewer	1,366,293	1,584,893	-	-	-	218,600	218,600
Pool	27,794	23,935	-	-	-	(3,859)	(3,859)
<b>Total Business-Type Activities</b>	<b>2,234,142</b>	<b>2,518,365</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>284,223</b>	<b>284,223</b>
<b>Total Borough</b>	<b>\$ 4,672,549</b>	<b>\$ 2,675,587</b>	<b>\$ 495,625</b>	<b>\$ 32,646</b>	<b>(1,752,914)</b>	<b>284,223</b>	<b>(1,468,691)</b>
<b>General Revenues &amp; Transfers</b>							
Property taxes, levied for general purposes					1,369,138	-	1,369,138
Earned income taxes					541,494	-	541,494
Real estate transfer taxes					176,481	-	176,481
Fire protection taxes					87,591	-	87,591
Other taxes					55,577	-	55,577
Miscellaneous					34,941	12,673	47,614
Investment earnings					4,666	5,130	9,796
Loss on sale of capital assets					(196,850)	-	(196,850)
<b>Total General Revenues &amp; Transfers</b>					<b>2,073,038</b>	<b>17,803</b>	<b>2,090,841</b>
<b>Changes in Net Position</b>					320,124	302,026	622,150
<b>Net Position - January 1, 2021</b>					8,814,103	13,641,784	22,455,887
<b>Net Position - December 31, 2021</b>					<b>\$ 9,134,227</b>	<b>\$ 13,943,810</b>	<b>\$ 23,078,037</b>

See accompanying notes to financial statements.

# BOROUGH OF LITTLESTOWN

## BALANCE SHEET - GOVERNMENTAL FUNDS MODIFIED CASH BASIS

December 31, 2021

	General <u>Fund</u>	Highway <u>Aid Fund</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>				
Cash & cash equivalents	\$ 3,701,363	\$ 229,878	\$ 7,190	\$ 3,938,431
Investments	-	-	93,841	93,841
Due from other funds	16,462	-	-	16,462
<b>TOTAL ASSETS</b>	<b>\$ 3,717,825</b>	<b>\$ 229,878</b>	<b>\$ 101,031</b>	<b>\$ 4,048,734</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Due to other funds	\$ 11,914	\$ -	\$ -	\$ 11,914
Payroll liabilities	8,137	-	-	8,137
<b>Total Liabilities</b>	<b>20,051</b>	<b>-</b>	<b>-</b>	<b>20,051</b>
<b>Fund Balances</b>				
Restricted	109,371	229,878	101,031	440,280
Assigned	2,627,858	-	-	2,627,858
Unassigned	960,545	-	-	960,545
<b>Total Fund Balances</b>	<b>3,697,774</b>	<b>229,878</b>	<b>101,031</b>	<b>4,028,683</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,717,825</b>	<b>\$ 229,878</b>	<b>\$ 101,031</b>	<b>\$ 4,048,734</b>

See accompanying notes to financial statements.

# BOROUGH OF LITTLESTOWN

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS

---

December 31, 2021

**Total Fund Balances - Governmental Funds** \$ 4,028,683

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, they are not reported as assets in governmental funds. The cost of assets is \$10,364,901 and the related accumulated depreciation is \$4,138,892. 6,226,009

Governmental funds report insurance premiums paid for bonds as expenditures. However, in the Statement of Activities, the cost of bond insurance is allocated over the life of the debt issue. This is the amount by which prepaid bond insurance costs exceed accumulated amortization. 5,104

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

Unamortized deferred amount on refunding	20,008	
Unamortized bond premiums	4,423	
Bonds payable	<u>(1,150,000)</u>	<u>(1,125,569)</u>

**Total Net Position - Governmental Activities** \$ 9,134,227

# BOROUGH OF LITTLESTOWN

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For the Year Ended December 31, 2021

	General Fund	Highway Aid Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,142,690	\$ -	\$ 87,591	\$ 2,230,281
Intergovernmental revenue	387,415	126,546	-	513,961
Fines & forfeits	54,866	-	-	54,866
Rents	39,899	-	-	39,899
Charges for services	36,348	-	-	36,348
Miscellaneous income	28,673	-	-	28,673
Licenses & permits	26,109	-	-	26,109
Contributions	11,340	-	2,970	14,310
Investment income	4,292	62	312	4,666
<b>Total Revenues</b>	<u>2,731,632</u>	<u>126,608</u>	<u>90,873</u>	<u>2,949,113</u>
<b>Expenditures</b>				
Public safety	947,363	-	106,188	1,053,551
Employer paid benefits	630,356	-	-	630,356
Public works	188,778	299,205	53	488,036
Debt service	459,380	-	-	459,380
General government	159,453	-	-	159,453
Culture & recreation	32,792	-	-	32,792
Insurance	16,872	-	-	16,872
<b>Total Expenditures</b>	<u>2,434,994</u>	<u>299,205</u>	<u>106,241</u>	<u>2,840,440</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	296,638	(172,597)	(15,368)	108,673
<b>Other Financing Sources</b>				
Proceeds from sale of assets	195,241	-	-	195,241
Refund of prior year expenditures	6,268	-	-	6,268
Interfund transfers	(600)	600	-	-
<b>Total Other Financing Sources - Net</b>	<u>200,909</u>	<u>600</u>	<u>-</u>	<u>201,509</u>
<b>Net Change in Fund Balances</b>	497,547	(171,997)	(15,368)	310,182
<b>Fund Balances</b>				
January 1, 2021	3,200,227	401,875	116,399	3,718,501
December 31, 2021	<u>\$ 3,697,774</u>	<u>\$ 229,878</u>	<u>\$ 101,031</u>	<u>\$ 4,028,683</u>

See accompanying notes to financial statements.

