

BOROUGH OF MERCERSBURG

FINANCIAL REPORT

DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Members of Borough Council
Borough of Mercersburg
Mercersburg, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Borough of Mercersburg (Borough), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Borough of Mercersburg, as of December 31, 2022, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements 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 1 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 the financial statements in accordance with the modified cash basis of accounting described in Note 1, 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

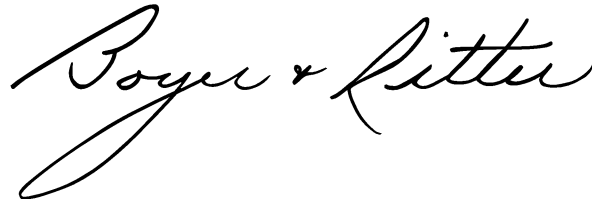
In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Borough's basic financial statements. The combining non-major governmental funds financial statements listed in the Contents as supplementary information 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 relates 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 combining non-major governmental funds financial statements listed in the table of contents as supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Chambersburg, Pennsylvania
July 13, 2023

BOROUGH OF MERCERSBURG

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activity	Total
ASSETS			
Cash and cash equivalents	\$ 1,570,238	\$ 8,272	\$ 1,578,510
Due from component unit	17,278	-	17,278
Due from primary government	-	-	-
Capital assets			
Land and construction-in-progress	427,123	-	427,123
Other capital assets, net of depreciation	1,327,490	-	1,327,490
Total assets	\$ 3,342,129	\$ 8,272	\$ 3,350,401
LIABILITIES			
Due to component units	\$ 33,876	\$ -	\$ 33,876
Payroll tax withholdings	1,406	-	1,406
Long-term liabilities			
Due within 1 year	132,572	-	132,572
Due in more than 1 year	7,466	-	7,466
Total liabilities	175,320	-	175,320
NET POSITION			
Net investment in capital assets	1,614,575	-	1,614,575
Restricted for			
Capital improvements	504,405	-	504,405
Specified purposes	533,782	-	533,782
Unrestricted	514,047	8,272	522,319
Total net position	3,166,809	8,272	3,175,081
Total liabilities and net position	\$ 3,342,129	\$ 8,272	\$ 3,350,401

See Notes to Financial Statements.

Component Units	
Water Authority	Sewer Authority
\$ 167,258	\$ 785,439
-	-
8,299	8,299
118,934	10,688
2,521,887	2,248,297
<u>\$ 2,816,378</u>	<u>\$ 3,052,723</u>

\$ -	\$ -
-	-
122,070	-
478,730	-
<u>600,800</u>	-

2,040,021	2,258,985
2,034	248,233
-	-
173,523	545,505
<u>2,215,578</u>	<u>3,052,723</u>
<u>\$ 2,816,378</u>	<u>\$ 3,052,723</u>

BOROUGH OF MERCERSBURG

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Water Authority	Sewer Authority
					Governmental Activities	Business-Type Activity	Total		
Governmental Activities									
General government	\$ 124,090	\$ 28,023	\$ 72,324	\$ -	\$ (23,743)	\$ -	\$ (23,743)	\$ -	\$ -
Public safety	292,253	16,564	8,979	-	(266,710)	-	(266,710)	-	-
Public works	242,444	16,467	124,301	-	(101,676)	-	(101,676)	-	-
Culture and recreation	22,536	-	-	-	(22,536)	-	(22,536)	-	-
Community development	725	-	-	-	(725)	-	(725)	-	-
Interest expense	3,427	-	-	-	(3,427)	-	(3,427)	-	-
Miscellaneous	88,026	-	-	-	(88,026)	-	(88,026)	-	-
Total governmental activities	773,501	61,054	205,604	-	(506,843)	-	(506,843)	-	-
Business-Type Activity									
Recycling	616	-	-	-	-	(616)	(616)	-	-
Total primary government	\$ 774,117	\$ 61,054	\$ 205,604	\$ -	(506,843)	(616)	(507,459)	-	-
Component Units									
Water Authority	\$ 631,201	\$ 509,475	\$ -	\$ 52,028	-	-	-	(69,698)	-
Sewer Authority	414,489	465,479	-	-	-	-	-	-	50,990
Total component units	\$ 1,045,690	\$ 974,954	\$ -	\$ 52,028	-	-	-	(69,698)	50,990
General Revenues									
Property taxes					386,291	-	386,291	-	-
Local enabling act taxes					279,444	-	279,444	-	-
Investment income					6,261	26	6,287	160	1,261
Miscellaneous income					36,253	-	36,253	-	229
Refund of prior years' expenditures					5,918	-	5,918	-	-
Refund of prior years' revenues					(7,793)	-	(7,793)	-	-
Total general revenues					706,374	26	706,400	160	1,490
Changes in net position					199,531	(590)	198,941	(69,538)	52,480
Net Position:									
January 1, 2022					2,967,278	8,862	2,976,140	2,285,116	3,000,243
December 31, 2022					\$ 3,166,809	\$ 8,272	\$ 3,175,081	\$ 2,215,578	\$ 3,052,723

See Notes to Financial Statements.

BOROUGH OF MERCERSBURG

BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
December 31, 2022

	General Fund	<u>Special Revenue</u> UDAG
ASSETS		
Cash and cash equivalents	\$ 719,333	\$ 263,824
Due from component units	4,648	-
Total assets	<u>\$ 723,981</u>	<u>\$ 263,824</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Due to component units	\$ 33,876	\$ -
Payroll tax withholdings	1,406	-
Total liabilities	<u>35,282</u>	<u>-</u>
Fund Balances		
Restricted for:		
Capital improvements	-	-
Specified purposes	174,652	263,824
Unassigned	514,047	-
Total fund balances	<u>688,699</u>	<u>263,824</u>
Total liabilities and fund balances	<u>\$ 723,981</u>	<u>\$ 263,824</u>

See Notes to Financial Statements.

Capital Projects			Non-Major	Total
Capital Improvements	Street Improvement	Joint Equipment	Governmental Funds	Governmental Funds
\$ 184,001	\$ 78,388	\$ 13,252	\$ 311,440	\$ 1,570,238
-	-	12,630	-	17,278
\$ 184,001	\$ 78,388	\$ 25,882	\$ 311,440	\$ 1,587,516

\$ -	\$ -	\$ -	\$ -	\$ 33,876
-	-	-	-	1,406
-	-	-	-	35,282

184,001	78,388	25,882	216,134	504,405
-	-	-	95,306	533,782
-	-	-	-	514,047
184,001	78,388	25,882	311,440	1,552,234
\$ 184,001	\$ 78,388	\$ 25,882	\$ 311,440	\$ 1,587,516

BOROUGH OF MERCERSBURG

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2022**

Total fund balances - governmental funds	<u>\$ 1,552,234</u>
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
 Capital assets used in governmental activities are not financial resources, and therefore, they are not reported as assets in governmental funds. The total cost of capital assets is \$3,100,874 and the accumulated depreciation is \$1,346,261.	
	1,754,613
 Long-term liabilities are not due and payable in the current period, and therefore, they are not reported as liabilities in the funds.	
Loan payable	<u>(140,038)</u>
 Total net position - governmental activities	 <u><u>\$ 3,166,809</u></u>

See Notes to Financial Statements.

BOROUGH OF MERCERSBURG

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Year Ended December 31, 2022**

	General Fund	<u>Special Revenue</u> UDAG
Revenues		
Taxes	\$ 590,221	\$ -
Licenses and permits	28,023	-
Fines and forfeits	905	-
Investment income	2,330	280
Rents	28,000	-
Intergovernmental revenue	161,733	-
Charges for service	32,126	-
Miscellaneous income	3,754	-
Total revenues	<u>847,092</u>	<u>280</u>
Expenditures		
General government	131,775	-
Public safety	263,379	-
Public works	81,135	-
Culture and recreation	314	-
Community development	725	-
Miscellaneous	88,026	-
Total expenditures	<u>565,354</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	281,738	280
Other Financing Sources (Uses)		
Refund of prior years' expenditures	5,918	-
Operating transfers in	-	-
Debt service		
Principal	-	-
Interest	-	-
Refund of prior years' revenues	(7,793)	-
Operating transfers out	(74,873)	-
Total other financing sources (uses)	<u>(76,748)</u>	<u>-</u>
Net changes in fund balances	204,990	280
Fund Balances:		
January 1, 2022	483,709	263,544
December 31, 2022	<u>\$ 688,699</u>	<u>\$ 263,824</u>

See Notes to Financial Statements.

