

**BOROUGH OF EMMAUS**

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

**December 31, 2023**



**BOROUGH OF EMMAUS  
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## INDEPENDENT AUDITOR'S REPORT

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

### 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 Borough of Emmaus, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Borough of Emmaus' 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, 2023, 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 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 47-59 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 September 16, 2024 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*

September 16, 2024

**BOROUGH OF EMMAUS**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2023**

<b>ASSETS</b>	Governmental Activities	Business-Type Activities	Total
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 7,406,653	\$ 952,199	\$ 8,358,852
Internal Balances	1,648,748	199,494	1,848,242
<b>Total Current Assets</b>	<b>9,055,401</b>	<b>1,151,693</b>	<b>10,207,094</b>
<b>Noncurrent Assets:</b>			
Land, Building and Improvements	18,234,903	-	18,234,903
Machinery and Equipment	8,887,794	-	8,887,794
Recreation	1,620,846	-	1,620,846
Water and Sewer System	-	11,626,677	11,626,677
Accumulated Depreciation	-	(8,846,486)	(8,846,486)
<b>Total Noncurrent Assets</b>	<b>28,743,543</b>	<b>2,780,191</b>	<b>31,523,734</b>
<b>TOTAL ASSETS</b>	<b>37,798,944</b>	<b>3,931,884</b>	<b>41,730,828</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accrued Expenses	(2,050)	-	(2,050)
Internal Balances	1,186,145	662,097	1,848,242
Current Portion of Long-Term Debt	402,085	-	402,085
<b>Total Current Liabilities</b>	<b>1,586,180</b>	<b>662,097</b>	<b>2,248,277</b>
<b>Noncurrent Liabilities:</b>			
Long-Term Debt	12,378,541	-	12,378,541
<b>Total Noncurrent Liabilities</b>	<b>12,378,541</b>	<b>-</b>	<b>12,378,541</b>
<b>TOTAL LIABILITIES</b>	<b>13,964,721</b>	<b>662,097</b>	<b>14,626,818</b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	15,962,917	2,780,191	18,743,108
Restricted for:			
Capital Projects	1,995,345	-	1,995,345
Special Revenue	601,789	-	601,789
Unrestricted	5,274,172	489,596	5,763,768
<b>TOTAL NET POSITION</b>	<b>\$ 23,834,223</b>	<b>\$ 3,269,787</b>	<b>\$ 27,104,010</b>

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, 2023**

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	
<b>Governmental Activities:</b>							
General Government	\$ 1,008,597	\$ 16,724	\$ 32,630	\$ 47,500	\$ (911,743)	\$ -	\$ (911,743)
Public Safety	5,058,588	911,432	446,483	15,000	(3,685,673)	-	(3,685,673)
Public Works	1,780,502	-	345,808	43,385	(1,391,309)	-	(1,391,309)
Cultural and Recreation	773,366	219,488	-	-	(553,878)	-	(553,878)
Insurance and Employee Benefits	3,595,344	-	419,608	-	(3,175,736)	-	(3,175,736)
Interest on Long-Term Debt	442,792	-	-	-	(442,792)	-	(442,792)
<b>Total Governmental Activities</b>	<b>12,659,189</b>	<b>1,147,644</b>	<b>1,244,529</b>	<b>105,885</b>	<b>(10,161,131)</b>	<b>-</b>	<b>(10,161,131)</b>
<b>Business Type Activities:</b>							
Water	1,231,965	1,576,031	-	-	-	344,066	344,066
Sewer	1,585,098	1,885,427	-	-	-	300,329	300,329
Refuse	1,009,935	1,600,367	-	-	-	590,432	590,432
<b>Total Business-Type Activities</b>	<b>3,826,998</b>	<b>5,061,825</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,234,827</b>	<b>1,234,827</b>
<b>Total Primary Government</b>	<b>\$ 16,486,187</b>	<b>\$ 6,209,469</b>	<b>\$ 1,244,529</b>	<b>\$ 105,885</b>	<b>\$ (10,161,131)</b>	<b>\$ 1,234,827</b>	<b>\$ (8,926,304)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes, levied for general purposes, net				\$ 5,290,819	\$ -	\$ 5,290,819	
Property Taxes, levied for fire protection, net				1,164,112	-	1,164,112	
Other Taxes, levied for general purposes, net				3,015,838	-	3,015,838	
Licenses and Permits				362,337	-	362,337	
Fines and Forfeits				60,664	-	60,664	
Miscellaneous Income				261,570	4,508	266,078	
Interest Income and Rents				528,243	11,785	540,028	
Transfers In/(Out)				899,448	(899,448)	-	
<b>Total General Revenues, Special Items, Extraordinary Items, and Transfers</b>				<b>11,583,031</b>	<b>(883,155)</b>	<b>10,699,876</b>	
<b>Change in Net Position</b>				<b>1,421,900</b>	<b>351,672</b>	<b>1,773,572</b>	
<b>Net Position - Beginning</b>				<b>22,412,323</b>	<b>2,918,115</b>	<b>25,330,438</b>	
<b>Net Position - Ending</b>				<b>\$ 23,834,223</b>	<b>\$ 3,269,787</b>	<b>\$ 27,104,010</b>	

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, 2023**

	Major Funds				Non-Major Funds		Total
	General	Fire Protection	Capital Projects	Road Projects	Special Revenue	Debt Service	
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 2,376,854	\$ 205,146	\$ 3,504,238	\$ 913,533	\$ 406,755	127	\$ 7,406,653
Due from Other Funds	1,193,917	-	442,663	-	12,168	-	1,648,748
<b>TOTAL ASSETS</b>	<b>\$ 3,570,771</b>	<b>\$ 205,146</b>	<b>\$ 3,946,901</b>	<b>\$ 913,533</b>	<b>\$ 418,923</b>	<b>\$ 127</b>	<b>\$ 9,055,401</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accrued Expenses	\$ (2,050)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,050)
Due to Other Funds	9,562	-	1,154,303	-	22,280	-	1,186,145
<b>TOTAL LIABILITIES</b>	<b>7,512</b>	<b>-</b>	<b>1,154,303</b>	<b>-</b>	<b>22,280</b>	<b>-</b>	<b>1,184,095</b>
<b>FUND BALANCES</b>							
Assigned	1,154,303	-	-	-	-	-	1,154,303
Restricted	-	205,146	-	913,533	396,643	127	1,515,449
Committed	25,775	-	1,081,812	-	-	-	1,107,587
Unassigned	2,383,181	-	1,710,786	-	-	-	4,093,967
<b>TOTAL FUND BALANCES</b>	<b>3,563,259</b>	<b>205,146</b>	<b>2,792,598</b>	<b>913,533</b>	<b>396,643</b>	<b>127</b>	<b>7,871,306</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,570,771</b>	<b>\$ 205,146</b>	<b>\$ 3,946,901</b>	<b>\$ 913,533</b>	<b>\$ 418,923</b>	<b>\$ 127</b>	<b>\$ 9,055,401</b>