# BOROUGH OF LITTLESTOWN

## 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, 2021

**Net Change in Fund Balances - Governmental Funds** \$ 310,182

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those outlays is allocated over the assets' useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlays	337,564	
Less depreciation expense	<u>(350,593)</u>	(13,029)

This is the difference between the proceeds from sales of capital assets, less accumulated depreciation allowed on disposed assets (392,091)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of bond insurance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of long-term debt	425,000	
Amortization of prepaid bond insurance	(1,312)	
Amortization of bond discounts	(3,802)	
Unamortized prepaid bond insurance on refunded debt	<u>(4,824)</u>	<u>415,062</u>

**Changes in Net Position - Governmental Activities** \$ 320,124

# BOROUGH OF LITTLESTOWN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND - MODIFIED CASH BASIS

For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$ 1,786,406	\$ 2,142,690	\$ 356,284
Intergovernmental revenue	166,422	387,415	220,993
Fines & forfeits	41,327	54,866	13,539
Rents	44,846	39,899	(4,947)
Charges for services	47,553	36,348	(11,205)
Miscellaneous income	8,000	28,673	20,673
Licenses & permits	20,000	26,109	6,109
Contributions	-	11,340	11,340
Investment income	2,500	4,292	1,792
<b>Total Revenues</b>	<u>2,117,054</u>	<u>2,731,632</u>	<u>614,578</u>
<b>Expenditures</b>			
Public safety	876,807	947,363	(70,556)
Employer paid benefits	685,927	630,356	55,571
Debt service	213,730	459,380	(245,650)
Public works	170,709	188,778	(18,069)
General government	136,126	159,453	(23,327)
Culture & recreation	15,339	32,792	(17,453)
Insurance	25,416	16,872	8,544
<b>Total Expenditures</b>	<u>2,124,054</u>	<u>2,434,994</u>	<u>(310,940)</u>
<b>Excess of Revenues Over Expenditures</b>	(7,000)	296,638	303,638
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of assets	-	195,241	195,241
Refund of prior year expenditures	7,000	6,268	(732)
Interfund transfers	-	(600)	(600)
<b>Total Other Financing Sources - Net</b>	<u>7,000</u>	<u>200,909</u>	<u>193,909</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>497,547</u>	<u>\$ 497,547</u>
<b>Fund Balance</b>			
January 1, 2021		<u>3,200,227</u>	
December 31, 2021		<u>\$ 3,697,774</u>	

See accompanying notes to financial statements.

# BOROUGH OF LITTLESTOWN

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS MODIFIED CASH BASIS

December 31, 2021

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Non-Major Pool Fund</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash & cash equivalents				
Unrestricted	\$ 2,108,500	\$ 2,572,342	\$ 60,914	\$ 4,741,756
Restricted	-	-	67,063	67,063
Investments	-	1,239	-	1,239
Due from other funds	52,545	23,627	-	76,172
<b>Total Current Assets</b>	<u>2,161,045</u>	<u>2,597,208</u>	<u>127,977</u>	<u>4,886,230</u>
<b>Noncurrent Assets</b>				
Prepaid bond insurance - net of accumulated amortization	5,638	-	-	5,638
Property & equipment - net of accumulated depreciation	4,512,662	12,310,093	302,714	17,125,469
<b>Total Noncurrent Assets</b>	<u>4,518,300</u>	<u>12,310,093</u>	<u>302,714</u>	<u>17,131,107</u>
<b>TOTAL ASSETS</b>	6,679,345	14,907,301	430,691	22,017,337
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding - net of accumulated amortization	41,737	-	-	41,737
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Due to other funds	36,947	43,773	-	80,720
Current portion of bonds payable	80,000	-	-	80,000
Current portion of notes payable	-	379,886	-	379,886
<b>Total Current Liabilities</b>	<u>116,947</u>	<u>423,659</u>	<u>-</u>	<u>540,606</u>
<b>Noncurrent Liabilities</b>				
Bonds payable - net of current portion	2,469,295	-	-	2,469,295
Notes payable - net of current portion	-	5,105,363	-	5,105,363
<b>Total Noncurrent Liabilities</b>	<u>2,469,295</u>	<u>5,105,363</u>	<u>-</u>	<u>7,574,658</u>
<b>TOTAL LIABILITIES</b>	<u>2,586,242</u>	<u>5,529,022</u>	<u>-</u>	<u>8,115,264</u>
<b>NET POSITION</b>				
Invested in capital assets - net of related debt	1,963,367	6,824,844	302,714	9,090,925
Restricted for recreation	-	-	67,063	67,063
Unrestricted	2,171,473	2,553,435	60,914	4,785,822
<b>TOTAL NET POSITION</b>	<u>\$ 4,134,840</u>	<u>\$ 9,378,279</u>	<u>\$ 430,691</u>	<u>\$ 13,943,810</u>

See accompanying notes to financial statements.

# BOROUGH OF LITTLESTOWN

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For the Year Ended December 31, 2021

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Non-Major</u> Pool <u>Fund</u>	Total Proprietary <u>Funds</u>
<b>Operating Revenues</b>				
Charges for services	\$ 794,609	\$ 1,498,158	\$ 23,935	\$ 2,316,702
Connection / tapping fees	47,238	76,614	-	123,852
Fines & collection fees	4,332	8,066	-	12,398
Other fees	8,783	2,055	-	10,838
<b>Total Operating Revenues</b>	<u>854,962</u>	<u>1,584,893</u>	<u>23,935</u>	<u>2,463,790</u>
<b>Operating Expenses</b>				
Depreciation	181,390	497,981	18,023	697,394
Salaries & wages	207,789	207,047	-	414,836
Employee benefits	118,103	118,106	-	236,209
Contracted services	60,148	128,586	1,795	190,529
Utilities	48,676	82,760	6,524	137,960
Repairs & maintenance	65,404	60,385	1,452	127,241
Materials & supplies	10,606	45,569	-	56,175
Insurance	24,745	24,745	-	49,490
Administrative	23,936	25,526	-	49,462
Engineering costs	15,523	26,630	-	42,153
Payroll taxes	17,244	17,190	-	34,434
Equipment purchase & rental	1,017	-	-	1,017
<b>Total Operating Expenses</b>	<u>774,581</u>	<u>1,234,525</u>	<u>27,794</u>	<u>2,036,900</u>
<b>Operating Income (Loss)</b>	80,381	350,368	(3,859)	426,890

(Continued)

---

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Non-Major Pool Fund</u>	<u>Total Proprietary Funds</u>
<b>Nonoperating Revenues (Expenses)</b>				
Rental income	54,575	-	-	54,575
Investment income	2,665	2,456	9	5,130
Contributions	-	-	12,673	12,673
Amortization	(387)	-	-	(387)
Interest expense	(65,087)	(131,768)	-	(196,855)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(8,234)</u>	<u>(129,312)</u>	<u>12,682</u>	<u>(124,864)</u>
<b>Changes in Net Position</b>	72,147	221,056	8,823	302,026
<b>Net Position</b>				
January 1, 2021	<u>4,062,693</u>	<u>9,157,223</u>	<u>421,868</u>	<u>13,641,784</u>
December 31, 2021	<u>\$ 4,134,840</u>	<u>\$ 9,378,279</u>	<u>\$ 430,691</u>	<u>\$ 13,943,810</u>

See accompanying notes to financial statements.