Capital Projects			Non-Major Governmental Funds	Total Governmental Funds
Capital Improvements	Street Improvement	Joint Equipment		
\$ -	\$ -	\$ -	\$ 75,514	\$ 665,735
-	-	-	-	28,023
-	-	-	-	905
284	1,323	579	1,465	6,261
-	-	-	-	28,000
-	-	-	43,871	205,604
-	-	-	-	32,126
-	-	-	4,500	8,254
284	1,323	579	125,350	974,908
-	-	-	-	131,775
-	-	-	36,143	299,522
29,399	-	20,854	34,617	166,005
-	-	-	19,443	19,757
-	-	-	-	725
-	-	-	-	88,026
29,399	-	20,854	90,203	705,810
(29,115)	1,323	(20,275)	35,147	269,098
-	-	-	-	5,918
-	68,873	6,000	-	74,873
-	(104,621)	-	(25,817)	(130,438)
-	(3,427)	-	-	(3,427)
-	-	-	-	(7,793)
-	-	-	-	(74,873)
-	(39,175)	6,000	(25,817)	(135,740)
(29,115)	(37,852)	(14,275)	9,330	133,358
213,116	116,240	40,157	302,110	1,418,876
\$ 184,001	\$ 78,388	\$ 25,882	\$ 311,440	\$ 1,552,234

BOROUGH OF MERCERSBURG

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year Ended December 31, 2022**

Net changes in fund balances - governmental funds	\$ 133,358
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital outlays	63,218	
Less depreciation expense	<u>(127,482)</u>	(64,264)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal on loan payable		<u>130,437</u>
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Changes in net position - governmental activities	<u><u>\$ 199,531</u></u>
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See Notes to Financial Statements.

BOROUGH OF MERCERSBURG

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

Year Ended December 31, 2022

	General Fund		
	Budgeted Amounts Original and Final	Actual	Variance with Final Budget
Revenues			
Taxes	\$ 643,900	\$ 590,221	\$ (53,679)
Licenses and permits	23,500	28,023	4,523
Fines and forfeits	4,000	905	(3,095)
Investment income	400	2,330	1,930
Rents	28,000	28,000	-
Intergovernmental revenue	76,750	161,733	84,983
Charges for service	21,060	32,126	11,066
Miscellaneous income	2,200	3,754	1,554
Total revenues	799,810	847,092	47,282
Expenditures			
General government	125,320	131,775	(6,455)
Public safety	347,795	263,379	84,416
Public works	108,205	81,135	27,070
Culture and recreation	14,900	314	14,586
Community development	1,000	725	275
Miscellaneous	99,500	88,026	11,474
Total expenditures	696,720	565,354	131,366
Excess of revenues over expenditures	103,090	281,738	178,648
Other Financing Sources (Uses)			
Refund of prior years' expenditures	1,000	5,918	4,918
Operating transfers in	7,400	-	(7,400)
Refund of prior years' revenues	(7,800)	(7,793)	7
Operating transfers out	(103,690)	(74,873)	28,817
Total other financing (uses) sources - net	(103,090)	(76,748)	26,342
Net change in fund balance	\$ -	204,990	\$ 204,990
Fund Balance:			
January 1, 2022		483,709	
December 31, 2022		<u>\$ 688,699</u>	

See Notes to Financial Statements.

BOROUGH OF MERCERSBURG

**STATEMENT OF NET POSITION - PROPRIETARY FUND AND
DISCRETELY-PRESENTED COMPONENT UNITS - MODIFIED CASH BASIS**

December 31, 2022

	Recycling	Component Units	
		Water Authority	Sewer Authority
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 8,272	\$ 167,258	\$ 785,439
Due from primary government	-	8,299	8,299
Total current assets	8,272	175,557	793,738
Noncurrent Assets			
Property, plant and equipment - net of accumulated depreciation	-	2,521,887	2,248,297
Land and construction-in-progress	-	118,934	10,688
Total noncurrent assets	-	2,640,821	2,258,985
Total assets	\$ 8,272	\$ 2,816,378	\$ 3,052,723
LIABILITIES AND NET POSITION			
Current Liabilities			
Current portion of notes payable	\$ -	\$ 122,070	\$ -
Total current liabilities	-	122,070	-
Noncurrent Liabilities			
Notes payable - net of current portion	-	478,730	-
Total liabilities	-	600,800	-
Net Position			
Invested in capital assets - net of related debt	-	2,040,021	2,258,985
Restricted for capital improvements	-	2,034	248,233
Unrestricted	8,272	173,523	545,505
Total net position	8,272	2,215,578	3,052,723
Total liabilities and net position	\$ 8,272	\$ 2,816,378	\$ 3,052,723

See Notes to Financial Statements.

BOROUGH OF MERCERSBURG

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND AND DISCRETELY-
PRESENTED COMPONENT UNITS - MODIFIED CASH BASIS
Year Ended December 31, 2022**

	Recycling	Component Units	
		Water Authority	Sewer Authority
Operating Revenues			
Charges for services	\$ -	\$ 509,475	\$ 465,479
Total operating revenues	-	509,475	465,479
Operating Expenses			
Wages and benefits	-	132,913	120,252
Office supplies	616	17,281	16,680
Legal and accounting	-	78,266	14,972
Engineering and contracted services	-	52,855	17,973
Insurance	-	8,154	8,154
Supplies and chemicals	-	77,752	41,063
Utilities	-	29,636	48,758
Maintenance and repairs	-	95,135	65,441
Depreciation	-	120,149	80,404
Other operating	-	4,733	792
Total operating expenses	616	616,874	414,489
Operating (loss) income	(616)	(107,399)	50,990
Nonoperating Revenue (Expense)			
Investment income	26	160	1,261
Grant proceeds	-	52,028	-
Refund of prior years' expenses	-	-	229
Interest expense	-	(14,327)	-
Total nonoperating revenue - net	26	37,861	1,490
Changes in net position	(590)	(69,538)	52,480
Net Position:			
January 1, 2022	8,862	2,285,116	3,000,243
December 31, 2022	\$ 8,272	\$ 2,215,578	\$ 3,052,723

See Notes to Financial Statements.

BOROUGH OF MERCERSBURG

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND AND
DISCRETELY-PRESENTED COMPONENT UNITS - MODIFIED CASH BASIS
Year Ended December 31, 2022**

	Recycling	Component Units	
		Water Authority	Sewer Authority
Cash Flows From Operating Activities			
Cash received from customers	\$ -	\$ 509,475	\$ 465,479
Cash payments for goods and services	(616)	(351,683)	(201,475)
Cash payments to employees for services	-	(132,913)	(120,252)
Net cash (used in) provided by operating activities	(616)	24,879	143,752
Cash Flows From Capital and Related Financing Activities			
Capital grants received	-	52,028	-
Proceeds from long-term debt	-	145,469	-
Purchases of property, plant and equipment	-	(71,602)	(38,177)
Principal paid on long-term debt	-	(24,570)	-
Interest paid on long-term debt	-	(14,327)	-
Net cash provided by (used in) capital and related financing activities	-	86,998	(38,177)
Cash Flows From Investing Activities			
Investment income	26	160	1,261
Net increase (decrease) in cash and cash equivalents	(590)	112,037	106,836
Cash and Cash Equivalents:			
January 1, 2022	8,862	55,221	678,603
December 31, 2022	\$ 8,272	\$ 167,258	\$ 785,439

(Continued)

BOROUGH OF MERCERSBURG

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND AND
DISCRETELY-PRESENTED COMPONENT UNITS - MODIFIED CASH BASIS (Continued)
Year Ended December 31, 2022**

	Recycling	Component Units	
		Water Authority	Sewer Authority
Reconciliation of Operating (Loss) Income to Net Cash (Used In) Provided By Operating Activities			
Operating (loss) income	\$ (616)	\$ (107,399)	\$ 50,990
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities			
Depreciation	-	120,149	80,404
Refund of prior years' expenses	-	-	229
Changes in assets and liabilities:			
Due from primary government	-	12,129	12,129
Net cash (used in) provided by operating activities	\$ (616)	\$ 24,879	\$ 143,752

See Notes to Financial Statements.

BOROUGH OF MERCERSBURG

STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS

December 31, 2022

	Pensions		Endowment
	Police	Non-Uniformed	
ASSETS			
Cash and cash equivalents	\$ (509)	\$ (3,256)	\$ 21,181
Investments	318,230	939,557	-
Total assets	\$ 317,721	\$ 936,301	\$ 21,181
NET POSITION			
Reserved for:			
Police pension trust fund	\$ 317,721	\$ -	\$ -
Non-Uniformed pension trust fund	-	936,301	-
Specified purposes	-	-	21,181
Total net position	\$ 317,721	\$ 936,301	\$ 21,181

See Notes to Financial Statements.

BOROUGH OF MERCERSBURG

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
Year Ended December 31, 2022

	Pensions		Endowment
	Police	Non-Uniformed	
Additions			
Contributions			
State aid	\$ -	\$ 51,805	\$ -
Employer contributions	7,793	6,732	-
Investment income	(61,230)	(176,909)	301
Total additions	(53,437)	(118,372)	301
Deductions			
Benefits and claims	6,105	45,715	-
Administrative expenses	4,024	9,667	-
Total deductions	10,129	55,382	-
Net (decrease) increase	(63,566)	(173,754)	301
Net Position:			
January 1, 2022	381,287	1,110,055	20,880
December 31, 2022	<u>\$ 317,721</u>	<u>\$ 936,301</u>	<u>\$ 21,181</u>

See Notes to Financial Statements.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The Borough of Mercersburg (the Borough) was incorporated in 1831 and is located in South Central Pennsylvania. Corporate powers of the Borough are vested in a mayor and seven-member council. The Borough Manager is responsible for the daily operations of the Borough. The Borough provides the following services as authorized by the Borough Code: public safety, public works, health and human services, culture and recreation, community development and general administrative services.