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, 2023**

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**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 7,871,306

**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 \$28,743,543. 28,743,543

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>\$ (12,780,626)</u>	<u>(12,780,626)</u>
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<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>		<u><u>\$ 23,834,223</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, 2023**

	Major Funds				Non-Major Funds		Total
	General	Fire Protection	Capital Projects	Road Projects	Special Revenue	Debt Service	
<b>REVENUES</b>							
Taxes	\$ 7,924,290	\$ 1,164,112	\$ -	\$ 260,328	\$ 122,039	\$ -	\$ 9,470,769
Licenses and Permits	362,337	-	-	-	-	-	362,337
Fines and Forfeitures	60,664	-	-	-	-	-	60,664
Interest and Rents	121,791	5,283	367,869	3,205	30,095	-	528,243
Intergovernmental Revenues	745,520	274,086	-	-	330,808	-	1,350,414
Charges for Services	1,135,390	12,254	-	-	-	-	1,147,644
Other Revenues	232,405	14,465	14,700	-	-	-	261,570
<b>TOTAL REVENUES</b>	<b>10,582,397</b>	<b>1,470,200</b>	<b>382,569</b>	<b>263,533</b>	<b>482,942</b>	<b>-</b>	<b>13,181,641</b>
<b>EXPENDITURES</b>							
General Government	1,008,597	-	-	-	-	-	1,008,597
Public Safety	4,024,105	1,003,445	31,038	-	-	-	5,058,588
Public Works	971,476	-	237,754	200,000	371,272	-	1,780,502
Cultural and Recreation	668,843	-	104,523	-	-	-	773,366
Insurance and Employee Benefits	3,395,083	200,261	-	-	-	-	3,595,344
Debt Service - Principal Retirement	-	-	-	-	25,627	416,176	441,803
Debt Service - Interest	-	-	-	-	3,923	438,869	442,792
Capital Outlay	43,385	-	6,926,206	-	13,945	61,276	7,044,812
<b>TOTAL EXPENDITURES</b>	<b>10,111,489</b>	<b>1,203,706</b>	<b>7,299,521</b>	<b>200,000</b>	<b>414,767</b>	<b>916,321</b>	<b>20,145,804</b>
<b>EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID</b>	<b>470,908</b>	<b>266,494</b>	<b>(6,916,952)</b>	<b>63,533</b>	<b>68,175</b>	<b>(916,321)</b>	<b>(6,964,163)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Loan Proceeds	-	-	207,550	-	-	-	207,550
Operating Transfers In	590,432	-	1,304,115	850,000	4,072	916,321	3,664,940
Operating Transfers Out	(1,520,652)	(338,600)	(906,240)	-	-	-	(2,765,492)
Total Other Financing Sources (Uses)	(930,220)	(338,600)	605,425	850,000	4,072	916,321	1,106,998
Net Change in Fund Balances	(459,312)	(72,106)	(6,311,527)	913,533	72,247	-	(5,857,165)
Fund Balances, January 1	4,022,571	277,252	9,104,125	-	324,396	127	13,728,471
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 3,563,259</b>	<b>\$ 205,146</b>	<b>\$ 2,792,598</b>	<b>\$ 913,533</b>	<b>\$ 396,643</b>	<b>\$ 127</b>	<b>\$ 7,871,306</b>

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, 2023**

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**Net Change in Fund Balances - Governmental Funds** \$ (5,857,165)

**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>\$ 7,044,812</u>	7,044,812
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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		441,803
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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>(207,550)</u>
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<b>Change in Net Position of Governmental Activities</b>		<u><u>\$ 1,421,900</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, 2023**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents - Unrestricted	\$ 367,656	\$ 584,543	\$ -	\$ 952,199
Due from Other Funds	-	199,494	-	199,494
<b>Total Current Assets</b>	<u>367,656</u>	<u>784,037</u>	<u>-</u>	<u>1,151,693</u>
<b>Noncurrent Assets:</b>				
Capital Assets, Less Accumulated Depreciation	<u>1,304,209</u>	<u>1,475,982</u>	<u>-</u>	<u>2,780,191</u>
<b>Total Noncurrent Assets</b>	<u>1,304,209</u>	<u>1,475,982</u>	<u>-</u>	<u>2,780,191</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,671,865</u>	<u>\$ 2,260,019</u>	<u>\$ -</u>	<u>\$ 3,931,884</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Due to Other Funds	<u>\$ 236,222</u>	<u>\$ 425,875</u>	<u>\$ -</u>	<u>\$ 662,097</u>
<b>Total Current Liabilities</b>	<u>236,222</u>	<u>425,875</u>	<u>-</u>	<u>662,097</u>
<b>TOTAL LIABILITIES</b>	<u>236,222</u>	<u>425,875</u>	<u>-</u>	<u>662,097</u>
<b>NET POSITION</b>				
Invested in Capital Assets	1,304,209	1,475,982	-	2,780,191
Unrestricted	<u>131,434</u>	<u>358,162</u>	<u>-</u>	<u>489,596</u>
<b>Total Net Position</b>	<u>1,435,643</u>	<u>1,834,144</u>	<u>-</u>	<u>3,269,787</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 1,671,865</u>	<u>\$ 2,260,019</u>	<u>\$ -</u>	<u>\$ 3,931,884</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, 2023**