# BOROUGH OF LITTLESTOWN

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For the Year Ended December 31, 2021

	Water Fund	Sewer Fund	Non-Major Pool Fund	Total Proprietary Funds
<b>Cash Flows from Operating Activities:</b>				
Cash received from charges for services	\$ 854,962	\$ 1,584,893	\$ 23,935	\$ 2,463,790
Cash payments for goods & services	(385,402)	(529,497)	(9,771)	(924,670)
Cash payments to employees for services	(207,789)	(207,047)	-	(414,836)
<b>Net Cash Provided by Operating Activities</b>	261,771	848,349	14,164	1,124,284
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers from other funds	190	190	-	380
Contributions	-	-	12,673	12,673
<b>Net Cash Provided by Noncapital Financing Activities</b>	190	190	12,673	13,053
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchase of property & equipment	(106,949)	(46,735)	-	(153,684)
Principal paid on long-term debt	(80,000)	(371,193)	-	(451,193)
Interest paid	(62,521)	(131,768)	-	(194,289)
<b>Net Cash Used in Capital and Related Financing Activities</b>	(249,470)	(549,696)	-	(799,166)
<b>Cash Flows from Investing Activities:</b>				
Investment income	2,665	2,456	9	5,130
Rental income	54,575	-	-	54,575
<b>Net Cash Provided by Investing Activities</b>	57,240	2,456	9	59,705
<b>Net Change in Cash and Cash Equivalents</b>	69,731	301,299	26,846	397,876
<b>Cash and Cash Equivalents:</b>				
January 1, 2021	2,038,769	2,271,043	101,131	4,410,943
December 31, 2021	\$ 2,108,500	\$ 2,572,342	\$ 127,977	\$ 4,808,819

(Continued)

---

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Non-Major Pool Fund</u>	<u>Total Proprietary Funds</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ 80,381	\$ 350,368	\$ (3,859)	\$ 426,890
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	181,390	497,981	18,023	697,394
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 261,771</u>	<u>\$ 848,349</u>	<u>\$ 14,164</u>	<u>\$ 1,124,284</u>

**Schedule of Noncash Capital and Related  
Financing Activities:**

Amortization of prepaid bond insurance	\$ 387	\$ -	\$ -	\$ 387
Amortization of deferred amount on refinancing as a component of interest expense	\$ 2,861	\$ -	\$ -	\$ 2,861
Amortization of bond discounts as a component of interest expense	\$ 295	\$ -	\$ -	\$ 295

See accompanying notes to financial statements.

# BOROUGH OF LITTLESTOWN

## STATEMENT OF FIDUCIARY NET POSITION MODIFIED CASH BASIS

December 31, 2021

---

	Police <u>Pension Fund</u>	Non-Uniformed <u>Pension Fund</u>	Total Pension <u>Trust Funds</u>
<b>ASSETS</b>			
Investments	\$ 2,693,104	\$ 910,872	\$ 3,603,976
<b>NET POSITION</b>			
Reserved for Pension Benefits	\$ 2,693,104	\$ 910,872	\$ 3,603,976

See accompanying notes to financial statements.

# BOROUGH OF LITTLESTOWN

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION FUNDS - MODIFIED CASH BASIS

For the Year Ended December 31, 2021

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Total Pension Trust Funds</u>
<b>Additions</b>			
Contributions			
Employer	\$ 24,744	\$ 58,099	\$ 82,843
Commonwealth of Pennsylvania	119,932	-	119,932
Net investment income (loss)	209,463	(11,075)	198,388
<b>Total Additions</b>	<u>354,139</u>	<u>47,024</u>	<u>401,163</u>
<b>Deductions</b>			
Benefits & claims	154,294	32,742	187,036
Administrative expenses	19,395	11,052	30,447
<b>Total Deductions</b>	<u>173,689</u>	<u>43,794</u>	<u>217,483</u>
<b>Changes in Net Position</b>	180,450	3,230	183,680
<b>Net Position</b>			
January 1, 2021	2,512,654	907,642	3,420,296
December 31, 2021	<u>\$ 2,693,104</u>	<u>\$ 910,872</u>	<u>\$ 3,603,976</u>

See accompanying notes to financial statements.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

---

For the Year Ended December 31, 2021

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Borough of Littlestown, Pennsylvania (Borough) operates under a council-manager form of government and provides the following services as authorized by the Borough Code: Public Safety, Public Works, Health and Human Service, Culture and Recreation, Community Development, and General Government Administrative Services.

The financial statements of the Borough of Littlestown have been prepared in conformity with the modified cash basis of accounting as applied to governmental units, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 as follows:

#### Reporting Entity

The Governmental Accounting Standards Board defines the criteria used to determine the composition of the reporting entity. The standards require that the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) 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.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally-separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial-benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

The Borough is not a component unit of any other entity and is not included in any other governmental "reporting entity" since the members of Borough Council are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

---

For the Year Ended December 31, 2021

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

##### Reporting Entity - continued

Based upon the application of the above criteria, the following entity is considered to be a component unit of the Borough:

Littlestown Borough Authority (Blended Component Unit) - The Littlestown Borough Authority (Authority) was created by the Borough to finance the construction and improvements of the water and sewer systems, which benefit the residents of the Borough. The Authority follows the same accounting policies as the primary government. The operations of the Authority are blended into those of the Borough by appropriate fund type to constitute the primary-government presentation.

##### Government-wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the governmental entity. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

##### Fund Financial Statements

Separate fund financial statements are provided in the report for all of the governmental, proprietary, and fiduciary funds of the Borough, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

---

For the Year Ended December 31, 2021

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

The government-wide financial statements are prepared using the “economic resources” measurement focus, as applied to the modified cash basis of accounting, as are the proprietary and fiduciary fund financial statements. Net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Property and equipment are capitalized and depreciated over the assets’ useful lives. Depreciation is charged as an expense against current operations, and accumulated depreciation is reported in the Statement of Net Position. Debt obligations are reported in the Statement of Net Position and payments made on debt reduce the related liabilities. This approach differs from the manner in which governmental fund financial statements are prepared; therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the “current financial resources” measurement focus, as applied to the modified cash basis of accounting. Revenue is recognized when received. Expenditures generally are recorded when paid. Costs for capital outlays and payments for debt service are recognized as expenditures in the period paid.