The Borough's financial statements are presented on the modified cash basis of accounting as applied to governmental units, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the authoritative, standard setting body for establishing governmental accounting and financial reporting principles. These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

Financial Reporting Entity:

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

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

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Reporting Entity (Continued):

The component units discussed below are included in the Borough's reporting entity because of their operational significance or financial relationship with the Borough:

Discretely-Presented Component Units: The component unit columns presented in the financial statements contain the financial data of the Mercersburg Water Authority and the Mercersburg Sewer Authority. The financial data is presented in separate columns because the Authorities are legally separate from the Borough. The governing bodies are appointed by Borough Council. The Authorities own and operate their respective systems, which serve the areas within the Borough of Mercersburg. The Borough of Mercersburg has guaranteed the debt of the Authorities. The Mercersburg Water Authority and Mercersburg Sewer Authority do not separately issue audited component unit financial statements.

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government and its component units within the limitations of the modified cash basis of accounting. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued):

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. The principal operating revenue of the Recycling Fund consists of refuse services. The principal operating revenues of the Water and Sewer Authorities are charges for services. Operating expenses include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting these classifications are reported as non-operating revenue or expenses.

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

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operation of each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances or net positions, revenues and expenditures or expenses, as appropriate.

The Borough has the following major types of funds:

Governmental Funds:

Governmental funds are those through which most governmental functions of the Borough are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

General Fund

The General Fund is the Borough's primary operating fund and is always considered as a major fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Borough. The reporting entity includes the following special revenue funds, of which the Urban Development Action Grant is considered a major fund as of December 31, 2022.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued):

Special Revenue Funds (Continued)

Urban Development Action Grant (UDAG) Fund accounts for the loans made available to local businesses and residents for property improvements.

Highway Aid Fund accounts for revenues received from the State Motor License Fund. Costs paid by this fund must be related to the construction, reconstruction, repair and maintenance of the Borough's streets, roads and bridges.

Special Purpose Tax Fund accounts for the portion of real estate taxes levied for special purposes. Those levies are for fire protection, library, emergency ambulance and special road fund.

Playground Fund accounts for the Summer Playground Program that is offered to Borough youths.

Christmas Décor Fund accounts for donations and expenditures related to Christmas street light acquisitions.

Johnstons Run Trail Fund accounts for grants received from the Pennsylvania Department of Conservation and Natural Resources. Costs paid by this fund must be related to the construction, repair and maintenance of the walking trail.

Columbia Gas Escrow Fund accounts for funds received in lieu of a bond from Columbia Gas.

Findley Park Escrow Fund accounts for funds received from bonding to repair Findley Park infrastructure.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Improvements, Street Improvements and Joint Equipment are considered major funds as of December 31, 2022.

The Capital Improvements Fund accounts for financial resources available for the acquisition or construction of major capital facilities.

The Street Improvements Fund accounts for funds related to the on-going maintenance of the Borough's streets.

The Joint Equipment Fund accounts for funds related to the future acquisitions of major capital assets to be split between the Borough, Water Authority and Sewer Authority.

The General Fund Reserve accounts for funds related to investing for future capital acquisitions.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued):

Capital Projects Fund (Continued)

Street Projects Fund accounts for funds related to the on-going maintenance of the Borough's streets.

Police Reserve Fund accounts for the funds related to the future acquisition of major capital assets by the Police Department.

Proprietary Funds:

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily through user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

The Recycling Fund accounts for the financing of services to the general public where all or most of the costs involved are paid in the form of charges to the users of such services.

Fiduciary Funds:

Trust Funds

Trust funds are used to account for assets held by the Borough in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary funds are reported only at the fund level; therefore, consideration as a major fund is not applicable.

Pension Trust Funds account for the activities of the Non-Uniformed and Police Pension Trust Funds. These trust funds accumulate resources for pension-benefit payments to qualified employees.

Endowment Fund is used strictly for the James Buchanan and Harriet Lane award expenses.

Measurement Focus and Basis of Accounting:

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

Measurement Focus: In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued):

Measurement Focus (Continued):

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on the funds' balance sheets. The funds' operating statements present sources and uses of available, spendable financial resources during a given period. These funds use fund balances as their measures of available spendable financial resources at the end of the period.
- b. The proprietary and fiduciary funds utilize an economic-resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary and fiduciary fund equity is classified as net position.

Basis of Accounting: In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-like, and component-unit activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues and expenditures/expenses when they result from cash transactions. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue arising from billed or provided services not yet collected), and certain liabilities and their related expenses (such as accounts payable and expenses arising from goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

Cash and Cash Equivalents: Amounts reported as cash and cash equivalents include, as applicable, cash on hand, demand deposits, savings accounts and Certificates of Deposit or short-term investments with maturities of three months or less from the date of acquisition.

Investments: Investments are recorded at fair value or amortized cost, depending on the investment type. Unrealized appreciation and depreciation due to changes in the fair values of investments are recognized annually in the pension trust funds.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation: The Borough's modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation when appropriate. Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market values at the dates of donation. The costs of normal maintenance and repairs that do not add to the values of assets or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phases of capital assets of business-type activities and component units is included as part of the capitalized values of the assets constructed.

Property, plant and equipment of the primary government and the discretely-presented component units are depreciated using the straight-line method over the following estimated useful lives as determined by management:

<u>Assets</u>	<u>Years</u>
Land improvements	20-40
Buildings	50-100
Building improvements	25
Vehicles and equipment	3-15
Public domain infrastructure	25-100

Infrastructure Assets: As permitted by the provisions of GASB Statement No. 34, the Borough has not capitalized and depreciated those general infrastructure assets acquired prior to January 1, 2004.

Long-Term Debt: All long-term bonds, notes and other debt arising from cash transactions or events to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements.

Long-term debt arising from cash transactions or events of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest is reported as expenditures. The accounting treatment for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Compensated Absences: Under the terms of the Borough's employment policies, employees are granted a certain number of vacation days each calendar year and up to five unused vacation days are permitted to be carried over to future years for those employees with 20 or more years of service. Upon retirement from the Borough, employees may apply their remaining balances of unused vacation days toward early retirement. In addition, employees are granted sick leave and any unused sick days are permitted to be carried over to future years. Employees are also permitted to accrue comp time. The total liability for accrued vacation and comp time at December 31, 2022, is \$4,252.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Equity Classifications:

Government-Wide Statements: Equity is classified as Net Position and is displayed in three components:

Net investment in capital assets: Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted: Consists of restricted assets reduced by liabilities related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted: Net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Borough's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for the purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements:

Governmental Funds: The difference among assets and liabilities is reported as fund balance and classified as nonspendable, restricted, committed, assigned and unassigned based on the respective level of constraint. These constraints are as follows:

Nonspendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for a specific purpose through restrictions of external parties, through constitutional provisions, or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed formal action of the Borough Council, the Borough's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Borough Council removes the constraints or changes the specified purpose through the same action used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed.

Unassigned: Represents fund balance amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Equity Classifications (Continued):

Proprietary Funds: The difference among assets and liabilities is reported as net position and classified in the same manner as the government-wide financial statements.

It is the Borough's policy to first use restricted fund balance prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. It is also Borough policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when an expenditure is incurred for purposes for which amounts in those classifications are available to be used.

Internal and Interfund Balances and Activities: In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Government-Wide Financial Statements: Interfund activity and balances resulting from cash transactions or events, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal balances: Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

Internal activities: Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-side Statement of Activities, except for the net amount of transfers between governmental and business-type activities, which are reported as transfers. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

Primary government and component unit activity and balances: Resources flow between the primary government and discretely-presented component units are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

Fund Financial Statements: Interfund activity resulting from cash transactions or events, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

Interfund loans: Amounts provided with a requirement for repayment are reported as interfund receivables and payables.

Interfund services: Sales or purchases of goods and services between funds are reported as revenues and expenditures or expenses.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Internal and Interfund Balances and Activities (Continued):

Interfund reimbursements: Repayments from funds responsible for certain expenditures or expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures or expenses in the respective funds.

Interfund transfers: Flow of assets from one fund to another when repayment is not expected and reported as transfers in and out.

Program Revenues: Amounts reported as program revenues include charges for services, operating grants and contributions and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes.

Operating and Non-Operating Revenues: Proprietary funds distinguish operating revenues and expenses from non-operating items. With respect to the Borough's proprietary fund, operating revenues consist principally of sales of trash bags. Operating expenses consist of the administrative expenses. With respect to the component units, operating revenue consists principally of water and sewer rents. Operating expenses include administrative expenses, supplies and chemicals and depreciation on capital assets. All other revenues and expenses not meeting the above criteria are reported as non-operating revenues and expenses.

Pension Plans: The Borough has established two single-employer defined-benefit pension plans for the benefit of substantially all full-time employees. They are the Police and Non-Uniformed Pension Plans.