	Water Fund	Sewer Fund	Refuse Fund	Total Proprietary Funds
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 1,576,031	\$ 1,885,427	\$ 1,600,367	5,061,825
<b>Total Operating Revenues</b>	<u>1,576,031</u>	<u>1,885,427</u>	<u>1,600,367</u>	<u>5,061,825</u>
<b>OPERATING EXPENSES:</b>				
Personnel	421,432	376,014	25,645	823,091
Supplies	48,700	25,898	-	74,598
Professional Services	37,167	15,262	-	52,429
Employee Benefits	248,809	230,766	-	479,575
Insurance	34,342	34,342	-	68,684
Repairs and Maintenance	247,576	218,604	-	466,180
Disposal System	119,993	2,485	-	122,478
Contractual Services	-	516,004	984,290	1,500,294
Depreciation and Amortization	73,946	165,723	-	239,669
<b>Total Operating Expenses</b>	<u>1,231,965</u>	<u>1,585,098</u>	<u>1,009,935</u>	<u>3,826,998</u>
<b>OPERATING INCOME</b>	<u>344,066</u>	<u>300,329</u>	<u>590,432</u>	<u>1,234,827</u>
<b>NON-OPERATING REVENUES:</b>				
Sale of Property	-	4,508	-	4,508
Interest Revenue	5,730	6,055	-	11,785
<b>Total Non-Operating Revenues</b>	<u>5,730</u>	<u>10,563</u>	<u>-</u>	<u>16,293</u>
Income Before Transfers	349,796	310,892	590,432	1,251,120
Transfers In	-	56,240	-	56,240
Transfers Out	(206,737)	(158,519)	(590,432)	(955,688)
<b>Change in Net Position</b>	143,059	208,613	-	351,672
Total Net Position - January 1	<u>1,292,584</u>	<u>1,625,531</u>	<u>-</u>	<u>2,918,115</u>
<b>TOTAL NET POSITION - December 31</b>	<u>\$ 1,435,643</u>	<u>\$ 1,834,144</u>	<u>\$ -</u>	<u>\$ 3,269,787</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, 2023**

	Water Fund	Sewer Fund	Refuse Fund	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 1,576,031	\$ 1,885,427	\$ 1,600,367	\$ 5,061,825
Cash Payment to Suppliers for Goods and Services	(487,778)	(812,595)	(984,290)	(2,284,663)
Cash Payments to Employees for Services	(670,241)	(606,780)	(25,645)	(1,302,666)
Net Cash Provided by Operating Activities	<u>418,012</u>	<u>466,052</u>	<u>590,432</u>	<u>1,474,496</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating Transfers In	-	56,240	-	56,240
Operating Transfers Out	(206,737)	(158,519)	(590,432)	(955,688)
Net Cash Used In Noncapital Financing Activities	<u>(206,737)</u>	<u>(102,279)</u>	<u>(590,432)</u>	<u>(899,448)</u>
<b>CASH FLOWS FROM CAPITAL ACTIVITIES:</b>				
Sale of Equipment	-	4,508	-	4,508
Acquisition of Capital Assets	(77,450)	(18,633)	-	(96,083)
Net Cash Used in Capital Activities	<u>(77,450)</u>	<u>(14,125)</u>	<u>-</u>	<u>(96,083)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Received	5,730	6,055	-	11,785
Net Cash Provided by Investing Activities	<u>5,730</u>	<u>6,055</u>	<u>-</u>	<u>11,785</u>
Net Increase in Cash and Cash Equivalents	139,555	355,703	-	495,258
Cash and Cash Equivalents, January 1	228,101	228,840	-	456,941
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 367,656</u>	<u>\$ 584,543</u>	<u>\$ -</u>	<u>\$ 952,199</u>
<b>Reconciliation of Operating Income to Net Cash Provided Operating Activities</b>				
Operating Income	\$ 344,066	\$ 300,329	\$ 590,432	\$ 1,234,827
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	73,946	165,723	-	239,669
Total Adjustments	<u>73,946</u>	<u>165,723</u>	<u>-</u>	<u>239,669</u>
Net Cash Provided by Operating Activities	<u>\$ 418,012</u>	<u>\$ 466,052</u>	<u>\$ 590,432</u>	<u>\$ 1,474,496</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, 2023**

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	Pension Funds	Custodial Funds
<b>ASSETS:</b>		
Cash and Cash Equivalents - Restricted	\$ -	\$ 209,062
Investments - at Fair Value		
Cash and Sweep Balances	9,829	-
Mutual Funds	21,103,430	-
 Total Assets	 \$ 21,113,259	 \$ 209,062
<b>LIABILITIES:</b>		
Due to Depositors	\$ -	\$ -
 Total Liabilities	 -	 -
<b>NET POSITION:</b>		
Restricted	21,113,259	209,062
 Total Liabilities and Net Position	 \$ 21,113,259	 \$ 209,062

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, 2023**

	Pension Funds	Custodial Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer	\$ 1,102,272	\$ -
Plan Members	184,879	-
Total Contributions	<u>1,287,151</u>	<u>-</u>
Investment Earnings:		
Net Realized and Unrealized Gains	1,666,461	-
Interest and Dividends	528,358	2,594
Less: Investment Expenses	<u>(93,539)</u>	<u>-</u>
Total Investment Earnings	<u>2,101,280</u>	<u>2,594</u>
Miscellaneous Income	11,679	-
Collections from Other Entities	<u>-</u>	<u>89,487</u>
Total Additions	<u>3,400,110</u>	<u>92,081</u>
<b>DEDUCTIONS:</b>		
Benefit Payments	1,303,599	-
Payments to Other Entities	<u>-</u>	<u>365,615</u>
Total Deductions	<u>1,303,599</u>	<u>365,615</u>
<b>NET INCREASE (DECREASE)</b>	2,096,511	(273,534)
<b>NET POSITION:</b>		
Net Position, January 1	<u>19,016,748</u>	<u>482,596</u>
Net Position, December 31	<u>\$ 21,113,259</u>	<u>\$ 209,062</u>

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

**BOROUGH OF EMMAUS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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**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, 2023**

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**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, 2023**

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**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*** - 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 (Non-Major 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 (Major Fund)*** - is utilized to account for the financial activity of the Borough's fire tax revenue and its related expenditures.

***Street Lighting Fund (Non-Major Fund)*** - is utilized to account for the financial activity of the Borough's street light revenue and its related expenditures.