The Borough’s policy is to prepare its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions and differs from accounting principles generally accepted in the United States of America in the following significant respects: certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected), and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Borough utilized the basis of accounting recognized as generally accepted, the fund-financial statements for the governmental funds would be prepared using the modified accrual basis of accounting, while the fund-financial statements for the proprietary and fiduciary funds would be prepared using the accrual basis of accounting. All government-wide financial statements would be presented in accordance with the accrual basis of accounting.

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 related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

---

For the Year Ended December 31, 2021

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

The Borough reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the Borough and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

Highway Aid Fund - The Highway Aid Fund accounts for funds distributed by the state from the collection of the liquid fuels tax. These funds may only be expended on road and street work as authorized by the Department of Transportation.

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

Traffic Control Fund - The Traffic Control Fund is used to account for income received from developers who are assessed certain fees by the Borough. This revenue is to be used for traffic control related expenses.

Fire Protection Fund – The Fire Protection Fund accounts for fire taxes that are distributed by the tax collector with real estate and per capita taxes. These funds may only be used to pay the local fire company for any expenditures submitted to the Borough for reimbursement.

Proprietary-type funds are used to account for operations (a) where the intent of the governing body is that the cost of providing goods and services to the general public on a continuing basis should be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with operating the sewer system, water system, and public pool. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues or expenses.

The Borough reports the following major proprietary funds:

Water Fund - The Water Fund is used to account for the revenues and expenses related to the distribution of water to residential and commercial customers serviced by the Borough.

Sewer Fund - The Sewer Fund is used to account for the revenues and expenses related to providing sewer services to residential and commercial customers serviced by the Borough.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

---

For the Year Ended December 31, 2021

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

Additionally, the Borough reports the following non-major proprietary fund:

Pool Fund - The Pool Fund is used to account for the revenues generated from and the expenses related to the operation of the Borough's public pool that is available to residents.

Fiduciary-fund reporting focuses on net position and changes in net position and is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Borough's general operations. Custodial funds are custodial in nature (assets equal liabilities). The Borough has no investment trust funds, private-purpose trust funds or custodial funds, but reports the following pension trust funds:

Pension Trust Funds - The Police Pension Fund and the Non-Uniformed Pension Fund account for the activities of the Borough's pension plans and accumulate resources for pension-benefit payments to qualified employees.

##### Budgets and Budgetary Accounting

Borough Council adopts annual budgets for the funds of the Borough, on the cash basis of accounting. The General Fund is the only fund for which a budget is legally required. The following procedures are adhered to relative to the adoption of the Borough's budget:

- At least 30 days prior to the adoption of the budget, a proposed budget for the ensuing fiscal year shall be prepared in a manner designated by Borough Council and made available for public inspection for a period of ten days prior to final adoption.
- After the ten day public inspection period, Borough Council may make revisions as deemed necessary and approve final adoption of the budget, which shall be no later than December 31<sup>st</sup>. Borough Council adopts an ordinance levying the taxes for the fiscal year, for approval of the Mayor or passage over his/her veto.

Borough Council may make budget transfers or revisions during the fiscal year. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effects of any approved budget amendments, if applicable.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

---

For the Year Ended December 31, 2021

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows presented for the proprietary funds, the Borough considers all highly-liquid investments, including restricted assets, with maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are stated at fair market value.

Capital Assets and Depreciation: Capital assets, which include property, buildings, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets with an original unit cost of \$5,000 or greater are capitalized, unless assets are acquired by debt proceeds, in which case the assets must be capitalized. Management considers various factors in the capitalization of assets, including the assets' estimated useful lives, their costs, and the extent to which the assets are components of larger capital projects. All purchased capital assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair market values on the dates received. The costs of normal maintenance and repairs that do not add to the values of assets or materially extend assets' lives are not capitalized. Depreciation is provided for capital assets on the straight-line basis over the estimated useful lives of the assets or groups of assets as determined by management.

Long-Term Obligations: In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the respective issues using the straight-line method. Bonds payable are reported net of applicable bond premiums or discounts. Bond insurance costs are reported as deferred charges and amortized over the terms of the related debt.

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

Compensated Absences: Police Department Employees - The Borough's policy permits permanent, full time employees of the Police Department to accumulate unused sick leave up to a maximum of 160 days. Upon retirement, the employee will be paid for 50% of unused sick leave. Upon separation from employment for any reason other than retirement, except for dismissal, the employee will be paid for 25% of unused sick leave. Vacation leave may be carried over to subsequent years up to a maximum of 5 days and unused vacation leave is paid upon retirement or separation from employment. All unused personal leave is paid out at the end of each calendar year.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

---

For the Year Ended December 31, 2021

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Other Municipal Employees - The Borough's policy permits other municipal permanent, full-time employees to accumulate unused sick leave up to a maximum of 280 days, none of which are payable upon retirement or separation from employment. Unused vacation leave is paid out annually on each employee's anniversary of their date of hire. Upon retirement or separation from employment, employees will be paid for unused vacation leave. All unused personal leave is paid out at the end of each calendar year.

During the year ended December 31, 2021, the Borough made one payment totaling \$3,658 related to the payout of compensated absences resulting from retirements or separations of employment.

Transfers: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases where repayment is expected, the advances are accounted for through the various "due from" and "due to" accounts.

Fund Balance: In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Borough classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors, contributors, or laws and regulations of other governments, or amounts constrained by law through constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Borough through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned – includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes.

Approval of an official motion at a formal meeting by Borough Council is required to establish, modify, or rescind committed fund balance. Borough Council, the Secretary/Treasurer or the Borough Manager have the authority to express intended uses of resources that result in assigned fund balance.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

For the Year Ended December 31, 2021

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the Borough's policy is to spend resources in the following order:

1. Restricted
2. Unrestricted

Unless Borough Council specifically approves the use of committed resources, or Borough Council or the authorized body or official specifically approves the use of assigned resources, the Borough's policy is to spend unrestricted resources in the following order:

1. Unassigned
2. Assigned
3. Committed

The Borough does not have a formal minimum fund balance policy.