New Accounting Pronouncements: The following list reflects only those pronouncements initially effective in the current or upcoming reporting periods which based on our review, may be applicable to the Borough's reporting requirements.

Following are descriptions of significant pronouncements that were considered or initially selected during the year ended December 31, 2022:

GASB Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice.

GASB Statement No. 92, *Omnibus 2020*, enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of various GASB standards previously issued.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, addresses accounting and financial reporting implications that result from the replacement of an IBOR.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued):

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, (1) increases consistency and comparability related to the reporting of fiduciary component units where a governing board does not exist and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans and OPEB plans and other employee benefit plans as fiduciary component units; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan.

The following are descriptions of accounting pronouncements which will be considered for implementation during subsequent years, with modified effective dates as established by GASB Statement No. 95:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will be effective for the Borough beginning with its year ending December 31, 2023 (fiscal periods beginning after June 15, 2022). This Statement improves financial reporting by addressing issues related to public-private and public-public partnerships.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will be effective for the Borough beginning with its year ending December 31, 2023 (fiscal periods beginning after June 15, 2022). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users.

Use of Estimates: The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as estimated useful lives in determining depreciation expense. Accordingly, actual results could differ from those estimates.

Subsequent Events: In preparing these financial statements, the Borough has evaluated events and transactions for potential recognition or disclosure through July 13, 2023, the date the financial statements were available to be issued.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 2. Legal Compliance - Budgets

Borough Council adopts budgets for certain governmental funds on the modified cash basis. The Borough also adopts budgets for the enterprise funds on the cash basis. All annual appropriations lapse at the end of each year and must be re-appropriated. There were no budget revisions during the year.

The Borough utilizes the following procedures to establish the budgetary data reflected in the financial statements:

1. During October, the Borough staff prepares a preliminary budget for the general fund, water authority and sewer authority. The operating budgets include proposed expenditures and revenue.
2. During November, the Borough Council approves the preliminary budget and makes it available to the public. A notice that the preliminary budgets are available for inspection is published in the local newspaper and posted in the borough office for a minimum of 10 days.
3. At the regular meeting in December, the Borough holds a public hearing to obtain taxpayer comments after which the budget is legally adopted.
4. All budget revisions require the approval of Borough Council.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments

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

- United States Treasury bills
- Short-term obligations of the U.S. Government or its agencies or instrumentalities
- Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF) to the extent that the accounts are so insured, and for the amounts above the insured maximum, if approved collateral as provided by law shall be pledged by the depository
- Obligations of (i) the United States or its agencies or instrumentalities backed by the full faith and credit of the United States; (ii) the Commonwealth or its agencies or instrumentalities backed by the full faith and credit of the Commonwealth and (iii) a political subdivision of the Commonwealth or its agencies or instrumentalities backed by the full faith and credit of the political subdivision
- Shares of an investment companies registered under the Investment Company Act of 1940 whose investments are registered under the Securities Act of 1933
- Certificates of deposit purchased from institutions insured by the FDIC or the NCUSIF to the extent that the accounts are so insured

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

Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank failure, the Borough's deposits and/or investments may not be returned to them. The carrying amount of cash on the Borough's Statement of Net Position includes petty cash of \$300. A summary of the Borough's deposits at December 31, 2022, are as follows:

	Carrying Amount	Bank Balance	Financial Institution
FDIC insured	\$ 250,000	\$ 250,000	Orrstown Bank
Uninsured and collateralized by assets maintained in conformity with Act 72	1,178,083	1,234,640	Orrstown Bank
	<u>\$ 1,428,083</u>	<u>\$ 1,484,640</u>	

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

Custodial-credit risk is the risk that in the event of a bank failure, the Water Authority's deposits and/or investments may not be returned to them. A summary of the Water Authority's deposits at December 31, 2022, are as follows:

	Carrying Amount	Bank Balance	Financial Institution
FDIC insured	\$ 19,486	\$ 136,043	Orrstown Bank
FDIC insured	147,772	147,772	Middletown Valley
	<u>\$ 167,258</u>	<u>\$ 283,815</u>	

Custodial-credit risk is the risk that in the event of a bank failure, the Sewer Authority's deposits and/or investments may not be returned to them. A summary of the Sewer Authority's deposits at December 31, 2022, are as follows:

	Carrying Amount	Bank Balance	Financial Institution
FDIC insured	\$ 250,000	\$ 250,000	Orrstown Bank
Uninsured and collateralized by assets maintained in conformity with Act 72	535,439	569,517	Orrstown Bank
	<u>\$ 785,439</u>	<u>\$ 819,517</u>	

All deposits of the Borough are either insured or collateralized. All deposits that exceed the Federal depository insurance coverage level are collateralized under the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities maintained in conformity with Act 72 of 1971. Act 72 of 1971 is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as pledgers of the assets. The Borough has no policy regarding custodial-credit risk for deposits.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

Investments:

As of December 31, 2022, the Borough had the following investments, which are included in cash and cash equivalents on the Statement of Net Position:

	Credit Rating	Weighted Average Maturity	Carrying Value
<hr/>			
Pennsylvania Local Government Trust (PLGIT)			
PLGIT-Class Shares	AAAm	75 days	\$ 163,096
PLGIT/Reserve-Class Shares	AAAm	75 days	8,212
			<hr/>
			<u>\$ 171,308</u>

Portfolio Assets:

Certain external pool investments held by the Borough meet the portfolio requirements for maturity, quality, diversification, liquidity, and shadow pricing, and qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The Borough measures those investments, which include PLGIT, at amortized cost.

The PLGIT Portfolio fund invests primarily in U.S. Treasury and Federal agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund manager intends to comply with guidelines similar to those mandated for money market funds as contained in Rule 2a-7 of the Investment Company Act of 1940. The fund maintains a weighted-average maturity to reset of 60 days or less.

PLGIT-Class shares is a flexible option, within the PLGIT Portfolio fund, which requires no minimum balance, no minimum initial investment and a one-day minimum investment period. Dividends are paid monthly.

PLGIT/Reserve-Class shares is an option within the PLGIT Portfolio fund which requires a minimum investment of \$50,000, a one-day minimum investment period, and limits redemptions or exchanges to two per calendar month. Dividends are paid monthly.

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Presently, the investments currently held by the Borough are valued at amortized cost and are not subject to the fair value categorization disclosures.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

Weighted-Average Maturity: The weighted-average maturity (WAM) method expresses investment time horizons, the time when investments become due and payable, in years or months, weighted to reflect the dollar size of individual investments within an investment type. WAMs are computed for each investment type. A portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

Interest-Rate Risk: The Borough and Authority do not have formal investment policies that limit investment maturities as a means of managing the entities' exposures to fair value losses arising from increasing interest rates.

Credit Risk: As indicated above, Section 1316 of the Borough Code limits the composition of the Borough's investments, and the Borough has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: The Borough places no limit on the amounts invested in any one issuer. The Borough's investment in PLGIT represents 100% of the Borough's total investments.

Police and Non-Uniformed Pension Plan investments are disclosed separately in Note 8.

Note 4. Property Taxes

Property taxes are levied on March 1 for the tax year. Taxes are payable at a 2.00% discount if paid before May 1 and at a 10.00% penalty if paid after the due date of June 30. Outstanding real estate taxes are turned over to Franklin County on the first of January each year. After proper notification is made to a property owner, a lien is filed on or about May 1 and must remain in effect for a period of two years before a tax sale may occur. Taxes are recorded as revenue by the Borough when received from the tax collector. Unpaid taxes as of December 31 are turned over to the County, which handles collections and placement of liens, if necessary. The assessed value upon which the 2022 levy was based was \$12,908,290. The property tax rate for 2022 was 30.36 mills, which was to fund general governmental services and for purposes other than the payment of principal and interest on long-term debt. The 2022 millage included 2.40 mills for fire protection, 1.05 mills for library, 0.40 mills for emergency ambulance service, and 2.00 mills for special road fund tax. Current tax collections for the year ended December 31, 2022, were 98.94 percent of the tax levy.

