

# **Borough of Plum**

## Primary Government Financial Statements and Required Supplementary and Supplementary Information

Year Ended December 31, 2021  
with Independent Auditor's Report

**MaherDuessel**

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# BOROUGH OF PLUM

YEAR ENDED DECEMBER 31, 2021

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YEAR ENDED DECEMBER 31, 2021

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## Independent Auditor's Report

**Members of Council  
Borough of Plum**

### Report on the Audit of the Financial Statements

#### **Adverse and Unmodified Opinions**

We have audited the accompanying primary government financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Plum (Borough), Pennsylvania, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

#### **Adverse Opinion on Discretely Presented Component Unit**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the Borough as of December 31, 2021, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Unmodified Opinions on Governmental Activities, Each Major Fund, and the Aggregate Remaining Fund Information**

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough, as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Adverse and Unmodified 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 adverse and unmodified audit opinions.

### Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Unit

The financial statements do not include financial data for the Borough's legally separate component unit (Plum Borough Municipal Authority). Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the Borough's primary government unless the Borough also issues financial statements for the financial reporting entity that includes the financial data for its component unit. The Borough has not issued such reporting entity financial statements. The effects of not including the Borough's legally separate component unit has not been determined.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Maher Duessel*

Pittsburgh, Pennsylvania  
August 10, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Borough of Plum (Borough), we offer readers of the Borough's primary government financial statements (financial statements) this narrative overview and analysis of the financial performance of the Borough for the fiscal year ended December 31, 2021. Please read this Management's Discussion and Analysis in conjunction with the financial statements which follow to obtain a thorough understanding of the Borough's financial condition on December 31, 2021.

### FINANCIAL HIGHLIGHTS

- In 2021, no new accounting policies were adopted by the Borough.
- The Borough's net position, which are total assets plus deferred outflows of resources, minus total liabilities and deferred inflows of resources, as presented, were \$(4,644,525) on December 31, 2021, an increase of \$1,723,760.
- At the end of the current fiscal year, the Borough had total bonds and loans outstanding of \$41,219,665. The total bonds and loans increased by \$8,058,361 during the current year.
- The General Fund reported a negative net change in fund balance of approximately (\$1,124,000). It is due to transfers out to our Capital Improvement, Debt Service and Street Improvement Funds. Excluding the transfers out, revenues exceeded budget by \$315,000 and expenditures being favorable to budget by \$259,000. The Borough originally budgeted for a surplus of \$77,000.
- The total fund balance in the Borough's General Fund on December 31, 2021 was \$3,245,525. Fund balances in funds other than the General Fund totaled \$16,456,682 on December 31, 2021 of which \$12,831,274 was in the 2019 and 2021 Bond funds.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This overview is intended to serve as an introduction to the Borough's basic financial statements. The Borough's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the primary government financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** - The two *government-wide financial statements* are designed to provide readers with a broad overview of the Borough's finances, in a manner like a private-sector business. These statements report on the Borough's total net position and how they have changed.

The *statement of net position* presents information on all the Borough's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Borough is improving or deteriorating.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function 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 among program revenues are reported instead as general revenues.



The government-wide financial statements indicate that the functions of the Borough are principally supported by taxes and intergovernmental revenue (*governmental activities*.) The Borough does not participate in functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Borough encompass general government, public safety, public works, culture and recreation, and debt service activities.

The government-wide financial statements can be found on pages 1 and 2 of this report.

**Fund Financial Statements** - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Borough, like other state and local government agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Borough reports only governmental funds and fiduciary funds.

**Governmental Funds** - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Borough maintained eleven governmental funds during 2021. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General, 2019 Bond, ARPA, and 2021 Bond Funds which are the only major funds in 2021. Consolidated information for other than the major funds is presented within the Other Governmental Funds category in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The reason for not reporting other funds separately is that they are not considered to be major funds in 2021. The seven other governmental funds are the Flood Mitigation Fund, the Fire Protection Fund, the State Fund, Capital Improvement Fund, Street Improvement Fund, Debt Service Fund, and EMS Fund. Data from these other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Borough adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget and can be found on page 52 of this report.

The basic governmental fund financial statements can be found on pages 3 through 6 of this report.

**Fiduciary Funds** - *Fiduciary funds* are used to account for assets held in a trustee capacity. The Borough's fiduciary funds consist of one Custodial Fund and three Pension Trust Funds: The Police Pension Fund, Public Works Pension Fund, and the Administrative Pension Fund.

Fiduciary funds are reported on the accrual basis of accounting whereas revenues are recorded when earned and expenses are recorded when a liability is incurred.

The fiduciary fund financial statement can be found on pages 7 and 8 of this report.

**Notes to Primary Government Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to primary government financial statements can be found on pages 9 through 51 of this report.

**Required Supplementary Information** - This section of the report contains certain budgetary comparison and pension information required by accounting principles generally accepted in the United States of America. This information can be found on pages 52 through 59 of this report.

**Supplementary Information** - In addition to the basic financial statements and accompanying notes, this report also includes the combining statements referred to earlier in connection with the other governmental funds and fiduciary funds. These can be found on pages 60 and 63 of this report.

### **FINANCIAL ANALYSIS OF THE BOROUGH**

As noted earlier, net position may serve over time as a useful indicator of a government agency's financial position. Net position increase when revenues exceed expenses. In the case of the Borough, liabilities and deferred inflows exceeded assets and deferred outflows by \$4,644,525 at the close of the fiscal year.

A condensed summary of the Borough's net position on December 31, 2021 and 2020 is as follows.

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
<b>Assets:</b>			
Current and other assets	\$ 26,369,474	\$ 23,606,140	\$ 2,763,334
Capital assets, net	26,831,427	17,304,622	9,526,805
<b>Total Assets</b>	<u>\$ 53,200,901</u>	<u>\$ 40,910,762</u>	<u>\$ 12,290,139</u>
<b>Deferred Outflows of Resources:</b>			
Deferred Charge on Refunding	\$ 777,990	\$ 815,968	\$ (37,978)
Deferred outflows of resources related to pension	1,339,371	1,660,819	(321,448)
Deferred outflows of resources related to OPEB	398,432	438,276	(39,844)
<b>Total Deferred Outflows of Resources</b>	<u>\$ 2,515,793</u>	<u>\$ 2,915,063</u>	<u>\$ (399,270)</u>
<b>Liabilities:</b>			
Current and other liabilities	\$ 4,883,744	\$ 1,519,943	\$ 3,363,801
Non-current liabilities	52,612,576	46,145,805	6,466,771
<b>Total Liabilities</b>	<u>\$ 57,496,320</u>	<u>\$ 47,665,748</u>	<u>\$ 9,830,572</u>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows of resources related to pension	\$ 2,549,738	\$ 2,225,514	\$ 324,224
Deferred inflows of resources related to OPEB	315,161	302,848	12,313
<b>Total Deferred Inflows of Resources</b>	<u>\$ 2,864,899</u>	<u>\$ 2,528,362</u>	<u>\$ 336,537</u>
<b>Net Position:</b>			
Net investment in capital assets	\$ 399,628	\$ (1,249,641)	\$ 1,649,269
Restricted	3,140,194	2,593,943	546,251
Unrestricted	(8,184,347)	(7,712,587)	(471,760)
<b>Total Net Position</b>	<u>\$ (4,644,525)</u>	<u>\$ (6,368,285)</u>	<u>\$ 1,723,760</u>

The increase in capital assets, net is mainly due to work in process associated with the construction of a state-of-the-art administration facility.

The Borough has non-current liabilities or long-term obligations that include term loans and bond issuances.

The total net position of the Borough's activities increased from an amount of \$(6,368,285) in 2020, to \$(4,644,525) in 2021.