A schedule of governmental fund balances at December 31, 2021, is as follows:

	General <u>Fund</u>	Highway <u>Aid Fund</u>	Traffic <u>Control Fund</u>	Fire Protection <u>Fund</u>	Total Governmental <u>Funds</u>
<b>FUND BALANCES:</b>					
<b>Restricted</b>					
Road & street maintenance	\$ -	\$ 229,878	\$ -	\$ -	\$ 229,878
Traffic control	-	-	99,141	-	99,141
Parks & recreation	53,876	-	-	-	53,876
Christmas lighting	48,360	-	-	-	48,360
Public safety	7,135	-	-	-	7,135
Fire protection	-	-	-	1,890	1,890
	<u>109,371</u>	<u>229,878</u>	<u>99,141</u>	<u>1,890</u>	<u>440,280</u>
<b>Assigned - capital reserve</b>	2,627,858	-	-	-	2,627,858
<b>Unassigned</b>	<u>960,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>960,545</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 3,697,774</u>	<u>\$ 229,878</u>	<u>\$ 99,141</u>	<u>\$ 1,890</u>	<u>\$ 4,028,683</u>

Use of Estimates: Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenue, expenditures/expenses and disclosures.

Subsequent Events: In preparing these financial statements, the Borough has evaluated events and transactions for potential recognition or disclosure through March 30, 2022, the date the financial statements were available to be issued.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

---

For the Year Ended December 31, 2021

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Deferred Outflows / Inflows of Resources: In addition to assets, the statements of net position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Borough currently has one item that qualifies for reporting in this category, which is the deferred charge on refunding reported in the government-wide and proprietary fund statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the Borough has no transactions that meet the definition of deferred inflows of resources.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

For the Year Ended December 31, 2021

#### **NOTE 2: DEPOSITS AND INVESTMENTS**

Under Section 1316 of the Pennsylvania Borough Code, the Borough is permitted to invest funds consistent with sound business practices in the following types of investments:

- U.S. Treasury Bills.
- Short-term obligations of the U.S. Government or its agencies or its instrumentalities.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by either:
  1. The Federal Deposit Insurance Corporation (FDIC), or
  2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
  3. The National Credit Union Share Insurance Fund (NCUSIF)to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository.
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America, and (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of these political subdivisions.
- Shares of investment companies whose investments are restricted to the above categories.
- Pension trust funds may invest in any investment authorized by the Pennsylvania Common Law and other Pennsylvania statutes.
- Certificates of deposit purchased from institutions insured by the FDIC or the NCUSIF to the extent that the accounts are so insured. For amounts above the insured maximum, the certificates of deposit must be collateralized by a pledge or assignment of assets of the institution, and the collateral may include loans, including interest in pools of loans, secured by first mortgage liens on real property. Certificates of deposits purchased from commercial banks must be limited to an amount equal to 20% of a bank's total capital and surplus. Certificates of deposit purchased from savings and loan associations or savings banks must be limited to an amount equal to 20% of an institution's assets minus liabilities.

The deposit and investment policies of the Borough adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that violated either state statutes or Borough policies.

#### Custodial-Credit Risk: Deposits

Custodial-credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. As of December 31, 2021, \$8,413,892 of the Borough's total deposit account bank balances (including certificates of deposit) of \$8,913,892 was exposed to custodial credit risk as follows:

Uninsured and collateralized by assets maintained in conformity with Act 72, held by the pledging financial institution's trust department or agent but not in the Borough's name.	<u>\$ 8,413,892</u>
--	---------------------

Act 72 is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledgers of the assets.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

For the Year Ended December 31, 2021

---

#### **NOTE 2: DEPOSITS AND INVESTMENTS - continued**

##### Credit Risk: Investments

As of December 31, 2021, the Borough had the following investments:

	<u>Rating</u>	<u>Fair Values</u>
Principal Financial Group - Police Pension Plan	NR	\$ 2,693,104
Pennsylvania State Association of Boroughs Municipal Retirement Trust - Non-Uniformed Pension Plan	NR	910,872
		<u>\$ 3,603,976</u>

Principal Financial Group - The Police Pension Plan assets are administered by Principal Financial Group. The fund has no policy regarding credit risk, but is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The pension plan's unallocated insurance contracts are valued at fair value. Funds under the contract that have been allocated and applied to purchase immediate or deferred annuities are excluded from the plan's assets, as the obligation to pay benefits to retirees has been transferred to the administrator.

Pennsylvania State Association of Boroughs Municipal Retirement Trust - The Non-Uniformed Pension Plan is administered through the Pennsylvania State Association of Boroughs Municipal Retirement Trust. Investments in the Municipal Retirement Trust are reported at fair value. The Borough's assets with the Municipal Retirement Trust are pooled for investment purposes, and therefore, do not represent specific identifiable securities.

##### Interest-Rate Risk

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

##### Credit Risk

As indicated above, state statutes limit the composition of the Borough's investments, and the Borough has no investment policy that would further limit its investment choices.

##### Concentrations of Credit Risk

The Borough places no limit on the amounts invested in any one issuer. The Borough's investments in Principal Financial Group and Pennsylvania State Association of Boroughs Municipal Retirement Trust represent 75% and 25%, respectively, of the Borough's total investments.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

For the Year Ended December 31, 2021

#### NOTE 3: PROPERTY TAXES

Property taxes are levied on March 1. Taxes are collected at discounts until April 30, at face amounts from May 1 through June 30, and include penalties thereafter. The taxes are billed by Adams County and are collected by a local elected tax collector. After December 31, the bills are considered delinquent and are turned over to the Adams County Tax Claim Bureau for collection. The Borough's tax rate for all purposes in 2021 was 4.059 mills (\$4.06 per \$1,000 assessed valuation). The total assessed valuation for the 2021 tax levy was \$357,489,500. Current tax collections for the Borough were approximately 99% of the total tax levy.

#### NOTE 4: INTERFUND ACCOUNTS

Individual fund receivable and payable balances at December 31, 2021, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 16,462	\$ 11,914
Water Fund	52,545	36,947
Sewer Fund	23,627	43,773
	<u>\$ 92,634</u>	<u>\$ 92,634</u>

All interfund receivable/payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be repaid.