The Borough has not entered into any tax abatement agreements as of December 31, 2022.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Activity

Individual fund receivables and payables at December 31, 2022, are as follows:

	Due from Component Units	Due to Primary Government
General Fund	\$ 4,648	\$ 33,876
Joint Equipment Fund	12,630	-
Mercersburg Water Authority	8,299	-
Mercersburg Sewer Authority	8,299	-
	<u>\$ 33,876</u>	<u>\$ 33,876</u>

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

Transfers between funds at December 31, 2022, are as follows:

Fund	Transfers Out	Transfers In
General	\$ 74,873	\$ -
Street improvement	-	68,873
Joint equipment	-	6,000
	<u>\$ 74,873</u>	<u>\$ 74,873</u>

Transfers and payments within the Borough are substantially for purposes of subsidizing operating functions or funding capital projects and asset acquisition on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activity resulting from modified cash basis transactions or events for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 427,123	\$ -	\$ -	\$ 427,123
Construction-in-progress	4,900	7,350	12,250	-
Total capital assets not being depreciated	432,023	7,350	12,250	427,123
Capital assets, being depreciated				
Buildings and improvements	158,951	22,615	-	181,566
Machinery and equipment	531,800	45,503	-	577,303
Infrastructure	1,914,882	-	-	1,914,882
Total capital assets being depreciated	2,605,633	68,118	-	2,673,751
Less accumulated depreciation for:				
Buildings and improvements	(77,792)	(8,010)	-	(85,802)
Machinery and equipment	(409,599)	(27,894)	-	(437,493)
Infrastructure	(731,388)	(91,578)	-	(822,966)
Total accumulated depreciation	(1,218,779)	(127,482)	-	(1,346,261)
Total capital assets, being depreciated, net	1,386,854	(59,364)	-	1,327,490
Governmental Activities capital assets, net	\$ 1,818,877	\$ (52,014)	\$ 12,250	\$ 1,754,613

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

	Amount
Governmental Activities:	
General government	\$ 11,661
Public safety	8,872
Public works	104,170
Culture and recreation	2,779
Total depreciation expense - governmental activities	\$ 127,482

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

Discretely-Presented Component Units

Capital asset activity resulting from modified cash basis transactions or events for the Water Authority for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 21,408	\$ -	\$ -	\$ 21,408
Construction-in-progress	47,862	49,664	-	97,526
Total capital assets not being depreciated	<u>69,270</u>	<u>49,664</u>	<u>-</u>	<u>118,934</u>
Capital assets being depreciated				
Buildings and improvements	2,616,172	-	-	2,616,172
Machinery and equipment	433,414	21,938	-	455,352
Infrastructure	4,935,418	-	-	4,935,418
Total capital assets being depreciated	<u>7,985,004</u>	<u>21,938</u>	<u>-</u>	<u>8,006,942</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,805,644)	(35,306)	-	(1,840,950)
Machinery and equipment	(160,153)	(23,150)	-	(183,303)
Infrastructure	(3,399,109)	(61,693)	-	(3,460,802)
Total accumulated depreciation	<u>(5,364,906)</u>	<u>(120,149)</u>	<u>-</u>	<u>(5,485,055)</u>
Total capital assets being depreciated, net	<u>2,620,098</u>	<u>(98,211)</u>	<u>-</u>	<u>2,521,887</u>
Water Authority capital assets, net	<u>\$ 2,689,368</u>	<u>\$ (48,547)</u>	<u>\$ -</u>	<u>\$ 2,640,821</u>

Construction-in-progress consists of the following projects at December 31, 2022:

	Amount
Water Treatment Plan Project	\$ 95,940
PRV Project	1,586
	<u>\$ 97,526</u>

Sewer Authority CIP

Depreciation expense totaling \$120,149, was charged to the Water Authority.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

Capital asset activity resulting from modified cash basis transactions or events for the Sewer Authority for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction-in-progress	1,667	688	1,667	688
Total capital assets not being depreciated	11,667	688	1,667	10,688
Capital assets, being depreciated				
Buildings and improvements	2,574,739	-	-	2,574,739
Machinery and equipment	360,727	39,156	-	399,883
Infrastructure	1,753,702	-	-	1,753,702
Total capital assets being depreciated	4,689,168	39,156	-	4,728,324
Less accumulated depreciation for:				
Buildings and improvements	(1,302,850)	(45,291)	-	(1,348,141)
Machinery and equipment	(203,490)	(22,660)	-	(226,150)
Infrastructure	(893,283)	(12,453)	-	(905,736)
Total accumulated depreciation	(2,399,623)	(80,404)	-	(2,480,027)
Total capital assets being depreciated, net	2,289,545	(41,248)	-	2,248,297
Sewer Authority capital assets, net	\$ 2,301,212	\$ (40,560)	\$ 1,667	\$ 2,258,985

Construction-in-progress consists of the following projects at December 31, 2022:

	Amount
Wastewater Treatment Plan Upgrade	\$ 688

Depreciation expense totaling \$80,404, was charged to the Sewer Authority.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt

The reporting entity’s long-term bonds, notes and other debt arising from cash transactions or events is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities and amounts to be repaid from component units.

The following is a summary of changes in long-term debt arising from cash transactions or events for the year ended December 31, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Primary Government					
PA Infrastructure Bank Loan	\$ 270,475	\$ -	\$ 130,437	\$ 140,038	\$ 132,572
Component Units					
Water Authority					
Water Revenue Note					
Series A of 2020	\$ 154,531	\$ 145,469	\$ 2,173	\$ 297,827	\$ 11,986
Series B of 2020	230,005	-	18,322	211,683	18,794
Series C of 2020	95,365	-	4,075	91,290	91,290
	<u>\$ 479,901</u>	<u>\$ 145,469</u>	<u>\$ 24,570</u>	<u>\$ 600,800</u>	<u>\$ 122,070</u>

PA Infrastructure Bank Loan - On December 30, 2013, the Borough signed a loan agreement with PA Department of Transportation for \$1,000,000 to be used for road improvements on various streets throughout the Borough. The annual interest rate is 1.625%. Principal and interest is due in 120 monthly installments with the first 24 payments being interest only payments due and payable beginning the first day of the month following the first annual anniversary of the loan disbursement, with final payment scheduled for January 21, 2024.

Water Revenue Note, Series A of 2020 - This \$300,000 note has a 24-month drawdown period and has an annual interest rate of 3.75%. The proceeds of this note are to be used for working capital for the water system related to unanticipated expenditures. Interest only payments are due for the first 24 months followed by 216 monthly installments, including interest through September 16, 2040.

Water Revenue Note - Series B of 2020 - This \$265,000 note has an annual interest rate of 2.55%. Proceeds of this note were used to refinance the Authority’s Series of 2013 Note. This note is payable in 156 monthly installments of \$1,998, including interest with final payment scheduled for December 16, 2032.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Water Revenue Note - Series C of 2020 - This \$100,000 note has an annual interest rate of 2.35%. The proceeds of this note are to be used for construction of a new source well and other improvements to the water system. This note is payable in 36 monthly installments of \$522, including interest, with final payment scheduled for October 16, 2023.

All debt outstanding at December 31, 2022, is general obligation debt supported by the full faith and credit of the Borough and the respective Authorities. The Borough and the Authorities have pledged gross receipts and revenues generated from the use of the systems as its principal source of funds to pay debt service on these loans. The Borough has guaranteed the Authorities loans.

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of December 31, 2022, are as follows:

Year	Primary Government		
	Principal	Interest	Total
2023	\$ 132,572	\$ 1,292	\$ 133,864
2024	7,466	10	7,476
	<u>\$ 140,038</u>	<u>\$ 1,302</u>	<u>\$ 141,340</u>

Year	Component Units					
	Water Authority			Sewer Authority		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 122,070	\$ 17,900	\$ 139,970	\$ -	\$ -	\$ -
2024	31,679	15,244	46,923	-	-	-
2025	32,693	14,230	46,923	-	-	-
2026	33,696	13,227	46,923	-	-	-
2027	34,731	12,192	46,923	-	-	-
2028-2032	149,917	37,775	187,692	-	-	-
2033-2037	95,080	21,069	116,149	-	-	-
2038-2040	100,934	9,546	110,480	-	-	-
	<u>\$ 600,800</u>	<u>\$ 141,183</u>	<u>\$ 741,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plans

The Borough contributes to two single-employer defined-benefit pension plans: Police Retirement Plan and Non-Uniformed Employees’ Pension Plan. Each Plan provides retirement and death and disability benefits. The Police Retirement Plan is controlled by the provisions of Ordinance No. 5-7, as amended pursuant to Act 581. The Non-Uniformed Pension Plan is controlled by the provisions of Ordinance No. 5-8, adopted pursuant to Act 120. Both plans are governed by the Borough of Mercersburg Borough Council which may amend plan provisions, and which is responsible for the management of plan assets. The Borough has delegated the authority to manage certain plan assets to Brinker Capital. These plans are audited by the Commonwealth of Pennsylvania, and an auditor’s report and financial statements are issued. Those financial statements may be obtained by contacting the Borough Office at 113 South Main Street, Mercersburg, PA 17236. Unless otherwise indicated, the plans’ information in this note is provided as of the latest actuarial valuation dated January 1, 2021. Actuarial valuations are performed every two years. The following is a summary of funding policies, contribution methods and benefit provisions:

	Police Retirement Plan	Non-Uniformed Pension Plan
Year established and governing authority	1/1/79, Borough of Mercersburg	1/1/92, Borough of Mercersburg
Determination of contribution requirements:		
Employer	Actuarially-determined	Actuarially-determined
Plan members	None	None
Funding of administrative costs	Investment earnings and/or contributions	Investment earnings and/or contributions
Funding of contributions	Commonwealth allocation and Borough	Commonwealth allocation and Borough
Period required to fully vest	12 years	7 years
Plan eligibility	All full-time members of the Police Department join upon employment.	All full-time members of the non-uniformed employees age 21 or older join upon employment
Normal retirement benefit	Age 50 and 25 years of accrual service 50.00% of average compensation times an accrued benefit adjustment	Age 62 1.75% of average compensation times accrual service (maximum 35 years)