- ***Capital Projects Funds*** - are used to account for all financial transactions applicable to the major capital facility and road projects. The following are capital projects fund types:

***Capital Projects Fund (Major Fund)*** - is utilized to account for the financial activity of the Borough's acquisition or construction of major capital facilities.

***Road Projects Fund (Major Fund)*** - is utilized to account for the financial activity of the Borough's construction, maintenance, and repair of road projects.

- ***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.

**BOROUGH OF EMMAUS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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**2. Summary of Significant Accounting Policies (Continued)**

*Basis of Presentation - Fund Accounting (Continued)*

***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.

- ***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, 2023**

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**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, 2023**

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**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 the modified cash basis of accounting.
- Borough Council may authorize supplemental appropriations during the year. No supplemental appropriations were made during fiscal 2023. Borough Council must approve all over expenditures of appropriations or transfers of appropriated amounts.



**BOROUGH OF EMMAUS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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**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, 2023**

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**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, 2023**

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**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, 2023**

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**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.

*New GASB Pronouncement*

During 2023, the following GASB Pronouncement became effective.

In May 2020, the GASB issued Statement 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAS) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-of-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. 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, 2023**

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**3. Cash and Investments (Continued)**

Cash (Cash on Hand and Bank Balances)

At December 31, 2023, 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 \$4,398,947 and the corresponding bank balances were \$4,580,517 of which \$250,000 was insured by the Federal Deposit Insurance Corporation ("FDIC"); the uninsured bank balances of \$4,330,517 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 \$4,330,517 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, 2023, the petty cash balance was \$300.

Cash Equivalents

As of December 31, 2023, the carrying amounts of deposits in the Pennsylvania Local Government Investment Trust ("PLGIT" or "Trust") (excluding those held in the Pension Funds, but including Custodial Funds) were \$4,168,667. 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  
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**3. Cash and Investments (Continued)**

Investments (Continued)

As of December 31, 2023, the Borough had the following investments:

	Maturities	Fair Value
<u>Investment - Pension Funds</u>		
Cash and Sweep Balances		\$ 9,829
Mutual Funds	N/A	21,103,430
		\$ 21,113,259

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 (\$845,788,476 in 2023), the Borough bills and collects its own property taxes. The schedule for property taxes levied for 2023 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  
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**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 2023 municipal tax rate for all purposes was 8.1815 mils (\$8.1815 per \$1,000 of assessed valuation).

**5. Inter-fund Receivables and Payables**

Inter-fund receivable and payable balances as of December 31, 2023 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 2023 were as follows:

	Transfers from Other Funds	Transfers to Other Funds
<i><u>Governmental Activities</u></i>		
General Fund	\$ 590,432	\$ 1,520,652
Fire Protection Fund	-	338,600
Street Lighting Fund	4,072	-
Capital Projects Fund	1,304,115	906,240
Road Projects Fund	850,000	-
Debt Service Fund	916,321	-
<i><u>Business Type Activities</u></i>		
Water Fund	-	206,737
Sewer Fund	56,240	158,519
Refuse Fund	-	590,432
	\$ 3,721,180	\$ 3,721,180

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**7. Capital Assets**

Capital asset activity for the fiscal year ended December 31, 2023, was as follows:

	<u>Balance Jan. 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance Dec. 31, 2023</u>
Governmental Activities:				
<i>Capital Assets not Being Depreciated:</i>				
Land, Building and Improvements	\$ 11,891,889	\$ 6,343,014	\$ -	\$ 18,234,903
Machinery and Equipment	8,244,445	643,349	-	8,887,794
Recreation	<u>1,562,397</u>	<u>58,449</u>	<u>-</u>	<u>1,620,846</u>
Governmental Activities Capital Assets at Historical Cost	<u>\$ 21,698,731</u>	<u>\$ 7,044,812</u>	<u>\$ -</u>	<u>\$ 28,743,543</u>

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

	<u>Balance Dec. 31, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance Dec. 31, 2023</u>
Business-Type Activities:				
<i>Capital Assets Being Depreciated</i>				
Water System	\$ 5,215,060	\$ 77,450	\$ -	\$ 5,292,510
Sewer System	<u>6,315,534</u>	<u>18,633</u>	<u>-</u>	<u>6,334,167</u>
Total Capital Assets Being Depreciated	<u>11,530,594</u>	<u>96,083</u>	<u>-</u>	<u>11,626,677</u>
Less Accumulated Depreciation	<u>(8,606,817)</u>	<u>(239,669)</u>	<u>-</u>	<u>(8,846,486)</u>
Business-Type Capital Assets, Net	<u>\$ 2,923,777</u>	<u>\$ (143,586)</u>	<u>\$ -</u>	<u>\$ 2,780,191</u>

Depreciation expense for the Water Fund and Sewer Fund was \$73,946 and \$165,723, respectively in 2023.



**BOROUGH OF EMMAUS  
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**8. Long-Term Debt**

Changes in long-term obligations for the year ended December 31, 2023, are as follows:

	Balance Outstanding Jan. 1, 2023	Additions	Reductions	Balance Outstanding Dec. 31, 2023	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.	\$ 12,535,000	\$ -	\$ (245,000)	\$ 12,290,000	\$ 255,000
<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.	42,708	-	(10,828)	31,880	11,046
<u>Installment Loan:</u>					
5-Year Loan Payable to Institution, fixed annual interest rate of 3.93% Payable in monthly installments, matured October, 2023 Secured by equipment.	21,480	-	(21,480)	-	-
<u>2019 Police Server:</u>					
5- Year Loan with a fixed interest rate of 1.58%. Payable in annual installments, matured October, 2023 Secured by equipment.	38,096	-	(38,096)	-	-
<u>2019 Dump Truck Loan:</u>					
4- Year Loan with a fixed interest rate of 3.88%. Payable in monthly installments, matured March, 2023 Secured by vehicle.	9,926	-	(9,926)	-	-
<u>Street Sweeper Loan:</u>					
7- Year Loan with a fixed interest rate of 2.89%. Payable in annual installments, matures May, 2027 Secured by vehicle.	135,757	-	(25,627)	110,130	26,367
<u>Wheel Loader Loan:</u>					
5- Year Loan with a fixed interest rate of 2.39%. Payable in annual installments, matures February, 2026 Secured by vehicle.	97,907	-	(23,606)	74,301	24,178