Transfers and payments within the Borough are substantially for purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. There were no transfers between funds for the year ending December 31, 2021.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

For the Year Ended December 31, 2021

#### NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, and a summary of capital asset balances as of December 31, 2021, are as follows:

	Balances <u>January 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	Balances <u>December 31, 2021</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land	172,421	-	-	172,421
Total capital assets not being depreciated	<u>172,421</u>	<u>-</u>	<u>-</u>	<u>172,421</u>
Capital assets being depreciated				
Land improvements	325,027	-	-	325,027
Buildings & improvements	1,338,516	-	(634,597)	703,919
Infrastructure	7,787,405	283,954	-	8,071,359
Machinery & equipment	1,038,565	53,610	-	1,092,175
Total capital assets being depreciated	<u>10,489,513</u>	<u>337,564</u>	<u>(634,597)</u>	<u>10,192,480</u>
Less accumulated depreciation for:				
Land improvements	(207,469)	(15,681)	-	(223,150)
Buildings & improvements	(473,109)	(19,254)	242,506	(249,857)
Infrastructure	(2,583,351)	(256,666)	-	(2,840,017)
Machinery & equipment	(766,876)	(58,992)	-	(825,868)
Total accumulated depreciation	<u>(4,030,805)</u>	<u>(350,593)</u>	<u>242,506</u>	<u>(4,138,892)</u>
Total capital assets being depreciated - net	<u>6,458,708</u>	<u>(13,029)</u>	<u>(392,091)</u>	<u>6,053,588</u>
<b>Governmental Activities, Capital Assets - Net</b>	<u>\$ 6,631,129</u>	<u>\$ (13,029)</u>	<u>\$ (392,091)</u>	<u>\$ 6,226,009</u>

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

For the Year Ended December 31, 2021

#### NOTE 5: CAPITAL ASSETS - continued

	Balances <u>January 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	Balances <u>December 31, 2021</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 113,794	\$ -	\$ 113,794
Land	98,617	-	-	98,617
Total capital assets not being depreciated	<u>98,617</u>	<u>113,794</u>	<u>-</u>	<u>212,411</u>
Capital assets being depreciated				
Land improvements	138,786	-	-	138,786
Buildings & improvements	683,844	-	-	683,844
Infrastructure	25,061,335	-	-	25,061,335
Machinery & equipment	610,144	39,890	-	650,034
Total capital assets being depreciated	<u>26,494,109</u>	<u>39,890</u>	<u>-</u>	<u>26,533,999</u>
Less accumulated depreciation for:				
Land improvements	(117,001)	(4,315)	-	(121,316)
Buildings & improvements	(393,848)	(11,652)	-	(405,500)
Infrastructure	(7,988,358)	(652,792)	-	(8,641,150)
Machinery & equipment	(424,340)	(28,635)	-	(452,975)
Total accumulated depreciation	<u>(8,923,547)</u>	<u>(697,394)</u>	<u>-</u>	<u>(9,620,941)</u>
Total capital assets being depreciated - net	<u>17,570,562</u>	<u>(657,504)</u>	<u>-</u>	<u>16,913,058</u>
<b>Business-Type Activities, Capital Assets - Net</b>	<u><u>\$ 17,669,179</u></u>	<u><u>\$ (543,710)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,125,469</u></u>

Depreciation expense was charged to the functions/programs of the Borough as follows:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
General government	\$ 20,684	\$ -
Public safety	27,240	-
Public works	284,729	679,371
Culture & recreation	17,940	18,023
	<u><u>\$ 350,593</u></u>	<u><u>\$ 697,394</u></u>

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

For the Year Ended December 31, 2021

#### NOTE 6: LONG-TERM OBLIGATIONS

During the fiscal year ended December 31, 2021, long-term obligations changed as follows:

	Balances		Balances	
	January 1, 2021	Increase	Decrease	December 31, 2021
<b>Governmental Activities</b>				
General Obligation Bonds - Series of 2012	\$ 1,330,000	\$ -	\$ (180,000)	\$ 1,150,000
General Obligation Bonds - Series of 2016	245,000	-	(245,000)	-
	<u>1,575,000</u>	<u>-</u>	<u>(425,000)</u>	<u>1,150,000</u>
Bond discounts	(8,225)	-	3,802	(4,423)
Total Governmental Activities	<u>1,566,775</u>	<u>-</u>	<u>(421,198)</u>	<u>1,145,577</u>
<b>Business-Type Activities</b>				
General Obligation Bonds - Series of 2016	2,625,000	-	(80,000)	2,545,000
PennVest Note	5,856,442	-	(371,193)	5,485,249
	<u>8,481,442</u>	<u>-</u>	<u>(451,193)</u>	<u>8,030,249</u>
Bond premiums	4,590	-	(295)	4,295
Total Business-Type Activities	<u>8,486,032</u>	<u>-</u>	<u>(451,488)</u>	<u>8,034,544</u>
Total Long-Term Obligations	<u>\$ 10,052,807</u>	<u>\$ -</u>	<u>\$ (872,686)</u>	<u>\$ 9,180,121</u>

General Obligation Bonds - Series of 2012 - On November 6, 2012, the Borough issued General Obligation Bonds in the principal amount of \$2,865,000. The proceeds were used to advance refund the Borough's General Obligation Bonds – Series of 2007 and to pay the costs of issuing the bonds. The bonds bear annual interest rates ranging from 1.00% to 2.35%. Interest is payable semi-annually, on May 15 and November 15, and the bonds mature serially in amounts ranging from \$5,000 to \$270,000 through November 15, 2027. The bonds are secured by the full faith, credit, and taxing power of the Borough and all revenues and receipts generated from operations of the water system. Total interest expense on the Series of 2012 Bonds for the year ended December 31, 2021, was \$28,310.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

For the Year Ended December 31, 2021

#### NOTE 6: LONG-TERM OBLIGATIONS - continued

General Obligation Bonds - Series of 2016 - On August 23, 2016, the Borough issued General Obligation Bonds in the principal amount of \$4,035,000. The proceeds were used to advance refund the Borough's General Obligation Bonds – Series of 2011 and to pay the costs of issuing the bonds. The bonds bear annual interest rates ranging from 2.00% to 3.00%. Interest is payable semi-annually, on May 15 and November 15, and the bonds mature serially in amounts ranging from \$85,000 to \$395,000 through November 15, 2028. The bonds are secured by the full faith, credit, and taxing power of the Borough and all revenues and receipts generated from operations of the water system and sewer system. Total interest expense on the Series of 2016 Bonds for the year ended December 31, 2021, was \$67,030.