A condensed summary of the Borough's change in net position from a revenue/expense perspective for the fiscal year ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Program revenues:			
Charges for services	\$ 3,239,543	\$ 3,274,881	\$ (35,338)
Operating grants and contributions	1,593,484	1,738,425	(144,941)
Capital grant contributions	75,000	-	75,000
General revenues:			
Real estate taxes	7,436,163	7,479,134	(42,971)
Earned income taxes	4,205,569	3,999,861	205,708
Local services taxes	278,292	285,523	(7,231)
Real estate transfer	565,845	-	565,845
Other taxes	720,433	1,080,252	(359,819)
Franchise fees	581,205	587,815	(6,610)
Inv. income, rent and royalties	111,834	78,651	33,183
Donated capital assets	2,146,000	-	2,146,000
Miscellaneous	91,916	91,127	789
	<u>21,045,284</u>	<u>18,615,669</u>	<u>2,429,615</u>
Program expenses:			
General government	2,302,517	2,045,141	257,376
Public safety	6,473,806	6,871,364	(397,558)
Public works	7,927,621	7,982,935	(55,314)
Culture and recreation	1,134,156	698,020	436,136
Interest on long-term debt	1,483,424	1,150,397	333,027
	<u>19,321,524</u>	<u>18,747,857</u>	<u>573,667</u>
<b>Change in Net Position</b>	1,723,760	(132,188)	1,855,948
Net position-beginning	<u>(6,368,285)</u>	<u>(6,236,097)</u>	<u>1,855,948</u>
Net position-ending	<u>\$ (4,644,525)</u>	<u>\$ (6,368,285)</u>	<u>\$ 1,723,760</u>

Total government-wide revenues of \$21,045,284 were largely derived from property tax collections, earned income collections, and other taxes. Total revenues increased in 2021 by \$2,429,615 when compared to 2020 and resulted from a donation of a capital asset to the Borough.

Total program expenses in 2021 were \$19,321,524 which is \$573,667 more than the previous year.

## FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS

As noted earlier, the Borough uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the Borough's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Borough's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government agency's net resources available for spending at the end of the fiscal year.

As of the end of 2021, the Borough's governmental funds reported combined ending fund balances of \$19,702,207. Approximately, 84% of this total amount or \$16,450,683 constitutes *restricted fund balance*. The remainder of the fund balance is unassigned or is the residual classification for the Borough's General Fund and contains all spendable amounts not contained in other classifications of fund balance.

The General Fund is the principal operating fund of the Borough. At the end of the current fiscal year, the *unassigned fund balance* of the General Fund was \$2,623,361, or approximately 20% of the 2021 adopted expenditure budget. The Borough has established a minimum Unassigned Fund Balance of 5% of the Borough's General Fund annual operating expenditures. In an event that the balance drops below the established minimum level, the Borough's governing body will develop a plan to replenish the fund balance to the established minimum level within two years.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, actual General Fund revenues were 102.3% of budget or above budgetary estimates by \$314,733; expenditures were under budgetary estimates by \$259,174. At the end of 2021, Council approved fund balance transfers from the General Fund totaling \$1,775,000. The net change in fund balance had a positive variance of (\$573,907) and was directly related to budgeted savings, revenues exceeding expectations, and transfers to other funds.

### CAPITAL ASSETS

Capital assets are reported in the statements of net assets, but not reported in the fund financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. A summary of the current year changes in capital assets can be found in Note 7 of the Notes to Primary Government Financial Statements.

### DEBT ADMINISTRATION

**Long-Term Debt** - At the end of the current fiscal year, the Borough had total outstanding debt that included issuances of Series 2015, 2019, and 2021 Bonds, and Fire Fund loans in the amount of \$41,219,665 (not inclusive of capital leases and compensated absences).

The total bonds and loans increased by a net of \$8,058,361 during the current fiscal year.

A summary of the Borough's debt activity in 2021 follows:

Beginning balance, January 1, 2021	\$ 33,161,304
Additions	14,050,000
Issuance Premium	(44,275)
Repayments	<u>(5,947,364)</u>
Ending balance, December 31, 2021	<u>\$ 41,219,665</u>

More detailed information about the Borough's debt activity can be found in Note 4 to the financial statements.

### **2022 BUDGET HIGHLIGHTS**

The 2022 General Fund budget continues to emphasize cost containment. Several highlights include:

- The 2022 General Fund budgeted revenues are anticipated to be 2.7% higher than the 2022 budgeted figures. This increase is predominantly due higher real estate and local enabling taxes.
- The 2022 budget included no increase to Real Estate Property Taxes.
- The 2022 General Fund budgeted expenditures were adopted at \$14.16 million or an increase of 2.9% when compared to 2022. The increase was spread across various departments.
- The budget includes funds to maintain current levels of policing, Public Works services, and infrastructure maintenances.

### **CONTACTING THE BOROUGH'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Borough's finances and to demonstrate the Borough's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Borough Manager  
Borough of Plum  
4575 New Texas Road  
Plum, PA 152392

**BOROUGH OF PLUM**  
**STATEMENT OF NET POSITION**  
DECEMBER 31, 2021

<b>Assets</b>	
Cash and cash equivalents	\$ 16,743,560
Cash held for escrow deposits	657,867
Investments	5,728,979
Receivables, net	3,145,905
Prepays	93,163
Capital assets, net of accumulated depreciation:	
Construction in progress	8,445,239
Land	388,660
Infrastructure	5,460,814
Buildings and building improvements	10,556,166
Improvements other than buildings	612,400
Machinery and equipment	1,368,148
Total capital assets, net of accumulated depreciation	26,831,427
<b>Total Assets</b>	53,200,901
<b>Deferred Outflows of Resources</b>	
Deferred charge on refunding	777,990
Deferred outflows of resources related to pension	1,339,371
Deferred outflows of resources related to OPEB	398,432
<b>Total Deferred Outflows of Resources</b>	2,515,793
<b>Liabilities</b>	
Accounts payable and accrued expenses	2,766,145
Unearned revenue	1,459,732
Escrow liability	657,867
Long-term liabilities due within one year:	
Capital leases payable	330,488
Bonds and loans	585,223
Accrued interest	128,802
Long-term liabilities due in more than one year:	
Capital leases payable	459,726
Bonds and loans	40,634,442
Compensated absences	524,971
Net OPEB liability	7,048,969
Net pension liability	2,899,955
<b>Total Liabilities</b>	57,496,320
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to pension	2,549,738
Deferred inflows of resources related to OPEB	315,161
<b>Total Deferred Inflows of Resources</b>	2,864,899
<b>Net Position</b>	
Net investment in capital assets	399,628
Restricted for:	
Liquid Fuels Tax projects	110,200
Fire protection	494,067
Street improvements	710,240
Debt service	1,603,867
Flood mitigation	121,693
Emergency medical services	100,127
Unrestricted	(8,184,347)
<b>Total Net Position</b>	\$ (4,644,525)

See accompanying notes to primary government financial statements.

# BOROUGH OF PLUM

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Program Revenues			Net (Expense)	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position	
<b>Governmental Activities:</b>					
General government	\$ 2,302,517	\$ 40,572	\$ -	\$ -	\$ (2,261,945)
Public safety	6,473,806	260,640	606,994	-	(5,606,172)
Public works	7,927,621	2,928,051	986,490	-	(4,013,080)
Culture and recreation	1,134,156	10,280	-	75,000	(1,048,876)
Interest on long-term debt	1,483,424	-	-	-	(1,483,424)
<b>Total governmental activities</b>	<b>\$ 19,321,524</b>	<b>\$ 3,239,543</b>	<b>\$ 1,593,484</b>	<b>\$ 75,000</b>	<b>(14,413,497)</b>
General revenues:					
Taxes:					
Real estate					7,436,163
Earned income					4,205,569
Local services					278,292
Real estate transfer					565,845
Other					720,433
Franchise fees					581,205
Investment income, rents, and royalties					111,834
Donated capital assets					2,146,000
Miscellaneous income					91,916
Total general revenues					16,137,257
<b>Change in Net Position</b>					1,723,760
<b>Net Position:</b>					
Beginning of year					(6,368,285)
End of year					\$ (4,644,525)

See accompanying notes to primary government financial statements.