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plans (Continued)

Summary of funding policies, contribution methods and benefit provisions (Continued):

	Police Retirement Plan	Non-Uniformed Pension Plan
Early retirement benefit	All employees with 20 years of service, actuarially reduced to early retirement date	Age 55 and 10 years of vesting service, with reduced benefits
Disability benefit	50.00% of the final, one month salary offset by social security benefits and any disability insurance benefit payable which is funded by the plan	None
Pre-retirement death benefit	A Survivor Annuity Death Benefit is payable to the beneficiary in an amount equal to 50.00% of pension payable had the participant been retired at the time of death	A Survivor Annuity Death Benefit is payable to the beneficiary in an amount equal to the benefit that would have been payable if retirement date had occurred on the date of death
Post-retirement death benefit	A Survivor Annuity Death Benefit is payable to the beneficiary in an amount equal to 50.00% of pension payable to the participant	A Survivor Annuity Death Benefit is payable to the beneficiary in an amount equal to the benefit that would have been payable if retirement date had occurred on the date of death

At December 31, 2022, Plan membership consisted of the following:

	Police Retirement Plan	Non-Uniformed Pension Plan
Active plan members	1	4
Retirees and beneficiaries		
currently receiving benefits	1	7
DROP participants	0	0
Terminated plan members entitled to, but not yet receiving benefits	0	9
Total	2	20

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plans (Continued)

Contributions: Act 205 requires that annual contributions be based upon the plans' Minimum Municipal Obligation (MMO). The MMO is based upon the plans' biennial actuarial valuation. Employees presently are not required to contribute. The State provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the State and employee contributions must be funded by the employer in accordance with Act 205. In accordance with Act 205, the value required to be contributed to the Police Retirement Plan and Non-Uniformed Pension Plan were \$7,793 and \$58,537, respectively. The Borough's actual contributions to the Police Retirement Plan and Non-Uniformed Pension Plan were equal to the required contributions. The Borough recognized pension subsidy revenue from the Commonwealth in the amount of \$51,805 during 2022.

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

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

Investment Policy: The plans are governed by the Borough Council which is responsible for the management of the plans' assets. The Borough Council has delegated authority to manage certain plan assets to Brinker Capital. Best estimates of geometric, real rates of return for each major class included in the plans' target-asset allocations as of December 31, 2022, are summarized in the following tables:

Asset Class	Long-Term Expected Real Rate of Return	
	Police Retirement Plan	Non-Uniformed Pension Plan
Domestic equities	5.00%	5.00%
International equities	7.00%	7.00%
Fixed income	1.60%	1.60%
Global credit	3.80%	3.80%
Absolute return	2.00%	2.00%

Asset Class	Target-Asset Allocation	
	Police Retirement Plan	Non-Uniformed Pension Plan
Domestic equities	46%	46%
International equities	16%	16%
Fixed income	27%	27%
Global credit	5%	5%
Absolute return	6%	6%

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plans (Continued)

Methods Used to Value Investments: Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Rate of Return: For the year ended December 31, 2022, the annual, money-weighted rate of return on pension plan investments, net of pension plan investment expense for the Police Retirement Plan and the Non-Uniformed Pension Plan was (16.92)% and (16.90)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investments:

The Plans are authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

As of December 31, 2022, the Plans held the following investments:

Police Retirement Plan			
Investment Type	Maturity	12/31/2022	Level 1
Investment by Fair Value Level			
Money market funds	Less than one year	\$ 18,092	\$ 18,092
Mutual funds			
Fixed income	Less than one year	49,850	49,850
Domestic equity	Less than one year	11,409	11,409
International equity	Less than one year	21,232	21,232
Exchange traded funds			
Bonds	Less than one year	55,005	55,005
Equity securities	Less than one year	162,133	162,133
Total investments by fair value level		<u>\$ 317,721</u>	<u>\$ 317,721</u>

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plans (Continued)

Investments (Continued):

Non-Uniformed Pension Plan			
Investment Type	Maturity	12/31/2022	Level 1
Investment by Fair Value Level			
Money market funds	Less than one year	\$ 51,675	\$ 51,675
Mutual funds			
Fixed income	Less than one year	147,058	147,058
Domestic equity	Less than one year	33,693	33,693
International equity	Less than one year	62,698	62,698
Exchange traded funds			
Bonds	Less than one year	162,435	162,435
Equity securities	Less than one year	478,742	478,742
Total investments by fair value level		<u>\$ 936,301</u>	<u>\$ 936,301</u>

The Police Retirement and Non-Uniformed Pension Plans categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair values of assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant, other observable inputs; Level 3 inputs are significant unobservable inputs. All investments are reported at fair value as Level 1 investments under GASB Statement No. 72.

Interest-Rate Risk: The Plans do not have a formal investment policy that limit their exposure to fair value losses arising from increasing interest rates.

Credit Risk: Diversified Investment Act 1940 Funds are commingled pools rather than individual securities. As a result, these accounts are not rated.

Custodial-credit Risk: Plans' assets were not exposed to custodial-credit risk. Brinker Capital holds most assets in the portfolios, and even though Brinker Capital may act as custodian or directed trustee, assets are registered "for the benefit" of the customer. Therefore, the assets are held by the mutual fund company and not by Brinker or any of its affiliates.

Foreign-Currency Risk: Plans' assets held were not exposed to foreign-currency risk.

Derivatives: Diversified Investment Act 1940 Funds may use derivatives as part of their investment strategy. These accounts are commingled pools rather than individual securities.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plans (Continued)

Investments (Continued):

Concentration Risk:

There are no assets legally reserved for purposes other than the payment of plan-member benefits. At December 31, 2022, the Plans held the following investments, the fair values of which exceeded 5.00% or more of net position available for benefits:

Police Retirement Plan		
	Fair Value	Percentage of
	12/31/2022	Net Position
		Available for
		Benefits
Doubleline Total Return Bond I	\$ 29,563	9.30%
iShares Core MSCI Total International Stock ETF	\$ 39,529	12.44%
iShares Core US Aggregate Bonds ETF	\$ 42,322	13.32%
Vanguard Total Stock Market ETF	\$ 113,373	35.68%

Non-Uniformed Pension Plan		
	Fair Value	Percentage of
	12/31/2022	Net Position
		Available for
		Benefits
Doubleline Total Return Bond I	\$ 87,147	9.31%
iShares Core MSCI Total International Stock ETF	\$ 116,736	12.47%
iShares Core US Aggregate Bonds ETF	\$ 124,986	13.35%
Vanguard Total Stock Market ETF	\$ 334,798	35.76%

Commitment Related to Pension Assets, Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions:

At December 31, 2022, the Borough realized a net pension asset of \$175,360 for the Police Retirement Plan and a net pension asset of \$39,345 for the Non-Uniformed Pension Plan. Because of the use of the modified cash basis of accounting framework in the preparation of the financial statements, the net pension assets are not reported in the Borough's financial statements as an asset and are instead disclosed herein as a commitment. In accordance with the modified cash basis of accounting, pension expense or expenditures are only reported with contributions are paid by the Borough.

For the year ended December 31, 2022, the Borough Plans' incurred pension expense of \$(3,588) and \$(25,609) for the Police Retirement Plan and Non-Uniformed Pension Plan, respectively.

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plans (Continued)

Commitment Related to Pension Assets, Pension Liabilities, Pension Expense and Deferred Outflows/
Inflows of Resources Related to Pensions (Continued):

Changes in the total pension liability, plan fiduciary net position and net pension (asset) liability during the year were as follows:

	Police Retirement Plan		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Changes in Net Pension Asset			
Balances at December 31, 2021	\$ 220,159	\$ 381,287	\$ (161,128)
Service cost	12,533	-	12,533
Interest cost	12,624	-	12,624
Changes of assumptions	372	-	372
Differences between expected and actual experience	(97,222)	-	(97,222)
Contributions - state	-	7,793	(7,793)
Net investment income	-	(64,094)	64,094
Benefits (including contribution refunds)	(6,105)	(6,105)	-
Administrative expense	-	(1,160)	1,160
Net changes	(77,798)	(63,566)	(14,232)
Balances at December 31, 2022	\$ 142,361	\$ 317,721	\$ (175,360)

	Non-Uniformed Pension Plan		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Changes in Net Pension Liability (Asset)			
Balances at December 31, 2021	\$ 935,314	\$ 1,110,056	\$ (174,742)
Service cost	40,749	-	40,749
Interest cost	52,336	-	52,336
Changes of assumptions	1,595	-	1,595
Differences between expected and actual experience	(87,323)	-	(87,323)
Contributions - employer	-	14,525	(14,525)
Contributions - state	-	44,012	(44,012)
Net investment income	-	(185,170)	185,170
Benefits (including contribution refunds)	(45,715)	(45,715)	-
Administrative expense	-	(1,407)	1,407
Net changes	(38,358)	(173,755)	135,397
Balances at December 31, 2022	\$ 896,956	\$ 936,301	\$ (39,345)