**BOROUGH OF EMMAUS  
NOTES TO FINANCIAL STATEMENTS  
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**8. Long-Term Debt (Continued)**

	Balance Outstanding Jan. 1, 2023	Additions	Reductions	Balance Outstanding Dec. 31, 2023	Amounts Due Within One Year
<i>Governmental Activities:</i>					
<u>Fire Pumper Loan:</u>					
5- Year Loan with a fixed interest rate of 2.49%. Payable in annual installments, matures May, 2026 Secured by vehicle.	80,984	-	(19,496)	61,488	19,984
<u>Pumper Truck Loan:</u>					
2- Year Loan with a fixed interest rate of 3.10%. Payable in annual installments, matures June, 2024 Secured by vehicle.	53,021	-	(26,101)	26,920	26,920
<u>2023 Mack Dump Truck Loan</u>					
5- Year Loan with a fixed interest rate of 4.98%. Payable in monthly installments, matures May 2028. Secured by vehicle.	-	207,550	(21,643)	185,907	38,590
	<u>\$ 13,014,879</u>	<u>\$ 207,550</u>	<u>\$ (441,803)</u>	<u>\$ 12,780,626</u>	<u>\$ 402,085</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, 2023:

During the year ended December 31,	Principal	Interest
2024	\$ 402,085	\$ 465,576
2025	389,211	450,482
2026	401,479	435,685
2027	358,518	420,473
2028	309,333	412,004
2029-2033	1,635,000	1,875,413
2034-2038	1,985,000	1,521,613
2039-2043	2,415,000	1,091,013
2044-2048	2,905,000	611,163
2049-2051	1,980,000	130,000
Totals	<u>\$ 12,780,626</u>	<u>\$ 7,413,422</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  
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**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. Effective January 1, 2022 this plan is closed to union public works employees and effective January 1, 2023 closed to clerical works.

**Employee Contributions**

Participants will contribute 3.0% of Compensation in 2023.

**Normal Retirement**

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

*Benefit* - 2.0% of Average Monthly Compensation multiplied by Years of Service, payable in the Normal Form of Payment. Optional Forms of Benefit Payment are available at the election of the participant.

**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, 2023**

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**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, 2023**

Inactive Members or Beneficiaries Currently Receiving Benefits	34
Inactive Members Entitled to but not yet Receiving Benefits	5
Active Members	<u>34</u>
Total Members	<u><u>73</u></u>

**BOROUGH OF EMMAUS  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2023, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2023. 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, 2022	\$ 10,864,763	\$ 9,696,776	\$ 1,167,987
Changes for the year:			
Service Cost	308,430	-	308,430
Interest Cost	754,935	-	754,935
Changes in Benefit Terms	-	-	-
Changes for Experience	(807,149)	-	(807,149)
Changes of Assumptions	-	-	-
Contributions - Employer	-	507,940	(507,940)
Contributions - Member	-	73,194	(73,194)
Net Investment Income	-	1,099,328	(1,099,328)
Benefit Payments	(611,545)	(611,545)	-
Administrative Expense	-	(44,705)	44,705
Other Changes	-	-	-
Net Changes	<u>(355,329)</u>	<u>1,024,212</u>	<u>(1,379,541)</u>
Balance at December 31, 2023	<u>\$ 10,509,434</u>	<u>\$ 10,720,988</u>	<u>\$ (211,554)</u>

**BOROUGH OF EMMAUS  
NOTES TO FINANCIAL STATEMENTS  
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**9. Defined Benefit Retirement Plans (Continued)**

**Non-Uniform Pension Plan (Continued)**

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

The following presents the net pension liability (asset) of the Plan, calculated using the discount rate of 7.50%, as well as what the Plan's net pension liability (asset) 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 (Asset)	\$ 989,504	\$ (211,554)	\$ (1,234,456)

**Components of Pension Expense**

	2023
Service Cost	\$ 308,430
Interest on the Total Pension Liability	754,935
Changes in Benefit Terms	
Difference between Expected and Actual Experience	(250,541)
Changes of Assumptions	-
Member Contributions	(73,194)
Projected Earnings on Pension Plan Investments	(711,948)
Difference between Projected and Actual Earnings on Investments	46,128
Pension Plan Administrative Expense	44,705
Other Changes in Fiduciary Net Position	-
Pension Expense	\$ 118,515

**Pension Expense**

For the year ended December 31, 2023, the Borough recognized pension expense of \$507,940.

**BOROUGH OF EMMAUS  
NOTES TO FINANCIAL STATEMENTS  
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**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.

**Participation**

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

**Employee Contributions**

Participants will contribute 5% of Compensation. Act 600 permits a required contribution rate between 5.0% and 8.0% for pension plans containing participants that are not covered by Social Security. The rate for 2023 was 5.5%

**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.

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**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, 2023**

Inactive Members or Beneficiaries Currently Receiving Benefits	21
Inactive Members Entitled to but not yet Receiving Benefits	0
Active Members	19
Total Members	<hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/> 40

**Net Pension Liability**

The net pension liability was measured as of December 31, 2023, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2023. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.



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**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, 2022	\$ 12,166,865	\$ 9,322,102	\$ 2,844,763
Changes for the year:			
Service Cost	332,950	-	332,950
Interest Cost	907,478	-	907,478
Changes in Benefit Terms	-	-	-
Changes for Experience	(57,235)	-	(57,235)
Changes of Assumptions	-	-	-
Contributions - Employer	-	587,506	(587,506)
Contributions - Member	-	117,308	(117,308)
Net Investment Income	-	1,073,264	(1,073,264)
Benefit Payments	(698,361)	(698,361)	-
Administrative Expense	-	(41,871)	41,871
Other Changes	-	-	-
Net Changes	<u>484,832</u>	<u>1,037,846</u>	<u>(553,014)</u>
Balance at December 31, 2023	<u>\$ 12,651,697</u>	<u>\$ 10,359,948</u>	<u>\$ 2,291,749</u>

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**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	\$ 3,838,155	\$ 2,291,749	\$ 1,002,767

**Components of Pension Expense**

	2023
Service Cost	\$ 332,950
Interest on the Total Pension Liability	907,478
Changes in Benefit Terms	-
Difference between Expected and Actual Experience	5,438
Changes of Assumptions	-
Member Contributions	(117,308)
Projected Earnings on Pension Plan Investments	(683,348)
Difference between Projected and Actual Earnings on Investments	43,788
Pension Plan Administrative Expense	41,871
Other Changes in Fiduciary Net Position	-
Pension Expense	\$ 530,869

**Pension Expense**

For the year ended December 31, 2023, the Borough recognized pension expense of \$594,332.