**BOROUGH OF PLUM**

BALANCE SHEET  
GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	General	2019 Bond Fund	ARPA Fund	2021 Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 2,699,676	\$ 3,968,328	\$ 1,417,871	\$ 4,262,806	\$ 4,394,879	\$ 16,743,560
Cash held for escrow deposits	657,867	-	-	-	-	657,867
Investments	-	2,505,710	-	3,223,269	-	5,728,979
Receivables:						
Taxes	1,885,310	-	-	-	449,940	2,335,250
Sanitation fees	564,729	-	-	-	-	564,729
Other	16,142	38,154	-	36,851	154,779	245,926
Prepays	87,164	-	-	-	5,999	93,163
Due from other funds	1,272,690	-	-	-	-	1,272,690
<b>Total Assets</b>	<b>\$ 7,183,578</b>	<b>\$ 6,512,192</b>	<b>\$ 1,417,871</b>	<b>\$ 7,522,926</b>	<b>\$ 5,005,597</b>	<b>\$ 27,642,164</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 1,795,782	\$ -	\$ -	\$ -	\$ 855,477	\$ 2,651,259
Accrued liabilities	114,886	-	-	-	-	114,886
Unearned revenue	29,645	-	1,417,587	-	12,500	1,459,732
Due to other funds	-	1,203,844	-	-	68,846	1,272,690
Escrow liability	657,867	-	-	-	-	657,867
<b>Total Liabilities</b>	<b>2,598,180</b>	<b>1,203,844</b>	<b>1,417,587</b>	<b>-</b>	<b>936,823</b>	<b>6,156,434</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenue	1,339,873	-	-	-	443,650	1,783,523
<b>Fund Balance:</b>						
Nonspendable - prepaids	87,164	-	-	-	5,999	93,163
Restricted for:						
Liquid Fuels Tax projects	-	-	-	-	110,200	110,200
Fire protection	-	-	-	-	401,104	401,104
Debt service	-	-	-	-	1,496,258	1,496,258
Street improvements	-	-	-	-	562,434	562,434
Flood mitigation	-	-	-	-	95,063	95,063
Capital projects	-	5,308,348	-	7,522,926	892,399	13,723,673
Emergency medical services	-	-	284	-	61,667	61,951
Assigned for:						
Compensated absences	185,000	-	-	-	-	185,000
Road paving	250,000	-	-	-	-	250,000
Weather related emergencies	100,000	-	-	-	-	100,000
Unassigned	2,623,361	-	-	-	-	2,623,361
<b>Total Fund Balance</b>	<b>3,245,525</b>	<b>5,308,348</b>	<b>284</b>	<b>7,522,926</b>	<b>3,625,124</b>	<b>19,702,207</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 7,183,578</b>	<b>\$ 6,512,192</b>	<b>\$ 1,417,871</b>	<b>\$ 7,522,926</b>	<b>\$ 5,005,597</b>	<b>\$ 27,642,164</b>

See accompanying notes to primary government financial statements.

# BOROUGH OF PLUM

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2021

<b>Total Fund Balance - Governmental Funds</b>	\$ 19,702,207
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, are not reported as assets in governmental funds.	26,831,427
Real estate taxes receivable, earned income taxes receivable, and sanitation receivable will be collected next year but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable in the funds.	1,783,523
The net pension and other post-employment benefits liabilities are not reflected on the fund financial statements.	(9,948,924)
Deferred outflows and inflows of resources for pension and OPEB are recorded and amortized in the statement of net position and are not recorded on the fund financial statements.	(1,127,096)
Unamortized charges on bond refundings are reported as deferred outflows of resources on the governmental activities statement of net position but are not reported in the funds.	777,990
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund.	<u>(42,663,652)</u>
<b>Total Net Position of Governmental Activities</b>	<u>\$ (4,644,525)</u>

See accompanying notes to primary government financial statements.

**BOROUGH OF PLUM**  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2021

	General	2021 Bond Fund	ARPA Fund	2021 Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 10,131,757	\$ -	\$ -	\$ -	\$ 3,075,274	\$ 13,207,031
Licenses and permits	779,837	-	-	-	-	779,837
Fines and forfeits	52,088	-	-	-	-	52,088
Interest, rent, and royalties	906	211,136	284	22,576	15,294	250,196
Investment gain (loss)	-	(115,227)	-	(23,135)	-	(138,362)
Intergovernmental	720,427	-	-	-	992,244	1,712,671
Charges for services	2,252,135	-	-	-	723,984	2,976,119
Miscellaneous	77,539	-	-	-	-	77,539
Total revenues	<u>14,014,689</u>	<u>95,909</u>	<u>284</u>	<u>(559)</u>	<u>4,806,796</u>	<u>18,917,119</u>
<b>Expenditures:</b>						
Current:						
General government	1,884,464	9,119	-	-	-	1,893,583
Public safety	6,152,107	-	-	-	1,052,290	7,204,397
Public works	4,704,539	-	-	-	2,329,750	7,034,289
Culture and recreation	622,823	-	-	-	38,260	661,083
Capital outlay	-	8,022,584	-	744,294	462,966	9,229,844
Debt service:						
Principal	-	-	-	-	1,097,452	1,097,452
Issuance costs	-	-	-	357,221	-	357,221
Interest	-	-	-	-	1,127,564	1,127,564
Total expenditures	<u>13,363,933</u>	<u>8,031,703</u>	<u>-</u>	<u>1,101,515</u>	<u>6,108,282</u>	<u>28,605,433</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>650,756</u>	<u>(7,935,794)</u>	<u>284</u>	<u>(1,102,074)</u>	<u>(1,301,486)</u>	<u>(9,688,314)</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from capital lease	-	-	-	-	480,682	480,682
Proceeds from bonds payable	-	-	-	14,050,000	-	14,050,000
Payment to refunded bonds escrow agent	-	-	-	(5,425,000)	-	(5,425,000)
Proceeds of capital asset disposition	-	-	-	-	16,025	16,025
Transfers in	-	-	-	-	1,805,000	1,805,000
Transfers out	(1,775,000)	-	-	-	(30,000)	(1,805,000)
Total other financing sources (uses)	<u>(1,775,000)</u>	<u>-</u>	<u>-</u>	<u>8,625,000</u>	<u>2,270,059</u>	<u>9,120,059</u>
<b>Net Change in Fund Balance</b>	<u>(1,124,244)</u>	<u>(7,935,794)</u>	<u>284</u>	<u>7,522,926</u>	<u>968,573</u>	<u>(568,255)</u>
<b>Fund Balance:</b>						
Beginning of year	4,369,769	13,244,142	-	-	2,656,551	20,270,462
End of year	<u>\$ 3,245,525</u>	<u>\$ 5,308,348</u>	<u>\$ 284</u>	<u>\$ 7,522,926</u>	<u>\$ 3,625,124</u>	<u>\$ 19,702,207</u>

See accompanying notes to primary government financial statements.

## BOROUGH OF PLUM

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

**Net Change in Fund Balance - Governmental Funds** \$ (568,255)

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

Governmental funds report general government, public safety, public works, and culture and recreation expenditures for capital assets as expenditures because such outlays use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation and disposals in the current period:

Public safety expenditures for capital assets	\$ 124,335	
General government expenditures for capital assets	-	
Public works expenditures for capital assets	318,087	
Culture and recreation expenditures for capital assets	38,260	
Capital outlay for capital assets	8,673,696	
Less: depreciation expense	<u>(1,773,573)</u>	7,380,805

Donated assets recorded as revenue on the statement of activities do not provide current financial resources and are not reported as revenues in the funds. This amount represents the donated assets during the year. 2,146,000

Current year long-term debt proceeds reported as other financing sources in the governmental fund financial statements are shown as increases in the long-term debt liability in the government-wide financial statements. (14,530,682)

Current year long-term debt principal payments reported as expenditures in the governmental fund financial statements are shown as reduction in the debt in the government-wide financial statements. 6,523,861

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Unavailable revenues, excluding those from grants, increased by this amount during the year. (32,212)

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are reported when due. Accrued interest increased by this amount during the year. (6,345)

The governmental fund financial statements report the effect of bond discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the current year activity of these long-term debt related costs. 6,297

Some expenses (i.e., changes in compensated absences and pension and OPEB liabilities) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 804,291

**Change in Net Position of Governmental Activities** \$ 1,723,760

See accompanying notes to primary government financial statements.

# BOROUGH OF PLUM

## STATEMENT OF PLAN NET POSITION FIDUCIARY FUNDS

DECEMBER 31, 2021

	Pension Trust Funds	Custodial Fund
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 5,109
Investments at fair value:		
Guaranteed interest account	208,150	-
Mutual funds	2,351,590	-
Corporate bonds	211,000	-
Common stocks	8,920,532	-
Money market funds	524,436	-
ETFs	432,566	-
Common/collective trusts	4,550,852	-
Pooled separate accounts - equities	541,404	-
Pooled separate accounts - balanced/asset allocation	1,525,680	-
Pooled separate accounts - fixed income	429,246	-
<b>Total Assets</b>	19,695,456	5,109
<b>Liabilities</b>		
Due to Coal Miners' Memorial Committee	-	5,109
<b>Net Position Restricted for Pension Benefits</b>	\$ 19,695,456	\$ -

See accompanying notes to primary government financial statements.