PennVest Note - On March 21, 2013, the Borough obtained financing through a note payable from the Pennsylvania Infrastructure Investment Authority (PennVest) in the principal amount of \$8,500,000. The proceeds from the note will be used to pay the outstanding principal on the General Obligation Note – Series of 2012 when it matures, they funded the construction and improvements of the sewer system, and paid the costs of issuing the note. Monthly interest only payments were required during the construction period, with interest calculated on the outstanding principal balance at a rate of 1.833%. After the completion of construction, monthly payments of principal and interest were required in the amount of \$42,331, with an interest rate of 1.833%, for the first five years. Thereafter, the note requires monthly principal and interest payments in the amount of \$43,820, with an interest rate of 2.317%, through maturity. The note is secured by the full faith, credit, and taxing power of the Borough and a lien on all revenues and receipts generated from operations of the sewer system. As of December 31, 2021, the Borough has made draws on the note totaling \$8,150,682. Total interest expense on the PennVest Note for the year ended December 31, 2021, was \$131,768.

Maturities of the long-term debt issues are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 180,000	\$ 25,160	\$ 459,886	\$ 183,606	\$ 848,652
2023	190,000	21,560	468,782	173,110	853,452
2024	185,000	17,665	482,886	162,405	847,956
2025	195,000	13,687	572,204	151,388	932,279
2026	200,000	9,300	591,740	138,552	939,592
2027 - 2031	200,000	4,700	3,149,736	484,992	3,839,428
2032 - 2036	-	-	2,305,015	121,853	2,426,868
	<u>\$ 1,150,000</u>	<u>\$ 92,072</u>	<u>\$ 8,030,249</u>	<u>\$ 1,415,906</u>	<u>\$ 10,688,227</u>

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

---

For the Year Ended December 31, 2021

#### NOTE 7: POLICE PENSION PLAN

Plan Description - The Borough's Police Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of ordinances adopted pursuant to Act 600. The plan is governed by the Borough, which may amend plan provisions, and which is responsible for the management of plan assets. The Borough has delegated the authority to manage certain plan assets to Principal Life Insurance Company.

Plan Membership - As of January 1, 2021, the Police Pension Plan's membership consisted of:

Active employees	9
Retirees & beneficiaries currently receiving benefits	7
Total	<u>16</u>

Benefit Provisions - The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Plan members are fully vested after 12 years of service. A member is eligible for normal retirement after attainment of age 55 and completion of 25 years of service. Disability benefits are available to a plan participant who is disabled as a result of performing police duties.

Basis of Accounting - The plan's policy is to prepare its financial statements on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of Investments - The pension plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to pay benefits or administrative expenses charged by the Principal Life Insurance Company. The pension plan's unallocated separate accounts are valued at fair value.

Contributions - Act 205 requires that annual contributions to the plan be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, employees are required to contribute to the plan. However, employee contributions are currently waived. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

For the Year Ended December 31, 2021

#### NOTE 7: POLICE PENSION PLAN - continued

Net Pension Liability – Information regarding the net pension liability as of December 31, 2021 was not available at the time these financial statements were released. The components of the net pension liability of the Borough as of December 31, 2020 were as follows:

Total pension liability	\$ 2,643,530
Plan fiduciary net position	2,512,654
Net pension liability	<u>\$ 130,876</u>

Plan fiduciary net position as a percentage of the total pension liability as of December 31, 2020 was 95%.

Reserves - There are no assets legally reserved for purposes other than the payment of plan-member benefits from the plan. The plan held the following investment, the fair value of which represented five percent or more of net assets available for benefits:

	<u>Fair Value</u>	<u>Percentage of Net Assets Available for Benefits</u>
Principal Financial Group	\$ 2,693,104	100%

Actuarial Methods and Assumptions - The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest valuation date used to determine the net pension liability is as follows:

Actuarial Valuation Date	January 1, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	5.00%

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

---

For the Year Ended December 31, 2021

#### NOTE 8: NON-UNIFORMED PENSION PLAN

Plan Description - The Borough's Non-Uniformed Pension Plan is a single-employer defined benefit pension plan. The plan was established effective August 28, 1979 and entered into a joinder agreement with the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT) dated June 30, 2005. The plan was restructured by Ordinance No. 580, effective June 22, 2005. The plan is governed by the Borough Council which may amend plan provisions, and which is responsible for the management of plan assets. The Borough Council has delegated the authority to manage certain plan assets to the PSABMRT.

Plan Membership - Membership of the plan consisted of the following at December 31, 2021:

Active employees	8
Retirees & beneficiaries currently receiving benefits	4
Terminated employees entitled to benefits but not yet receiving them	9
Total	<u>21</u>

Benefit Provisions - The plan provides vesting, retirement and optional survivor benefits to plan members and their beneficiaries.

Basis of Accounting - The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended by Act 189. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Contributions - Act 205 of 1984, as amended by Act 189 of 1990, requires that annual contributions to the plan be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. As a condition of participation, full-time employees are not required to contribute to the plan. Furthermore, the Borough allocates State Aid from the Commonwealth of Pennsylvania for this plan. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

For the Year Ended December 31, 2021

#### NOTE 8: NON-UNIFORMED PENSION PLAN - continued

Net Pension Liability – The components of the net pension liability of the Borough as of December 31, 2021 were as follows:

Total pension liability	\$ 1,131,426
Plan fiduciary net position	910,872
Net pension liability	<u>\$ 220,554</u>

Plan fiduciary net position as a percentage of total pension liability as of December 31, 2021 was 80%.

Reserves - There are no assets legally reserved for purposes other than the payment of plan-member benefits from the plan. The plan held the following investment, the fair value of which represented five percent or more of net assets available for benefits:

	<u>Fair Value</u>	<u>Percentage of Net Assets Available for Benefits</u>
Pennsylvania State Association of Boroughs Municipal Retirement Trust	\$ 910,872	100%

Actuarial Methods and Assumptions - The information presented above and in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest valuation date used to determine the net pension liability is as follows:

Actuarial Valuation Date	January 1, 2021
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	11 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Inflation	2.25%
Salary Increases	4.75%
Investment Rate of Return	6.50%
Retirement Age	65

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

---

For the Year Ended December 31, 2021

#### **NOTE 9: DEFERRED COMPENSATION PLAN**

The Borough offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan is available to all Borough employees and permits employees to defer a portion of their salary until future years. No Borough contributions were made to the 457(b) plan for the year ended December 31, 2021. All amounts of deferred compensation under the plan and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose. CitiStreet, the plan administrator, is the trustee of the investments.