**BOROUGH OF EMMAUS  
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**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, prescription, 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.

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**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.

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**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, prescription, 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/ Prescription	Dental and 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, 2023**

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**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, 2023**

**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, 2023, the following eligible employees and retirees were covered by the plan:

Active Members	42
Vested Former Participants	0
Retired Participants	37
Total Participants	79

**OPEB Expense**

For the year ended December 31, 2023, the Borough recognized OPEB expense of \$676,736.

**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	Road Projects Fund	Fire Protection Fund	State Liquid Fuels Fund	Street Lighting Fund	Debt Service Fund	Totals
Unassigned	\$ 2,383,181	\$ 1,710,786	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,093,967
Restricted	-	-	913,533	205,146	396,643	-	127	1,515,449
Committed	25,775	1,081,812	-	-	-	-	-	1,107,587
Assigned	1,154,303	-	-	-	-	-	-	1,154,303
Totals	\$ 3,563,259	\$ 2,792,598	\$ 913,533	\$ 205,146	\$ 396,643	\$ -	\$ 127	\$ 7,871,306

**BOROUGH OF EMMAUS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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**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, 2023 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, 2023, 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, 2023**

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**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 \$31,881 at December 31, 2023.

**16. Subsequent Events**

In preparing these financial statements, the Borough has evaluated events and transactions for potential recognition or disclosure through September 16, 2024, 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, 2023**

	<u>Actual</u>	<u>Original Budget</u>	Variance Favorable (Unfavorable)
<b>REVENUES RECEIVED</b>			
Taxes			
Real Estate	\$ 5,290,819	\$ 5,192,135	\$ 98,684
Real Estate Transfer	304,175	250,000	54,175
Per Capita	81,222	84,000	(2,778)
Earned Income	1,930,139	1,540,000	390,139
Mercantile	49,143	44,000	5,143
Local Services Tax	268,792	230,000	38,792
Total Taxes	<u>7,924,290</u>	<u>7,340,135</u>	<u>584,155</u>
Licenses and Permits			
Permits	172,799	226,300	(53,501)
TV Cable	152,228	150,000	2,228
Miscellaneous	37,310	1,100	36,210
Total Licenses and Permits	<u>362,337</u>	<u>377,400</u>	<u>(15,063)</u>
Fines and Forfeitures			
Ordinance Violations	17,670	8,000	9,670
Vehicle Code Violations	42,994	50,000	(7,006)
Total Fines and Forfeitures	<u>60,664</u>	<u>58,000</u>	<u>2,664</u>
Interest and Rents			
Interest	37,338	4,000	33,338
Rents	84,453	82,307	2,146
Total Interest and Rents	<u>121,791</u>	<u>86,307</u>	<u>35,484</u>
Intergovernmental Revenues			
Federal Funds	38,453	35,000	3,453
State Funds	512,674	558,619	(45,945)
PURTA Tax	7,949	8,000	(51)
Local Funds	186,444	-	186,444
Total Intergovernmental Revenues	<u>745,520</u>	<u>601,619</u>	<u>143,901</u>
Charges for Services			
Zoning Fees	25,117	28,000	(2,883)
Recreation Fees	219,488	357,600	(138,112)
Public Safety	65,419	31,000	34,419
Emergency Services	808,642	797,050	11,592
Miscellaneous	16,724	48,338	(31,614)
Total Charges for Services	<u>1,135,390</u>	<u>1,261,988</u>	<u>(126,598)</u>
Other Revenues			
Sale of Property	37,195	-	37,195
Private Sector Donations	22,265	-	22,265
Refunds	167,493	147,037	20,456
Other/Fund Balance	5,452	2,500,000	(2,494,548)
Total Other Revenues	<u>232,405</u>	<u>2,647,037</u>	<u>(2,414,632)</u>
Total Revenues Received	<u>\$ 10,582,397</u>	<u>\$ 12,372,486</u>	<u>\$ (1,790,089)</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, 2023**

	<u>Actual</u>	<u>Original Budget</u>	Variance Favorable (Unfavorable)
<b>EXPENDITURES PAID</b>			
General Government			
Legislative	\$ 25,210	\$ 26,709	\$ 1,499
Administrative and Executive	568,316	586,326	18,010
Financial Administration	67,447	65,307	(2,140)
Planning and Zoning	136,388	118,400	(17,988)
Legal	59,026	65,000	5,974
Tax Collection	62,800	60,888	(1,912)
Physical Plant	89,410	101,428	12,018
Total General Government	<u>1,008,597</u>	<u>1,024,058</u>	<u>15,461</u>
Public Safety			
Police Protection	2,866,109	3,066,845	200,736
Protective Inspection and Code Enforcement	261,825	263,158	1,333
Ambulance	939,556	1,045,812	106,256
Total Public Safety	<u>4,067,490</u>	<u>4,375,815</u>	<u>308,325</u>
Public Works - Highways and Streets			
Street Maintenance	5,860	3,000	(2,860)
Repairs and Maintenance	56,065	73,800	17,735
Weed Control	1,690	1,000	(690)
General Services	907,861	1,365,256	457,395
Total Public Works - Highways and Streets	<u>971,476</u>	<u>1,443,056</u>	<u>471,580</u>
Culture and Recreation			
Playground and Parks	547,499	538,088	(9,411)
Library	121,344	121,344	-
Total Culture and Recreation	<u>668,843</u>	<u>659,432</u>	<u>(9,411)</u>
Insurance and Benefits	3,395,083	3,644,938	249,855
Interest	-	-	-
Total Expenditures Paid	<u>10,111,489</u>	<u>11,147,299</u>	<u>1,035,810</u>
<b>EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID</b>	470,908	1,225,187	(754,279)
Other Financing Sources (Uses)			
Transfers In	590,432	-	590,432
Transfers Out	(1,520,652)	(1,749,983)	229,331
Total Other Financing Sources (Uses), Net	<u>(930,220)</u>	<u>(1,749,983)</u>	<u>819,763</u>
<b>EXCESS OF EXPENDITURES PAID AND OTHER FINANCING USES OVER REVENUES RECEIVED AND OTHER FINANCING SOURCES</b>	(459,312)	(524,796)	65,484
<b>FUND BALANCE - JANUARY 1, 2023</b>	<u>4,022,571</u>	<u>4,022,571</u>	<u>-</u>
<b>FUND BALANCE - DECEMBER 31, 2023</b>	<u>\$ 3,563,259</u>	<u>\$ 3,497,775</u>	<u>\$ 65,484</u>

See independent auditor's report on supplementary information.