# BOROUGH OF PLUM

## STATEMENT OF CHANGES IN PLAN NET POSITION FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2021

	Pension Trust Funds	Custodial Fund
<b>Additions:</b>		
<hr/>		
Contributions:		
Employer, including state aid	\$ 1,285,222	\$ -
Employee	204,117	-
Total contributions	1,489,339	-
Investment income:		
Net appreciation (depreciation) in fair value of investments	2,374,693	-
Interest and dividends	170,219	-
Total investment income	2,544,912	-
Total additions	4,034,251	-
<b>Deductions:</b>		
<hr/>		
Benefits	978,393	-
Administrative expense	60,437	-
Total deductions	1,038,830	-
<b>Change in Plan Net Position</b>	2,995,421	-
<b>Net Position:</b>		
<hr/>		
Beginning of year	16,700,035	-
End of year	\$ 19,695,456	\$ -

See accompanying notes to primary government financial statements.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### 1. Reporting Entity

The Borough of Plum (Borough) operates under the Pennsylvania Borough Code, with an elected Mayor and seven elected Council members. The Borough covers approximately 29 square miles in southwestern Pennsylvania and has a population of approximately 25,000 residents. The Borough provides services in many areas to its residents, including various general government services, public safety, highway maintenance, and recreation.

The primary government financial statements (financial statements) include only the financial activity of the Borough and do not include the Plum Borough Municipal Authority (Authority), which is considered a component unit in accordance with accounting principles generally accepted in the United States of America applied to governmental entities. The Borough is considered to be financially accountable for the Authority because Council appoints the Authority's governing Board and guarantees the majority of the Authority's debt (Note 5). Separate financial statements for the Authority are available from its offices.

### 2. Summary of Significant Accounting Policies

#### 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 of the non-fiduciary activities of the Borough. For the most part, the effect of inter-fund activity has been removed from these statements.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resource measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Property taxes, earned income taxes, franchise taxes, sanitation fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

### Fund Accounting

The Borough uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Borough only uses governmental funds and fiduciary funds.

### Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they will be paid. The difference between the governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance.

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# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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The Borough reports the following major governmental funds:

The *General Fund* is the Borough's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The *2019 Bond Fund* is used to account for the proceeds of the 2019 General Obligation Bonds. The proceeds were used for capital projects throughout the Borough and the construction of a new Municipal Complex.

The *ARPA Fund* is used to account for the funds received through the American Rescue Plan Act.

The *2021 Bond Fund* is used to account for the proceeds of the 2021 General Obligation Bonds. The proceeds were used for capital projects throughout the Borough and other additional costs relating to the construction of a new Municipal Complex.

Additionally, the Borough reports the following other governmental funds:

The *Fire Protection Fund* accounts for 0.380 mills of the property tax levy used to support fire services in the community and includes an annual contribution to the fire departments, training, fuel, and financing of capital improvements, such as apparatus and communications.

The *State Fund* accounts for state aid revenues (liquid fuels taxes) received from the Pennsylvania Department of Transportation for building, improving, lighting, and maintaining roads and bridges within the Borough.

The *Flood Mitigation Fund* accounts for the flood mitigation fees paid by residents for the construction, repair, maintenance, and monitoring of storm pipes, catch basins, retention ponds, and other storm water-related infrastructure.

The *Emergency Medical Services Fund* accounts for 0.320 mills of the property tax levy used to support emergency medical services in the community.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The Borough uses the Debt Service Fund for payment of principal and interest on the Borough's General Obligation Bonds. The Council has designated 0.415 mills of the property tax levy for debt service expenditures.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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The *Street Improvement Fund* accounts for 0.489 mills of the property tax levy used to fund major street and road improvements, including the annual paving program and road reconstruction.

The *Capital Improvements Fund* accounts for 0.360 mills of the property tax levy and is used to account for capital projects in the community.

### Fiduciary Funds

Fiduciary funds are used to account for assets held in a trustee capacity. The Borough reports the following fiduciary funds:

The *Pension Trust Funds* are used to account for public employee retirement systems.

- The Police Pension Fund accounts for assets of the Borough police officers' retirement pension plan.
- The Administrative Pension Fund accounts for assets of the Borough administrative employees' retirement pension plan.
- The Public Works Pension Fund accounts for assets of the Borough public works employees' retirement pension plan.

The *Custodial Fund* is used to account for assets held by the Borough in a trustee capacity for the Coal Miners' Memorial Committee.

### Deposits and Investments

The Borough's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### Investments Recorded at Fair Value

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

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

### Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

### Taxes Receivable

All tax receivables are shown net of an allowance for uncollectibles.

### Capital Assets

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The Borough has elected to account for general infrastructure assets (roads, bridges, sidewalks, and similar items) prospectively from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 (calendar year 2004 for the Borough). The Borough reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

Major outlays for capital assets and improvements are capitalized as projects are constructed; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Depreciation is computed using the straight-line method over the following estimated useful lives of the related assets:

Buildings and building improvements	20-30 years
Improvements other than buildings	7-20 years
Machinery and equipment	3-10 years
System infrastructure	30 years

### Compensated Absences

Compensatory time is an employment benefit entitling police officers to accrue up to 240 hours of compensatory time in lieu of overtime pay. The unfunded obligation associated with compensatory time is payable either in a lump sum upon an officer's retirement, termination, or incrementally if taken as additional time off during the year. Sick leave is an employment benefit entitling employees to accrue unused sick leave. Accrued sick leave is payable in a lump sum at a designated rate, according to department, upon retirement, or termination. Police officers hired prior to January 1, 2011 may accrue up to 100 days of unused sick leave. If, as of December 31 of a given year, a police officer's accumulation is above 100 days, the Borough shall purchase the excess days at a rate of 75 percent of their current rate of pay. Officers hired on or after January 1, 2011 may accrue up to 100 sick leave days and all accrued sick-leave days above 100 days shall expire. All accrued sick-leave days for this group shall expire upon retirement, termination, or a police officer's death. Members of the Teamsters Union may accrue up to 60 sick days and all employees receive six sick leave days a year. These amounts will be paid as employees utilize sick leave and compensatory time benefits or as employees retire or terminate employment with the Borough. Vacation leave is paid in a lump sum at employment termination for represented employees at the employees' current rate of pay at the time the employee retires or terminates employment with the Borough. Non-represented employees' vacation leave is paid bi-weekly until leave balance is zero. Represented "union" employees' vacation leave cannot be carried forward and must be used in the year following the year the vacation leave was earned.

A liability for compensated absences is determined by the payments which would be available to employees if they would leave or retire from the Borough. These amounts are reflected as long-term liabilities in the government-wide financial statements unless retirements are likely within the upcoming fiscal year. Costs associated with retirements in the immediate succeeding year are reflected as current liabilities. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, the face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are also reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current period costs in both the government-wide and fund financial statements.

### Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. The levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form and includes such items as prepaid expenditures.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties or enabling legislation. This category includes funds that are restricted for specific expenditure under agreement with grantors. At December 31, 2021, the Borough had restrictions through grant agreements, government ordinance, and debt covenants.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by elected council by budget ordinance. Such a commitment is made via a Council resolution and must be made prior to the end of the fiscal year. Removal of this commitment also requires a Council resolution. As of December 31, 2021, the Borough had no committed funds.
- Assigned – This category represents intentions of the Borough to use the funds for specific purposes. The authority to make assignments of fund balance may be made

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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by the Borough Manager or Borough Council and remains in place until released. The assignment cannot exceed the available spendable unassigned fund balance in any particular fund. The authority granted to the Borough Manager to make assignments became effective upon adoption of this policy in 2011 by Borough Council and remains in effect until rescinded by resolution of Borough Council. Assigned fund balances as of December 31, 2021 are described on the face of the governmental fund balance sheet.

- Unassigned – This category includes the residual classification for the Borough’s General Fund and includes all spendable amounts not contained in other classifications.