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plans (Continued)

Commitment Related to Pension Assets, Pension Liabilities, Pension Expense and Deferred Outflows/
Inflows of Resources Related to Pensions (Continued):

At December 31, 2022, the Borough reported deferred outflows and inflows of resources related to the Police Retirement and Non-Uniformed Pension Plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Police Retirement Plan		
Differences between expected and actuarial experience	\$ 22,882	\$ (112,209)
Change of assumptions	11,316	(3,849)
Net difference between projected and actual earnings	67,946	(26,479)
Total Police Retirement Plan	102,144	(142,537)
Non-Uniform Pension Plan		
Differences between expected and actuarial experience	-	(12,675)
Change of assumptions	-	(1,062)
Net difference between projected and actual earnings	196,333	(73,365)
Total Non-Uniform Pension Plan	196,333	(87,102)
Total Pension Plans	\$ 298,477	\$ (229,639)

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

Year Ending December 31:	Police Retirement Plan	Non-Uniformed Pension Plan	Total Pension Plans
2023	\$ (16,396)	\$ 1,098	\$ (15,298)
2024	(10,151)	19,990	9,839
2025	(5,290)	39,059	33,769
2026	(1,784)	49,084	47,300
2027	(9,976)	-	(9,976)
Thereafter	3,204	-	3,204
	\$ (40,393)	\$ 109,231	\$ 68,838

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plans (Continued)

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2022, using the following actuarial assumptions applied to all periods included in the measurement:

Actuarial Assumptions	Police Retirement Plan	Non-Uniformed Pension Plan
Inflation	3.00%	3.00%
Salary increases	4.50%	4.00%
Investment rate of return	5.50%	5.50%
Pre-retirement mortality table	None	Pub-2010, General
Pre-retirement projection scale	None	MP-2021
Post-retirement mortality	Pub-2010, Safety	Pub-2010, General
Post-retirement projection scale	MP-2021	MP-2021

As required by Paragraph 202(b) of Act 205 of 1984, all actuarial assumptions were determined based on agreement between the Plans' actuary and the municipality. Additionally, the Plan's investment manager's input was solicited in determining the rate-of-return assumption.

Discount Rate: The discount rate is equal to the assumed rate of return. Pursuant to paragraph #43 of Statement No. 67 of the GASB, we have determined that the crossover test for projecting asset depletion is unnecessary as the annual, required contributions are actuarially determined, the cost method for funding (entry-age normal) is a traditional individual method, amortization periods are closed and of reasonable length, and all benefits are valued.

Sensitivity of the Committed Net Pension Asset to Changes in the Discount Rate: The following presents the net pension asset of the Police Retirement Plan calculated using the current, discount rate of 5.50% and discount rates that are one percentage point lower (4.50%) or one percentage point higher (6.50%) than the current rate:

	1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
Net Pension Liability (Asset)	\$ (162,183)	\$ (175,360)	\$ (187,159)

The following presents the net pension asset of the Non-Uniformed Pension Plan, calculated using the current, discount rate of 5.50% and discount rates that are one percentage point lower (4.50%) or one percentage point higher (6.50%) than the current rate:

	1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
Net Pension Liability (Asset)	\$ 77,224	\$ (39,345)	\$ (134,900)

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 9. Environmental Concerns

The Authorities operate a water treatment facility and a wastewater treatment facility. If a leak or contamination occurred, the Borough and Authority could be liable for the cost to clean up the leak or contamination.

Note 10. Contingencies

The Borough participates in numerous grant programs for which it will be contingently liable for any disallowed expenditures. At December 31, 2022, the Borough was not aware of any such disallowances.

Note 11. Risk Management

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

Note 12. Segment Information for Enterprise Funds

The Borough maintains an Enterprise Fund which provides sanitation services. Segment information as of and for the year ended December 31, 2022, follows:

	Recycling
Operating loss	\$ (616)
Investment income	26
Change in net assets	(590)
Net working capital	8,272
Total assets	8,272
Total equity	8,272

BOROUGH OF MERCERSBURG

NOTES TO FINANCIAL STATEMENTS

Note 13. Significant Commitments

The Borough has not entered into any significant commitments as of December 31, 2022.

The Sewer Authority has not entered into any significant commitments as of December 31, 2022.

The Water Authority has not entered into any significant commitments as of December 31, 2022.

Note 14. Subsequent Events

In June 2023, the Water Authority awarded the PRV Project to PSI Pumping Solutions, Inc. for a total cost of \$149,810.

Note 15. Major Customers and Vendors

During the year ended December 31, 2022, net operating revenue of the Mercersburg Sewer Authority derived from Mercersburg Academy represented 26.24% of total net operating revenue.

During the year ended December 31, 2022, net operating revenue of the Mercersburg Water Authority derived from Mercersburg Academy represented 18.94% of total net operating revenue.

OTHER INFORMATION

BOROUGH OF MERCERSBURG

**SCHEDULE OF CHANGES IN THE BOROUGH'S NET PENSION LIABILITY
AND RELATED RATIOS - POLICE RETIREMENT PLAN**

Year Ended December 31,

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 12,533	\$ 12,051	\$ 11,582	\$ 11,219	\$ 10,594	\$ 4,832	\$ 4,523	\$ 6,343	\$ 6,041
Interest cost	12,624	11,660	10,804	11,014	9,878	6,394	6,007	12,498	12,332
Changes of assumptions	372	-	(3,042)	12,109	4,858	1,973	-	(4,541)	-
Differences between expected and actual experience	(97,222)	(228)	1,936	(8,578)	(1,656)	42,891	1,512	(68,475)	-
Benefits (including contribution refunds)	(6,105)	(6,105)	(6,614)	(5,596)	(6,105)	(6,105)	(6,614)	(14,326)	(15,971)
Net changes in total pension liability	(77,798)	17,378	14,666	20,168	17,569	49,985	5,428	(68,501)	2,402
Total pension liability - beginning	220,159	202,781	188,115	167,947	150,378	100,393	94,965	163,466	161,064
Total pension liability - ending	\$ 142,361	\$ 220,159	\$ 202,781	\$ 188,115	\$ 167,947	\$ 150,378	\$ 100,393	\$ 94,965	\$ 163,466
Plan Fiduciary Net Position									
Employer contributions	\$ -	\$ -	\$ -	\$ 1,409	\$ -	\$ -	\$ -	\$ -	\$ -
State contributions	7,793	7,545	1,667	-	-	-	-	-	-
Net investment income	(64,094)	36,384	41,458	48,111	(18,061)	37,297	11,746	(6,347)	6,068
Benefits (including contribution refunds)	(6,105)	(6,105)	(6,614)	(5,596)	(6,105)	(6,105)	(6,614)	(14,326)	(15,971)
Administrative expenses	(1,160)	(1,202)	(8,040)	(1,055)	(7,290)	(3,287)	-	(11,250)	(5,375)
Other changes	-	-	-	-	-	-	-	495	-
Net change in plan fiduciary net position	(63,566)	36,622	28,471	42,869	(31,456)	27,905	5,132	(31,428)	(15,278)
Plan net position - beginning	381,287	344,665	316,194	273,325	304,781	276,876	271,744	303,172	318,450
Plan net position - ending	\$ 317,721	\$ 381,287	\$ 344,665	\$ 316,194	\$ 273,325	\$ 304,781	\$ 276,876	\$ 271,744	\$ 303,172
Borough's net pension (asset) liability	\$ (175,360)	\$ (161,128)	\$ (141,884)	\$ (128,079)	\$ (105,378)	\$ (154,403)	\$ (176,483)	\$ (176,779)	\$ (139,706)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	223.18%	173.19%	169.97%	168.09%	162.74%	202.68%	275.79%	286.15%	185.46%
Covered Employee Payroll	\$ 60,263	\$ 102,604	\$ 98,836	\$ 95,036	\$ 97,031	\$ 94,696	\$ 93,590	\$ 89,486	\$ 81,825
Borough's Net Pension Liability as a Percentage of Covered Employee Payroll	-290.99%	-157.04%	-143.55%	-134.77%	-108.60%	-163.05%	-188.57%	-197.55%	-170.74%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full, 10-year trend is compiled, only information for those years for which information is available is shown.

BOROUGH OF MERCERSBURG

SCHEDULE OF EMPLOYER CONTRIBUTIONS

POLICE RETIREMENT PLAN

Year Ended December 31,

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 7,793	\$ 7,545	\$ 1,667	\$ 1,409	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deposited	7,793	7,545	1,667	1,409	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll used for MMO	\$ 102,580	\$ 100,583	\$ 98,740	\$ 96,446	\$ 91,849	\$ 88,734	\$ 85,563	\$ 81,825	\$ 83,146	\$ 86,459
Contributions as a percentage of covered employee payroll	7.60%	7.50%	1.69%	1.46%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

BOROUGH OF MERCERSBURG

**SCHEDULE OF INVESTMENT RETURNS
POLICE RETIREMENT PLAN**

Year Ended December 31,

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rates of return, net of investment expense	-16.92%	10.61%	13.28%	17.82%	-6.07%	13.69%	4.38%	-2.20%	2.06%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full, 10-year trend is compiled, only information for those years for which information is available is shown.