#### **NOTE 10: POST-EMPLOYMENT HEALTHCARE PLAN**

The Borough has a healthcare plan for retired employees of the Borough, which is a single-employer, defined-benefit healthcare plan administered by the Borough. The plan provides medical and dental benefits to eligible retirees, their spouses and dependents through the Borough's group health insurance plan, which covers both active and retired employees. The plan does not issue a publicly-available financial report.

Police Retirees – Benefit provisions are established through negotiations between the Borough and the union representing police employees and are renegotiated each bargaining period. Per the current union contract, the Borough will pay one-third of the premium cost for coverage of the individual retiree. The retiree will reimburse the Borough, on a monthly basis, for two-thirds of the cost attributable to providing individual coverage and for the full cost of coverage for the retiree's spouse and dependents. This benefit shall not terminate for a retiree's spouse and/or dependents upon death of such retiree.

Other Municipal Retirees – Benefit provisions are established by and may be amended by the Borough. To continue coverage, the retiree will reimburse the Borough, on a monthly basis, the full premium for coverage of the individual retiree, their spouse, and dependents.

The Borough funds the plan on a pay-as-you-go basis, and there is no obligation to make contributions in advance of when the insurance premiums or claims are due for payment. At December 31, 2021, three retirees were participating in the Borough's group health insurance plan. Two retirees participating in the plan during the year ended December 31, 2021 are to reimburse the Borough for 100% of the cost of coverage and one retiree reimburses the Borough for two-thirds of the cost of coverage. For the year ended December 31, 2021, the Borough paid \$23,960, in premiums for their health insurance coverage of which \$19,218 was reimbursed by the retirees.

# BOROUGH OF LITTLESTOWN

## NOTES TO FINANCIAL STATEMENTS

### MODIFIED CASH BASIS

For the Year Ended December 31, 2021

---

#### **NOTE 11: PENNSYLVANIA MUNICIPAL HEALTH INSURANCE COOPERATIVE**

The Borough participated in a modified self-funded risk pool for employee health insurance. The health insurance risk pool includes municipal employer participants within the state of Pennsylvania that are grouped into regional cooperatives. Since charges are currently being levied and paid by the Borough of Littlestown, no receivable or payable to the Cooperative has been reflected in these financial statements. As a result, the Borough of Littlestown has expensed all premiums paid through December 31, 2021.

#### **NOTE 12: RISK MANAGEMENT**

The Borough of Littlestown is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, and errors or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

#### **NOTE 13: LEASE REVENUE**

The Borough has entered into three separate communication tower lease agreements, each having various consecutive renewal options at the lessee's discretion, which are expected to provide the Borough with the following estimated annual rental income for the years ending December 31:

<u>Year</u>	<u>General Fund</u>	<u>Water Fund</u>	<u>Total</u>
2022	\$ 45,336	\$ 56,271	\$ 101,607
2023	45,336	38,523	83,859
2024	45,336	-	45,336
2025	3,778	-	3,778
	<u>\$ 139,786</u>	<u>\$ 94,794</u>	<u>\$ 234,580</u>

# **BOROUGH OF LITTLESTOWN**

## **NOTES TO FINANCIAL STATEMENTS**

### **MODIFIED CASH BASIS**

---

For the Year Ended December 31, 2021

#### **NOTE 14: ENVIRONMENTAL CONCERNS**

The Borough has underground storage tanks for fuel and operates a wastewater treatment facility. If a leak or contamination occurred, the Borough could become liable for the resulting cost of clean-up.

#### **NOTE 15: RISKS AND UNCERTAINTIES**

In December, 2019 a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. The Borough's evaluation of the effects of these events is ongoing as of the date the accompanying statements were issued. COVID-19 may impact various parts of the Borough's 2022 operations and financial performance including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, or declines in revenue or volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

#### **NOTE 16: SERVICE CONCESSION ARRANGEMENT**

In 2018, the Borough entered into a service concession arrangement with the Hanover Area YMCA. The agreement is effective from February 2018 until December 2022. The YMCA is permitted to use the Borough pool and recreational field adjacent to the pool and charge fees to the public for use. The YMCA will supervise, clean, inspect, and purchase all materials necessary to maintain the areas and perform minor repairs. The Borough will pay for all utilities and major upgrades to the areas. All YMCA excess of revenue over expenditures are split in half between the YMCA and the Borough.

#### **NOTE 17: RELATED PARTY TRANSACTIONS**

The Borough made payments to a vendor that is partially owned by a member of the council. Payments made to this related party totaled \$2,958.

## **SUPPLEMENTARY INFORMATION**

# BOROUGH OF LITTLESTOWN

## COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS MODIFIED CASH BASIS

December 31, 2021

	<u>Special Revenue</u>		Total
	Traffic <u>Control Fund</u>	Fire Protection <u>Tax Fund</u>	Non-Major Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash	\$ 5,300	\$ 1,890	\$ 7,190
Investments	93,841	-	93,841
<b>TOTAL ASSETS</b>	<u>\$ 99,141</u>	<u>\$ 1,890</u>	<u>\$ 101,031</u>
<b>FUND BALANCES</b>			
Restricted	99,141	1,890	101,031
<b>TOTAL FUND BALANCES</b>	<u>\$ 99,141</u>	<u>\$ 1,890</u>	<u>\$ 101,031</u>

# BOROUGH OF LITTLESTOWN

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For the Year Ended December 31, 2021

	<u>Special Revenue</u>		Total
	<u>Traffic Control Fund</u>	<u>Fire Protection Tax Fund</u>	<u>Non-Major Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ -	\$ 87,591	\$ 87,591
Contributions	2,970	-	2,970
Investment income	312	-	312
<b>Total Revenues</b>	<u>3,282</u>	<u>87,591</u>	<u>90,873</u>
<b>Expenditures</b>			
Public safety	-	106,188	106,188
Public works	53	-	53
<b>Total Expenditures</b>	<u>53</u>	<u>106,188</u>	<u>106,241</u>
<b>Net Change in Fund Balances</b>	3,229	(18,597)	(15,368)
<b>Fund Balances</b>			
January 1, 2021	95,912	20,487	116,399
December 31, 2021	<u>\$ 99,141</u>	<u>\$ 1,890</u>	<u>\$ 101,031</u>