The Borough’s policy is to use funds in the order of the most restricted to the least restrictive.

The Borough’s fund balance provides for a minimum Unassigned Fund balance of 5% of the Borough’s General Fund annual operating expenditures.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position and/or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Borough has two items that qualify for reporting in this category:

Certain amounts determined in connection with pension and other postemployment benefits accounting requirements are reported as deferred outflows of resources on the government-wide financial statements. These amounts are determined based on actuarial valuations performed for the plan. Note 8 and 10 present additional information about the pension plan and other postemployment benefits plan, respectively.

The deferred charge on refunding related to debt resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial

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# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Borough has two items that qualify for reporting in this category:

Certain amounts determined in connection with pension and other postemployment benefits accounting requirements are reported as deferred inflows of resources on the government-wide financial statements. These amounts are determined based on actuarial valuations performed for the plans. Notes 8 and 10 present additional information about the pension plan and other postemployment benefits plan, respectively.

Unavailable revenue arises under a modified accrual basis of accounting. Accordingly, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and sanitation fees. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

### Unearned Revenues

Unearned revenues reported in the government-wide financial statements will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent revenues that are measurable but not available, and in accordance with the modified accrual basis of accounting are reported as unearned revenues.

### Classification of Net Position

Accounting standards requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

- Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with restricted assets.
- Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

### Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans, as well as additions to and deductions from the pension plan fiduciary net position have been determined on the same basis as they are reported in the financial statements of the pension plans. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value.

### Budgets and Budgetary Accounting

In accordance with the Borough Code, beginning at least thirty days prior to the adoption of the budget, which shall not be later than December 31, a proposed budget for the ensuing year shall be prepared in a manner designated by the Council. The proposed budget shall be kept on file with the Borough secretary/treasurer and made available for public inspection for a period of ten days. Notice that the proposed budget is available for public inspection is published by the Borough secretary/treasurer in a newspaper of general circulation. After the expiration of the said ten days, Council shall make such revisions in the budget as shall be deemed advisable and shall adopt the budget by motion. Details of the budget at the account level of control are kept in the Borough office and are available for public inspection.



# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

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For 2021, the Borough budgeted its General Fund, Street Improvement Fund, Capital Improvement Fund, Fire Fund, Debt Service Fund, Liquid Fuels (State) Fund, Flood Mitigation Fund, and Emergency Medical Services Fund. The 2019 Bond Fund, ARPA Fund, and 2021 Bond Fund were not budgeted.

Within the General Fund, Council approves all account line items with material budget overruns, and will approve transfers, if necessary, between departments. Therefore, although the legal level of control is by line item expenditure, budget transfers will only be executed if an entire department would exceed budget. Amounts that exceeded budget were funded by available General Fund fund balance and no budget transfers were done.

### Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ than those estimates.

### Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 87 (Leases), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), 97 (Deferred Compensation Plans), 99 (Omnibus), 100 (Accounting Changes and Error Corrections), and 101 (Compensated Absences). Management has not yet determined the impact of these statements on the financial statements.

## **3. Cash and Investments**

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. government obligations, short-term commercial paper issued by a public corporation, banker's acceptances, insured or collateralized time deposits, and certificates of deposit. The statutes allow pooling of governmental funds for investment purposes.

The deposit and investment policy of the Borough adheres to state statutes. Deposits of the Borough's governmental funds are maintained in interest-bearing demand deposits, governmental investment pools, or savings accounts. The Borough also maintains

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# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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governmental funds from the 2019 and 2021 general obligation bond proceeds in municipal, industrial, and mortgage-backed bonds, as described below. The municipal bonds have all been called or refunded, and the municipal, industrial, and mortgage-backed bonds are indirectly or directly backed by the full faith and credit of the U.S. Government.

The following is a description of the Borough's deposit and investment risks:

### Governmental Funds and Agency Fund

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough's deposit policy requires deposits to be held in institutions that are insured by one of the federal deposit insurance organizations and when the value of the Borough's deposits exceed the insurable limits, the additional sums must be secured by collateral pledged by the depository.

As of December 31, 2021, \$5,421,961 of the Borough's bank balance of \$5,671,961 was exposed to custodial credit risk which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits had carrying amounts of \$5,450,366 (governmental funds) and \$5,109 (Agency Fund) as of December 31, 2021.

As of December 31, 2021, the Borough had the following short-term investments in cash equivalents:

<u>Investments</u>	<u>Fair Value</u>
PLGIT	\$ 3,177,177
Money markets	8,773,884
Carrying amount - governmental deposits	<u>5,450,366</u>
Total cash and cash equivalents per governmental fund financial statements	<u>\$ 17,401,427</u>

The fair value of the Borough's money market funds is the same as their carrying amount. The Borough's money market funds are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

The Borough's investment in PLGIT (an external investment pool) is the same as the value of the pool shares and is reported at amortized cost which approximates fair value. All

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. The Borough can withdraw funds from the external investment pool without limitations or fees.

Money markets are valued using quoted marked prices (Level 1 inputs).

The Borough also maintains investments in fixed income funds, and these funds are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

The following is a description of the governmental funds' investment risks:

*Credit Risk.* The Borough's investment policy limits its investment choices to only those with investment grade credit ratings by nationally recognized statistical rating organizations. As of December 31, 2021, the Borough's investments in PLGIT and Money Markets are rated AAAm by Standard & Poor's. As of December 31, 2021, the Borough's investments in governmental bonds have ratings ranging from AA to BBB+ by Standard & Poor's.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the governmental funds' investments. The Borough's investment policy limits the average investment maturity of the investment portfolio to less than three years, with a maximum maturity in any one security of five years without prior Council approval. The bonds currently held with maturities later than five years are expected to be sold within 1.5 years as capital project funding requires. The Borough's investment manager utilizes Bloomberg and Bond Edge to determine investment call dates. The following table shows investment maturities in years for governmental fund investments with maturities:

Investment Type	Fair Value	Investment Maturities (In Years) from December 31			
		Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years
Municipal bonds	\$ 3,223,268	\$ -	\$ -	\$ 2,389,170	\$ 834,098
Industrial bonds	2,060,920	-	-	-	2,060,920
Mortgage backed bonds	444,791	-	-	-	444,791
Total securities with maturities	\$ 5,728,979	\$ -	\$ -	\$ 2,389,170	\$ 3,339,809

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Financial instruments potentially expose the governmental investment funds to various risks such as concentrations of credit risk and market risks. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near-term and that such change could materially affect the amount reported on the balance sheet.

The municipal bonds, industrial bonds, and mortgage-backed bonds are valued using a matrix pricing model (Level 2 inputs).

### Pension Trust Funds

The pension trust funds are used to account for assets held by the Borough in a trustee capacity for future payment of retirement benefits to employees or former employees.

The pension trust funds' investments in money markets, equity and fixed income funds, and guaranteed interest accounts are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

The following is a description of the pension trust funds' investment risks:

*Credit risk.* The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The investment policy of the Police Pension Fund requires the weighted average quality of the fixed income portfolio will be maintained at "A" or better, no more than 15% of fixed income in Standard & Poor's rating of BBB, and no more than 5% of fixed income in Standard & Poor's rating below BBB.

As of December 31, 2021, the pension trust funds' investments in guaranteed interest accounts were rated A+ and A1 by Standard & Poor's and Moody's, respectively, and the Borough's investments in money market funds were rated AAAM and Aaa by Standard & Poor's and Moody's. The remaining equity holdings, common/collective trusts, money market funds, and mutual fund investments were not rated by nationally recognized statistical rating organizations. Fixed income includes investments in corporate bonds totaling \$211,000 at December 31, 2021 which are rated A1 by Moody's.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the pension trust funds' investments. The pension trust funds do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

rates. The following table shows investment maturities in years for pension trust fund investments with maturities:

Investment Type	Fair Value	Investment Maturities (In Years) from December 31		
		Less than 1 Year	1-5 Years	6-10 Years
Guaranteed interest accounts	\$ 208,150	\$ 70,577	\$ 137,573	\$ -
Corporate bonds	211,000	-	211,000	-
Total securities with maturities	<u>\$ 419,150</u>	<u>\$ 70,577</u>	<u>\$ 348,573</u>	<u>\$ -</u>

Financial instruments potentially expose the pension trust funds to various risks such as concentrations of credit risk and market risks. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near-term and that such change could materially affect the amount reported on the combined statement of fiduciary net position.