BOROUGH OF MERCERSBURG

**SCHEDULE OF CHANGES IN THE BOROUGH'S NET PENSION LIABILITY
AND RELATED RATIOS - NON-UNIFORMED PENSION PLAN**

Year Ended December 31,

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 40,749	\$ 42,852	\$ 41,349	\$ 38,636	\$ 28,855	\$ 39,294	\$ 38,472	\$ 22,632	\$ 23,597
Interest cost	52,336	51,297	48,756	49,385	46,215	46,648	43,396	47,275	44,134
Changes of assumptions	1,595	-	(4,274)	110,013	(2,289)	9,009	-	34,696	-
Differences between expected and actual experience	(87,323)	(24,994)	(938)	(75,235)	(2,244)	(64,877)	23,751	(79,501)	-
Benefits (including contribution refunds)	(45,715)	(47,195)	(33,078)	(27,058)	(29,518)	(17,788)	(88,761)	(15,389)	(24,100)
Net changes in total pension liability	(38,358)	21,960	51,815	95,741	41,019	12,286	16,858	9,713	43,631
Total pension liability - beginning	935,314	913,354	861,539	765,798	724,779	712,493	695,635	685,922	642,291
Total pension liability - ending	\$ 896,956	\$ 935,314	\$ 913,354	\$ 861,539	\$ 765,798	\$ 724,779	\$ 712,493	\$ 695,635	\$ 685,922
Plan Fiduciary Net Position									
Employer contributions	\$ 14,525	\$ 19,709	\$ 1,753	\$ 1,761	\$ -	\$ -	\$ 2,225	\$ 12,618	\$ 16,106
State contributions	44,012	40,428	52,495	53,414	51,528	49,937	48,121	43,129	42,600
Deficiency contributions	-	-	-	-	-	-	-	781	-
Net investment income	(185,170)	104,207	113,767	127,972	(44,881)	86,444	61,818	(9,539)	40,131
Benefits (including contribution refunds)	(45,715)	(47,195)	(33,078)	(27,058)	(29,518)	(17,788)	(88,761)	(15,389)	(24,100)
Administrative expenses	(1,407)	(2,443)	(11,265)	(1,654)	(9,526)	(3,781)	-	(7,250)	(5,375)
Net change in plan fiduciary net position	(173,755)	114,706	123,672	154,435	(32,397)	114,812	23,403	24,350	69,362
Plan net position - beginning	1,110,056	995,350	871,678	717,243	749,640	634,828	611,425	587,075	517,713
Plan net position - ending	\$ 936,301	\$ 1,110,056	\$ 995,350	\$ 871,678	\$ 717,243	\$ 749,640	\$ 634,828	\$ 611,425	\$ 587,075
Borough's net pension (asset) liability	\$ (39,345)	\$ (174,742)	\$ (81,996)	\$ (10,139)	\$ 48,555	\$ (24,861)	\$ 77,665	\$ 84,210	\$ 98,847
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	104.39%	118.68%	108.98%	101.18%	93.66%	103.43%	89.10%	87.89%	85.59%
Covered Employee Payroll	\$ 162,915	\$ 229,181	\$ 238,360	\$ 228,137	\$ 266,844	\$ 197,370	\$ 278,994	\$ 272,117	\$ 259,094
Borough's Net Pension Liability as a Percentage of Covered Employee Payroll	-24.15%	-76.25%	-34.40%	-4.44%	18.20%	-12.60%	27.84%	30.95%	38.15%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full, 10-year trend is compiled, only information for those years for which information is available is shown.

BOROUGH OF MERCERSBURG

SCHEDULE OF EMPLOYER CONTRIBUTIONS

NON-UNIFORMED PENSION PLAN

Year Ended December 31,

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 58,537	\$ 60,137	\$ 54,248	\$ 55,175	\$ 39,717	\$ 48,503	\$ 50,346	\$ 55,747	\$ 54,994	\$ 49,523
Contribution deposited	58,537	60,137	54,248	55,175	51,528	49,937	50,346	115,234	-	49,523
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (11,811)	\$ (1,434)	\$ -	\$ (59,487)	\$ 54,994	\$ -
Covered employee payroll used for MMO	\$ 211,825	\$ 235,793	\$ 221,051	\$ 227,707	\$ 178,218	\$ 286,416	\$ 288,483	\$ 266,867	\$ 259,094	\$ 262,137
Contributions as a percentage of covered employee payroll	27.63%	25.50%	24.54%	24.23%	28.91%	17.44%	17.45%	43.18%	0.00%	18.89%

BOROUGH OF MERCERSBURG

**SCHEDULE OF INVESTMENT RETURNS
NON-UNIFORMED PENSION PLAN**

Year Ended December 31,

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rates of return, net of investment expense	-16.90%	10.60%	13.24%	17.96%	-6.14%	13.53%	10.58%	-1.64%	8.10%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full, 10-year trend is compiled, only information for those years for which information is available is shown.

BOROUGH OF MERCERSBURG

**SINGLE-EMPLOYER PENSION PLANS
NOTES TO OTHER INFORMATION
Year Ended December 31, 2022**

	Police Retirement Plan	Non-Uniform Pension Plan
Actuarial Valuation Date	12/31/2022	12/31/2022
Actuarial Assumptions		
Inflation	3.00%	3.00%
Salary Increases	4.50%	4.00%
Investment Rate of Return	5.50%	5.50%
Pre-Retirement Mortality Mortality Table	None	Pub-2010, General
Projection Scale	None	MP-2021
Post-Retirement Mortality Mortality Table	Pub-2010, Safety	Pub-2010, General
Projection Scale	MP-2021	MP-2021
Retirement Age	Age 50 and 25 years of service	Age 62
Actuarial Cost Method	Entry-age normal	Entry-age normal

SUPPLEMENTARY INFORMATION

BOROUGH OF MERCERSBURG

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

December 31, 2022

	Capital Projects			Highway Aid
	Police Reserve	General Fund Reserve	Street Projects	
ASSETS				
Cash and cash equivalents	\$ 30,569	\$ 130,150	\$ 55,415	\$ 58,489
Total assets	\$ 30,569	\$ 130,150	\$ 55,415	\$ 58,489
FUND BALANCES				
Restricted				
Capital improvements	\$ 30,569	\$ 130,150	\$ 55,415	\$ -
Specified purposes	-	-	-	58,489
Total fund balances	\$ 30,569	\$ 130,150	\$ 55,415	\$ 58,489

Special Revenue				Total
Playground Fund	Christmas Décor Fund	Columbia Gas Escrow Fund	Findley Park Escrow Fund	Non-Major Governmental Funds
\$ 775	\$ 830	\$ 782	\$ 34,430	\$ 311,440
\$ 775	\$ 830	\$ 782	\$ 34,430	\$ 311,440
\$ -	\$ -	\$ -	\$ -	\$ 216,134
775	830	782	34,430	95,306
\$ 775	\$ 830	\$ 782	\$ 34,430	\$ 311,440

BOROUGH OF MERCERSBURG

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

Year Ended December 31, 2022

	Capital Projects			Special Revenue
	Police Reserve	General Fund Reserve	Street Projects	Highway Aid
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Investment income	46	195	174	991
Intergovernmental revenue	-	-	-	43,871
Miscellaneous income	-	-	-	-
Total revenues	46	195	174	44,862
Expenditures				
Public safety	-	-	-	-
Public works	-	-	-	34,607
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	34,607
Excess (deficiency) of revenues over expenditures	46	195	174	10,255
Other Financing Sources (Uses)				
Debt service -principal	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	46	195	174	10,255
Fund Balances:				
January 1, 2022	30,523	129,955	55,241	48,234
December 31, 2022	\$ 30,569	\$ 130,150	\$ 55,415	\$ 58,489

Special Purpose Tax	Playground Fund	Special Revenue			Findley Park Escrow Fund	Total Non-Major Governmental Funds
		Christmas Décor Fund	Columbia Gas Escrow Fund			
\$ 75,514	\$ -	\$ -	\$ -	\$ -	\$ 75,514	
-	5	2	-	52	1,465	
-	-	-	-	-	43,871	
-	4,500	-	-	-	4,500	
<u>75,514</u>	<u>4,505</u>	<u>2</u>	<u>-</u>	<u>52</u>	<u>125,350</u>	
36,143	-	-	-	-	36,143	
-	-	-	10	-	34,617	
13,554	5,738	151	-	-	19,443	
<u>49,697</u>	<u>5,738</u>	<u>151</u>	<u>10</u>	<u>-</u>	<u>90,203</u>	
25,817	(1,233)	(149)	(10)	52	35,147	
<u>(25,817)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,817)</u>	
<u>(25,817)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,817)</u>	
-	(1,233)	(149)	(10)	52	9,330	
-	2,008	979	792	34,378	302,110	
<u>\$ -</u>	<u>\$ 775</u>	<u>\$ 830</u>	<u>\$ 782</u>	<u>\$ 34,430</u>	<u>\$ 311,440</u>	