**BOROUGH OF EMMAUS  
FIRE PROTECTION FUND - SCHEDULE OF REVENUES, EXPENDITURES AND  
OTHER FINANCING SOURCES – MODIFIED CASH BASIS - BUDGET COMPARISON  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Actual</u>	<u>Original Budget</u>	Variance Favorable (Unfavorable)
<b>REVENUES RECEIVED</b>			
Taxes	\$ 1,164,112	\$ 1,128,300	\$ 35,812
Intergovernmental Revenues	274,086	240,476	33,610
Charges for Services	12,254	7,000	5,254
Other Revenues	14,465	403,100	(388,635)
Interest	5,283	500	4,783
Total Revenues Received	<u>1,470,200</u>	<u>1,779,376</u>	<u>(309,176)</u>
<b>EXPENDITURES PAID</b>			
Public Safety	1,003,445	1,420,606	417,161
Insurance and Employee Benefits	200,261	210,646	10,385
Total Expenditures Paid	<u>1,203,706</u>	<u>1,631,252</u>	<u>427,546</u>
<b>EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID</b>			
	266,494	148,124	118,370
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(338,600)	(148,124)	(190,476)
Total Other Financing Sources (Uses), Net	<u>(338,600)</u>	<u>(148,124)</u>	<u>(190,476)</u>
<b>EXCESS OF EXPENDITURES PAID AND OTHER FINANCING USES OVER REVENUES RECEIVED AND OTHER FINANCING SOURCES</b>			
	(72,106)	-	(72,106)
<b>FUND BALANCE - JANUARY 1, 2023</b>	<u>277,252</u>	<u>277,252</u>	<u>-</u>
<b>FUND BALANCE - DECEMBER 31, 2023</b>	<u>\$ 205,146</u>	<u>\$ 277,252</u>	<u>\$ (72,106)</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**

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Year	Actuarially Determined Contributions	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Payroll
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%
2023	244,265	507,940	(263,675)	2,345,473	21.7%

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	2023
<b>Total Pension Liability</b>					
Service Cost	\$ 276,969	\$ 290,817	\$ 303,347	\$ 301,694	\$ 308,430
Interest	677,895	723,608	738,232	778,586	754,935
Changes of Benefit Terms	-	-	-	-	-
Changes for Experience	(295,711)	-	(405,283)	-	(807,149)
Changes of Assumptions	-	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(294,433)	(426,369)	(427,009)	(579,479)	(611,545)
Net Change in Total Pension Liability	364,720	588,056	209,287	500,801	(355,329)
Total Pension Liability - Beginning	9,201,899	9,566,619	10,154,675	10,363,962	10,864,763
Total Pension Liability - Ending	<u>\$ 9,566,619</u>	<u>\$ 10,154,675</u>	<u>\$ 10,363,962</u>	<u>\$ 10,864,763</u>	<u>\$ 10,509,434</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 507,193	\$ 522,344	\$ 559,275	\$ 575,775	\$ 507,940
Contributions - Member	63,497	71,188	77,508	80,950	73,194
Net Investment Income	1,339,069	1,060,322	1,165,390	(1,465,440)	1,099,328
Benefit Payments, Including Refunds of Member Contributions	(294,433)	(426,369)	(427,009)	(579,479)	(611,545)
Administrative Expense	(30,937)	(36,556)	(37,851)	(41,590)	(44,705)
Net Change in Plan Fiduciary Net Position	1,584,389	1,190,929	1,337,313	(1,429,784)	1,024,212
Plan Net Position - Beginning	7,013,929	8,598,318	9,789,247	11,126,560	9,696,776
Plan Net Position - Ending	<u>\$ 8,598,318</u>	<u>\$ 9,789,247</u>	<u>\$ 11,126,560</u>	<u>\$ 9,696,776</u>	<u>\$ 10,720,988</u>
Municipality's Net Pension Liability (Asset)	\$ 968,301	\$ 365,428	\$ (762,598)	\$ 1,167,987	\$ (211,554)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	89.9%	96.4%	107.4%	89.2%	102.0%
Covered Employee Payroll	\$ 2,574,465	\$ 2,574,465	\$ 2,612,939	\$ 2,518,856	\$ 2,345,473
Municipality's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	37.6%	14.2%	-29.2%	46.4%	-9.0%

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, 2023**

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**Actuarial Assumptions**

The total pension liability in the January 1, 2023 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**

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Year	Actuarially Determined Contributions	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Payroll
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%
2023	521,617	587,506	(65,889)	2,255,963	26.0%