The composition of the pension trust funds is noted below along with the fair value measurements as of December 31, 2021:

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Investments by Fair Value Level:	December 31, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income:				
Guaranteed Interest Account	\$ 208,150	\$ -	\$ -	\$ 208,150
Corporate Bonds	211,000	-	211,000	-
Total Fixed Income	419,150	-	211,000	208,150
Equities:				
Mutual Funds - Small/Mid US Equity	30,004	30,004	-	-
Common Stocks:				
Industrials	1,035,143	1,035,143	-	-
Communication Services	954,859	954,859	-	-
Consumer Discretionary	1,017,292	1,017,292	-	-
Consumer Staples	535,217	535,217	-	-
Financials	1,078,718	1,078,718	-	-
Health Care	895,800	895,800	-	-
Information Technology	2,525,768	2,525,768	-	-
Utilities	219,289	219,289	-	-
Real Estate	339,161	339,161	-	-
Other	319,285	319,285	-	-
Money Market Funds	524,436	524,436	-	-
Mutual Funds - Global	803,367	803,367	-	-
Mutual Funds - Balanced	1,518,219	1,518,219	-	-
ETFs - Growth	432,566	432,566	-	-
Total Equities	12,229,124	12,229,124	-	-
Total investments by fair value level	12,648,274	\$ 12,229,124	\$ 211,000	\$ 208,150
Investments measured at the net asset value (NAV):				
Common/collective Trusts	4,550,852			
Pooled Separate Accounts - Equities:				
Large US Equity	308,295			
Small/Mid US Equity	149,447			
International Equity	83,662			
Pooled Separate Accounts - Balanced/Asset Allocation	1,525,680			
Pooled Separate Accounts - Fixed Income:				
Short-Term Fixed Income	85,494			
Fixed Income	343,752			
Total investments measured at NAV	7,047,182			
Total investments measured at fair value	\$ 19,695,456			

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Money markets, mutual funds, common stock, and exchange traded funds are valued using quoted marked prices (Level 1 inputs). Corporate bonds are valued using a matrix pricing model (Level 2 inputs).

The fair value of guaranteed interest accounts represents contract value adjusted to reflect current market interest rates only to the extent such market rates exceed crediting rates (Level 3 inputs). The value represents the amount plan participants would receive currently if they were to withdraw or transfer funds within the plan prior to their maturity for an event other than death, disability, termination, or retirement. There are no unfunded commitments.

### Investments Measured Using the Net Asset Value per Share Practical Expedient

Interest in pooled separate accounts is valued at the net asset value of shares held by the Plan at year-end. Separate account funds invest in mutual funds, including funds managed by Principal, and other funds managed by outside investment advisors. Investments held in the separate accounts are stated at fair value and are not available to satisfy the liabilities of the general account. Pooled separate accounts are valued at net asset per share as determined by investment managers under the so-called “practical expedient.” The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. The pooled separate accounts consist of mutual funds actively traded that are easily redeemed at the request of participants. The investment strategies of the underlying investment funds of the separate account include seeking capital appreciation and current income.

The Borough also reports common/collective trust funds using the net asset value per share as determined by investment managers under the so-called “practical expedient.” The net asset values of the common/collective trust funds are determined by the funds and provided by the portfolio manager. Valuations are generally based on the compilation of prices from each fund’s underlying company or fund administrator. Upon completion of the fund valuations, the Borough’s individual investor valuations are based upon their ownership share of each pool.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of the future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

December 31, 2021	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Pooled separate accounts	\$ 2,496,330	n/a	Daily	n/a
Common/collective trusts	\$ 4,550,852	n/a	Daily	n/a

### 4. Long-Term Debt

Long-term liability activity for the year ended December 31, 2021 was as follows:

	Amounts Payable as of December 31, 2020	Change in Long-term Payables	New Debt	Repayment/ Amortization	Amounts Payable as of December 31, 2021	Due Within One Year
G.O. Bonds	\$ 30,920,000	\$ -	\$ 14,050,000	\$ (5,830,000)	\$ 39,140,000	\$ 465,000
Less:						
Issuance premiums	1,283,963	-	-	(44,275)	1,239,688	-
Total bonds payable	32,203,963	-	14,050,000	(5,874,275)	40,379,688	465,000
Direct borrowings - term loans	957,341	-	-	(117,364)	839,977	120,223
Capital leases	886,029	-	480,682	(576,497)	790,214	330,488
Compensated absences	541,245	(16,274)	-	-	524,971	-
Total	\$ 34,588,578	\$ (16,274)	\$ 14,530,682	\$ (6,568,136)	\$ 42,534,850	\$ 915,711

#### Term Loans and Bonds

In March 2017, the Borough issued a \$412,000 term loan to finance the purchase of a fire truck for the Renton Fire Company. The fire department will hold title to the truck with the Borough listed as co-owner on the title. The outstanding balance of \$262,913 as of December 31, 2021 will mature in annual payments in 2027. Interest is payable annually at a rate of 3.49%.

In March 2017, the Borough issued a \$412,000 term loan to finance the purchase of a fire truck for the Holiday Park Fire Company. The fire department will hold title to the truck,



# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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with the Borough listed as co-owner on the title. The outstanding balance of \$264,337 as of December 31, 2021 will mature in annual payments in 2027. Interest is payable annually at a rate of 3.49%.

In January 2018, the Borough issued a \$424,000 term loan to finance the purchase of a fire truck for the Logan's Ferry Fire Company. The fire department will hold title to the truck, with the Borough listed as co-owner on the title. The outstanding balance of \$312,727 as of December 31, 2021 will mature in annual payments in 2028. Interest is payable annually at a rate of 4.075%.

The Borough's outstanding term loans from direct borrowings contain a provision that in an event of default, outstanding amounts become due immediately. The related vehicles purchased with the loan proceeds are pledged as collateral on these loans.

Because the Borough does not operate the fire trucks, maintain the fire trucks, or have full title to the fire trucks, the trucks are not included in the capital assets of the Borough.

In June 2015, the Borough issued General Obligation Bonds in the amount of \$6,065,000 (2015 Bonds), the proceeds of which were used to currently refund the outstanding Series B of 2010 Bonds. These bonds carry interest rates ranging from .6% to 3.75% and mature through 2040. During 2019, the Borough refunded \$5,035,000 of these bonds via the issuance of the 2019 General Obligation Bonds noted below. At December 31, 2021, the outstanding balance was \$375,000.

In May 2016, the Borough issued General Obligation Bonds in the amount of \$5,830,000 (2016 Bonds), the proceeds of which were used to advance refund a portion of the outstanding 2013 Bonds. These bonds carry interest rates ranging from .75% to 3.375% and mature through 2044. During 2021, the Borough refunded \$5,525,000 of these bonds via the issuance of the 2021 General Obligation Bonds noted below. At December 31, 2021, the outstanding balance was \$0.

In December 2019, the Borough issued General Obligation Bonds in the amount of \$25,275,000 (2019 Bonds), the proceeds of which were used to provide \$15,000,000 for capital projects such as a new municipal complex, storm sewer replacement projects, and recreation projects, currently refund the outstanding 2014 Bonds, and advance refund a portion of the 2015 Bonds. These bonds carry interest rates ranging from 2.050% and 5.00% and mature through 2049. At December 31, 2021, the outstanding balance was \$24,715,000. A premium of \$1,328,238 was recorded at issuance. The balance of the premium was \$1,239,688 at December 31, 2021.

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# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

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The 2019 refunding resulted in a deferred refunding loss of \$446,570, which will be amortized over the life of the 2019 Bonds. The bonds carry interest rates ranging from 2.00% to 2.125% and mature through 2044.

In June 2021, the Borough issued General Obligation Bonds in the amount of \$6,320,000 (2021 Bonds), the proceeds of which were used to currently refund the 2016 Bonds. The bonds carry interest rates ranging from 2.00% to 2.125% and mature through 2044. At December 31, 2021, the outstanding balance was \$6,320,000.

The 2021 refunding resulted in a deferred refunding loss of \$376,239, which will be amortized over the life of the 2021 bonds. Both the economic gain and cash flow saving resulting from the 2021 issuance approximated \$750,000.

In September 2021, the Borough issued General Obligation Bonds in the amount of \$7,730,000 (2021 A Bonds), the proceeds of which were used to provide \$7,500,000 for capital projects such as a new municipal complex, storm sewer replacement projects, and recreation projects. These bonds carry an interest rate of 6.00% and mature through 2051. At December 31, 2021, the outstanding balance was \$7,730,000.

Annual debt service requirements for the bonds and term loans are as follows:

	General Obligation Bonds		Direct Borrowings - Term Loans	
	Principal	Interest	Principal	Interest
2022	\$ 465,000	\$ 1,202,356	\$ 120,223	\$ 31,207
2023	835,000	1,183,662	124,664	26,766
2024	865,000	1,152,736	129,255	22,175
2025	895,000	1,120,405	134,016	17,414
2026	930,000	1,086,641	138,954	12,476
2027-2031	5,085,000	4,885,763	192,865	9,401
2032-2036	5,960,000	3,948,242	-	-
2037-2041	6,995,000	2,913,420	-	-
2042-2046	7,965,000	1,939,119	-	-
2047-2051	9,145,000	757,381	-	-
Total	<u>\$ 39,140,000</u>	<u>\$ 20,189,725</u>	<u>\$ 839,977</u>	<u>\$ 119,439</u>

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### Tax Anticipation Note

In January 2021, the Borough issued a \$1,500,000 tax anticipation note. This note is secured by all taxes and current revenues of the Borough with a maturity date of December 31, 2021. The interest rate on the note is 1.1% and the balance was paid in full by December 31, 2021.

In January 2022, the Borough issued a \$1,500,000 tax anticipation note. This note is secured by all taxes and current revenues of the Borough and will mature on December 31, 2022. The interest rate on the note is 1.1% and the note is expected to be paid in full by December 31, 2022.

### Obligations Under Capital Leases

The Borough has entered into various capital lease agreements for the purchase of equipment. The leases require annual payments of principal and interest and are secured by the related equipment. The lease maturity dates range from 2021 to 2025. At December 31, 2021, the total original cost of equipment under capital lease was \$2,609,109.

Present value of future minimum lease payments for these capital leases for the years ending December 31 are as follows:

2022	\$	365,204
2023		237,174
2024		178,734
2025		<u>77,917</u>
		859,029
Less: interest		<u>(68,815)</u>
	\$	<u><u>790,214</u></u>

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### 5. Guarantee of Debt

The Borough guarantees certain obligations of the Authority. Outstanding obligations guaranteed by the Borough at December 31, 2021 consist of the following:

#### 2008 Sewer Revenue Bonds

During fiscal year 2008, the Authority issued Sewer Revenue Bonds, Series 2008 C (2008 Sewer Bonds), in the amount of \$1,415,000. The proceeds of the 2008 Sewer Bonds were used to provide funds to advance refund portions of the outstanding 1999 and 2003 Sewer Revenue Bonds Series and to finance certain capital projects.

At December 31, 2021, the amount outstanding relating to the 2008 Sewer Revenue Bonds was \$220,000. The 2008 Sewer Bonds carry interest rates ranging from 4.15% to 6.50% and mature through 2026.

#### 2008 Water Revenue Bonds

During fiscal year 2008, the Authority issued Water Revenue Bonds, Series 2008 (2008 Water Bonds), in the amount of \$3,535,000. The proceeds of the 2008 Water Bonds are to be used to finance the issuance costs and to finance certain capital projects.

At December 31, 2021, the amount outstanding relating to the 2008 Water Revenue Bonds was \$0. The 2008 Water Revenue Bonds carried interest rates ranging from 2.40% to 4.00% and matured in 2021.

#### 2015 Sewer Revenue Bonds

During fiscal year 2015, the Authority issued Sewer Revenue Bonds, Refunding Series 2015 C in the amount of \$8,510,000 and Sewer Revenue Bonds, (Federally Taxable) Refunding Series 2015 D in the amount of \$530,000, collectively referred to as 2015 C and D Revenue Bonds. The proceeds of the 2015 C and D Revenue Bonds were used to currently refund a portion of the Authority's Sewer Revenue Bonds, Refunding Series 2008 B, currently refund all of the Authority's Sewer Revenue Bonds, Series 2010 C, for the financing of a debt service surety policy for the 2015 C and D Revenue Bonds, and to currently refund the 2003 PennVest loan.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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At December 31, 2021, the amount outstanding relating to the 2015 C and D Revenue Bonds was \$70,000. The 2015 Revenue Bonds carry interest rates ranging from 2.50% to 3.10% and mature in 2023.

### 2016 Water Revenue Bonds

During fiscal year 2016, the Authority issued Water Revenue Bonds, Refunding Series 2016 A in the amount of \$6,110,000. The proceeds of the 2016 Water Revenue Bonds were used to currently refund all of the Authority's Water Revenue Bonds, Series 2010 A, Water Revenue Bonds, Series 2011 A, and Water Revenue Bonds Series 2011 C.

At December 31, 2021, the amount outstanding relating to the 2016 Water Revenue Bonds was \$0. The 2016 Water Revenue Bonds carried interest rates ranging from 1.60% to 2.625% and were currently refunded in 2021 with the issuance of the 2021 Water Revenue Bonds.

### 2016 Sewer Revenue Bonds

During fiscal year 2016, the Authority issued Sewer Revenue Bonds, Refunding Series 2016 B in the amount of \$6,340,000. The proceeds of the 2016 Sewer Revenue Bonds were used to currently refund all of the Authority's Sewer Revenue Bonds, Refunding Series 2011 B.

At December 31, 2021, the amount outstanding relating to the 2016 Sewer Revenue Bonds was \$0. The 2016 Sewer Revenue Bonds carried interest rates ranging from 2.00% to 3.00% and were currently refunded in 2021 with the issuance of the 2021 Sewer Revenue Bonds.

### 2017 Water Revenue Bonds

During fiscal year 2017, the Authority issued Water Revenue Bonds, Series 2017 A in the amount of \$3,345,000. The proceeds of the 2017 A Water Revenue Bonds were used to provide funds for the financing of certain water system capital projects.

At December 31, 2021, the amount outstanding relating to the 2017 A Water Bonds was \$3,345,000. The 2017 A Water Bonds carry an interest rate of 3.25% and mature in 2043.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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During fiscal year 2017, the Authority issued Water Revenue Bonds, Series 2017 B in the amount of \$1,265,000. The proceeds of the 2017 B Water Revenue Bonds were used to provide funds for the financing of certain water system capital projects.

At December 31, 2021, the amount outstanding relating to the 2017 B Water Bonds was \$1,080,000. The 2017 B Water Bonds carry interest rates ranging from 3.00% to 4.125% and mature in 2037.

### 2017 Sewer Revenue Bonds

During fiscal year 2017, the Authority issued Sewer Revenue Bonds, Series 2017 C in the amount of \$2,155,000. The proceeds of the 2017 C Sewer Revenue Bonds were used to provide funds for the financing of certain sewer system capital projects.

At December 31, 2021, the amount outstanding relating to the 2017 C Sewer Bonds was \$2,155,000. The 2017 C Sewer Bonds carry an interest rate of 2.625% and mature in 2028.

During fiscal year 2017, the Authority issued Sewer Revenue Bonds, Series 2017 D in the amount of \$1,260,000. The proceeds of the 2017 D Sewer Revenue Bonds were used to provide funds for the financing of certain sewer system capital projects.

At December 31, 2021, the amount outstanding relating to the 2017 D Sewer Bonds was \$1,260,000. The 2017 D Sewer Bonds carry an interest rate of 3.75% and mature in 2029.

### 2018 Sewer Revenue Bonds

During fiscal year 2018, the Authority issued Sewer Revenue Bonds, Series 2018 in the amount of \$4,870,000. The proceeds of the 2018 Sewer Bonds were used to provide funds to currently refund the outstanding 2008 Sewer Revenue Bonds Series B and C and to finance certain sewer system capital projects.

At December 31, 2021, the amount outstanding relating to the 2018 Sewer Bonds was \$4,600,000. The 2018 Sewer Bonds carry an interest rate ranging from 2.5% to 4.0% and mature in 2026.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### 2019 Water Revenue Bonds

During fiscal year 2019, the Authority issued Water Revenue Bonds, Series 2019 A in the amount of \$1,805,000. The proceeds of the 2019 A Water Revenue Bonds were used to provide funds to currently refund the outstanding 2014 Water Revenue Bonds.