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	2023
<b>Total Pension Liability</b>					
Service Cost	\$ 253,454	\$ 266,127	\$ 280,339	\$ 294,356	\$ 332,950
Interest	764,070	803,808	842,639	875,380	907,478
Changes of Benefit Terms	-	-	-	-	-
Changes for Experience	61,278	-	2,289	-	(57,235)
Changes of Assumptions	-	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	<u>(515,278)</u>	<u>(484,892)</u>	<u>(655,561)</u>	<u>(746,995)</u>	<u>(698,361)</u>
Net Change in Total Pension Liability	563,524	585,043	469,706	422,741	484,832
Total Pension Liability - Beginning	<u>10,125,851</u>	<u>10,689,375</u>	<u>11,274,418</u>	<u>11,744,124</u>	<u>12,166,865</u>
Total Pension Liability - Ending	<u>\$ 10,689,375</u>	<u>\$ 11,274,418</u>	<u>\$ 11,744,124</u>	<u>\$ 12,166,865</u>	<u>\$ 12,651,697</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 489,509	\$ 496,891	\$ 618,431	\$ 606,627	\$ 587,506
Contributions - Member	67,209	84,056	90,494	99,882	117,308
Net Investment Income	1,345,627	1,013,981	1,115,976	(1,408,105)	1,073,264
Benefit Payments, Including Refunds of Member Contributions	<u>(515,278)</u>	<u>(484,892)</u>	<u>(655,561)</u>	<u>(746,995)</u>	<u>(698,361)</u>
Administrative Expense	<u>(31,928)</u>	<u>(34,343)</u>	<u>(38,006)</u>	<u>(38,304)</u>	<u>(41,871)</u>
Administrative Expense	-	-	25,863	-	-
Net Change in Plan Fiduciary Net Position	1,355,139	1,075,693	1,157,197	(1,486,895)	1,037,846
Plan Net Position - Beginning	<u>7,220,968</u>	<u>8,576,107</u>	<u>9,651,800</u>	<u>10,808,997</u>	<u>9,322,102</u>
Plan Net Position - Ending	<u>\$ 8,576,107</u>	<u>\$ 9,651,800</u>	<u>\$ 10,808,997</u>	<u>\$ 9,322,102</u>	<u>\$ 10,359,948</u>
Municipality's Net Pension Liability	\$ 2,113,268	\$ 1,622,618	\$ 935,127	\$ 2,844,763	\$ 2,291,749
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.2%	85.6%	92.0%	76.6%	81.9%
Covered Employee Payroll	\$ 1,792,558	\$ 1,750,817	\$ 1,843,392	\$ 2,066,324	\$ 2,255,963
Municipality's Net Pension Liability as a Percentage of Covered Employee Payroll	117.9%	92.7%	50.7%	137.7%	101.6%

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, 2023**

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**Actuarial Assumptions**

The total pension liability in the January 1, 2023 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:           | Rates interpolated from the 2010 Social Security Administration's projection of disability incidence (ultimate rates only).                        |
| 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

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

See independent auditor's report on supplementary information.

**BOROUGH OF EMMAUS  
 COMBINING BALANCE SHEET – MODIFIED CASH BASIS –  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2023**

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	<u>State Liquid Fuels Fund</u>	<u>Street Lighting Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 406,755	\$ -	\$ 406,755
Due from Other Funds	<u>12,168</u>	<u>-</u>	<u>12,168</u>
Total Assets	<u>\$ 418,923</u>	<u>\$ -</u>	<u>\$ 418,923</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to Other Funds	<u>\$ 22,280</u>	<u>\$ -</u>	<u>\$ 22,280</u>
Total Liabilities	<u>22,280</u>	<u>-</u>	<u>22,280</u>
<b>Fund Balance</b>			
Restricted	<u>396,643</u>	<u>-</u>	<u>396,643</u>
Total Liabilities and Fund Balances	<u>\$ 418,923</u>	<u>\$ -</u>	<u>\$ 418,923</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 –  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	State Liquid Fuels Fund	Street Lighting Fund	Total
<b>REVENUES RECEIVED</b>			
Taxes	\$ -	\$ 122,039	\$ 122,039
Intergovernmental Revenues	330,808	-	330,808
Interest	29,931	164	30,095
Total Revenues Received	<u>360,739</u>	<u>122,203</u>	<u>482,942</u>
<b>EXPENDITURES PAID</b>			
Public Works - Highways and Streets	244,997	126,275	371,272
Debt Service - Principal Retirement	25,627	-	25,627
Debt Service - Interest	3,923	-	3,923
Capital Outlay	13,945	-	13,945
Total Expenditures Paid	<u>288,492</u>	<u>126,275</u>	<u>414,767</u>
<b>EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID</b>	<u>72,247</u>	<u>(4,072)</u>	<u>68,175</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	4,072	4,072
Transfers Out	-	-	-
Total Other Financing Sources (Uses), Net	<u>-</u>	<u>4,072</u>	<u>4,072</u>
<b>EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES</b>	72,247	-	72,247
Fund Balances - January 1, 2023	<u>324,396</u>	<u>-</u>	<u>324,396</u>
Fund Balances - December 31, 2023	<u>\$ 396,643</u>	<u>\$ -</u>	<u>\$ 396,643</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, 2023**

	Uniformed Pension	Non-Uniform Pension	Total
<b>ASSETS:</b>			
Investments - At Fair Value			
Cash and Sweep Balances	\$ 5,236	\$ 4,593	\$ 9,829
Mutual Funds	10,358,188	10,745,242	21,103,430
<b>Total Assets</b>	<b>\$ 10,363,424</b>	<b>\$ 10,749,835</b>	<b>\$ 21,113,259</b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION:</b>			
Restricted	10,363,424	10,749,835	21,113,259
<b>Total Liabilities and Net Position</b>	<b>\$ 10,363,424</b>	<b>\$ 10,749,835</b>	<b>\$ 21,113,259</b>

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, 2023**

	Uniformed Pension	Non-Uniform Pension	Total
<b>ADDITIONS:</b>			
<i>Contributions:</i>			
Employer	\$ 594,332	\$ 507,940	\$ 1,102,272
Plan Members	111,549	73,330	184,879
Total Contributions	705,881	581,270	1,287,151
<i>Investment Earnings:</i>			
Net Realized and Unrealized Gains	819,274	847,187	1,666,461
Interest and Dividends	264,928	263,430	528,358
Less: Investment Expenses	(45,641)	(47,898)	(93,539)
Total Investment Earnings	1,038,561	1,062,719	2,101,280
Miscellaneous Income	5,705	5,974	11,679
<b>Total Additions</b>	<b>1,750,147</b>	<b>1,649,963</b>	<b>3,400,110</b>
<b>DEDUCTIONS:</b>			
Benefit Payments	694,590	609,009	1,303,599
<b>Total Deductions</b>	<b>694,590</b>	<b>609,009</b>	<b>1,303,599</b>
Excess of Additions Over Deductions	1,055,557	1,040,954	2,096,511
<b>NET POSITION</b>			
Net Position, January 1, 2023	9,307,867	9,708,881	19,016,748
Net Position, December 31, 2023	<u>\$ 10,363,424</u>	<u>\$ 10,749,835</u>	<u>\$ 21,113,259</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, 2023, and the related notes to the financial statements and have issued our report thereon dated September 16, 2024.

**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 or significant deficiencies 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.

*Corybell, Rappold & Yasuta LLP*

September 16, 2024