At December 31, 2021, the amount outstanding relating to the 2019 A Water Bonds was \$1,765,000. The 2019 A Water Bonds carry an interest rate of 3.00% and mature in 2033.

During fiscal year 2019, the Authority issued Water Revenue Bonds, Series 2019 B in the amount of \$7,165,000. The proceeds of the 2019 B Water Revenue Bonds were used to provide funds to currently refund the outstanding 2015 Water Revenue Bonds Series A.

At December 31, 2021, the amount outstanding relating to the 2019 B Water Bonds was \$6,980,000. The 2019 B Water Bonds carry interest rates ranging from 2.50% to 3.00% and mature in 2040.

### 2019 Sewer Revenue Bonds

During fiscal year 2019, the Authority issued Sewer Revenue Bonds, Series 2019 C in the amount of \$1,205,000. The proceeds of the 2019 Sewer Bonds were used to provide funds to currently refunding the outstanding 2015 Sewer Revenue Bonds Series B.

At December 31, 2021, the amount outstanding relating to the 2019 Sewer Bonds was \$1,190,000. The 2019 Sewer Bonds carry an interest rate of 3.00% and mature in 2027.

### 2020 Water Revenue Bonds

During fiscal year 2020, the Authority issued Water Revenue Bonds, Series 2020 A in the amount of \$4,260,000. The proceeds of the 2020 A Water Revenue Bonds were used to pay the costs of certain capital projects of the water system and pay all costs and expenses incident to the issuance of the Series A Bonds.

At December 31, 2021, the amount outstanding relating to the 2020 A Water Bonds was \$4,260,000. The 2020 A Water Bonds carry interest rates ranging from 2.125% to 2.25% and mature in 2046.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### 2020 Sewer Revenue Bonds

During fiscal year 2020, the Authority issued Sewer Revenue Bonds, Series 2020 B in the amount of \$3,110,000. The proceeds of the 2020 B Sewer Bonds were used pay the costs of certain capital projects of the Sewer System and to pay all costs and expenses incident to the issuance of the Series B bonds.

At December 31, 2021, the amount outstanding relating to the 2020 B Sewer Bonds was \$3,110,000. The 2020 B Sewer Bonds carry an interest rate of 2.00% and mature in 2030.

### 2021 Water Revenue Bonds

During fiscal year 2021, the Authority issued Water Revenue Bonds, Series 2021 A in the amount of \$5,420,000. The proceeds of the 2021 A Water Bonds were used to provide funds to currently refund the outstanding 2016 Water Revenue Bonds Series A.

At December 31, 2021, the amount outstanding relating to the 2021 Water Bonds was \$5,420,000. The 2021 Water Bonds carry interest rates ranging from 2.00% to 2.625% and mature in 2030.

### 2021 Sewer Revenue Bonds

During fiscal year 2021, the Authority issued Sewer Revenue Bonds, Series 2021 B in the amount of \$6,545,000. The proceeds of the 2021 B Sewer Bonds were used to currently refund a portion of the Authority's Sewer Revenue Bonds, 2015 Sewer Revenue Bonds, Series C and 2016 Sewer Revenue Bonds, Series B.

At December 31, 2021, the amount outstanding relating to the 2021 Sewer Bonds was \$6,545,000. The 2021 Sewer Bonds carry an interest rate of 3.00% and mature in 2027.



# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Future annual debt service requirements on debt guaranteed by the Borough are as follows:

	Principal	Interest	Total
2022	\$ 2,750,000	\$ 1,107,247	\$ 3,857,247
2023	2,790,000	1,067,705	3,857,705
2024	2,880,000	983,021	3,863,021
2025	2,900,000	894,970	3,794,970
2026	2,990,000	822,245	3,812,245
2027-2031	12,335,000	2,945,100	15,280,100
2032-2036	4,430,000	1,911,624	6,341,624
2037-2041	5,125,000	1,222,444	6,347,444
2042-2046	5,800,000	420,288	6,220,288
	\$ 42,000,000	\$ 11,374,644	\$ 53,374,644

During 2021, the Borough did not make any payments on behalf of or contribute to the Authority.

### 6. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables at December 31, 2021 are summarized below:

Fund	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
Major Funds:				
General Fund	\$ 1,272,690	\$ -	\$ -	\$ 1,775,000
2019 Bond Fund	-	1,203,844	-	-
ARPA Fund	-	-	-	-
2021 Bond Fund	-	-	-	-
Other Governmental Funds	-	68,846	1,805,000	30,000
Total	\$ 1,272,690	\$ 1,272,690	\$ 1,805,000	\$ 1,805,000

Transactions between funds which are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts.

During 2021, the Borough transferred \$900,000 from the General Fund to the Debt Service Fund, \$150,000 from the General Fund to the Street Improvement Fund, and \$725,000 from

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

the General Fund to the Capital Improvement Fund for debt payments, capital improvements and expenditures.

### 7. Capital Assets

A summary of current year changes in capital assets is as follows:

	Balance at December 31, 2020	Additions	Deletions/ Reclassifications	Balance at December 31, 2021
Capital assets, not being depreciated:				
Construction in progress	\$ 1,783,297	\$ 8,037,175	\$ (1,375,233)	\$ 8,445,239
Land	388,660	-	-	388,660
Total capital assets, not being depreciated	<u>2,171,957</u>	<u>8,037,175</u>	<u>(1,375,233)</u>	<u>8,833,899</u>
Capital assets, being depreciated:				
Infrastructure	4,443,453	605,926	1,375,233	6,424,612
Buildings and building improvements	14,262,681	4,255,769	-	18,518,450
Improvements other than buildings	1,371,548	-	-	1,371,548
Machinery and equipment	7,272,462	489,502	(247,784)	7,514,180
Total capital assets, being depreciated	<u>27,350,144</u>	<u>5,351,197</u>	<u>1,127,449</u>	<u>33,828,790</u>
Less: accumulated depreciation for:				
Infrastructure	787,604	176,194	-	963,798
Buildings and building improvements	5,032,165	2,930,119	-	7,962,284
Improvements other than buildings	693,229	65,919	-	759,148
Machinery and equipment	5,704,481	689,335	(247,784)	6,146,032
	<u>12,217,479</u>	<u>3,861,567</u>	<u>(247,784)</u>	<u>15,831,262</u>
Total capital assets, being depreciated, net	<u>15,132,665</u>	<u>1,489,630</u>	<u>1,375,233</u>	<u>17,997,528</u>
Total capital assets, net	<u>\$ 17,304,622</u>	<u>\$ 9,526,805</u>	<u>\$ -</u>	<u>\$ 26,831,427</u>

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

Governmental activities:	
General government	\$ 93,914
Public safety	375,572
Public works	1,071,794
Culture and recreation	232,293
Total depreciation expense - governmental activities	<u>\$ 1,773,573</u>

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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During 2021, the Borough the Plum Borough Library donated their building in the amount of \$2,146,000. The building will be depreciated over its remaining estimated useful life. In addition, the Borough recorded its ownership of the Plum Senior Center building and garage in the amount of \$2,087,994. This building and garage is considered to be fully depreciated as of December 31, 2021, and therefore, accumulated depreciation was also recorded for \$2,087,994 in 2021.

### 8. Pension Plans

The Borough administers three single-employer pension plans covering substantially all full-time employees: the Police Pension Plan (Police Plan), a defined benefit plan for police officers, the Administrative Pension Plan (Administrative Plan), a defined contribution plan for administrative employees, and the Public Works Pension Plan (Public Works Plan), a defined contribution plan for public works employees. Stand-alone financial statements are not issued for these plans. The Borough also makes contributions to the multi-employer Western Pennsylvania Teamsters and Employers Pension Fund (Non-Uniformed Pension Plan) for its road, clerical, and dispatch employees in accordance with a collective bargaining agreement. The Non-Uniformed Pension Plan is administered solely by its Trustees and is subject to GASB Statement No. 78.

#### Police Plan - Summary of Significant Accounting Policies

Financial information is presented on the accrual basis of accounting. Employer contributions to the Police Plan are recognized when earned. Benefits and refunds are recognized when incurred in accordance with the terms of the Police Plan.

Police Plan assets are reported at fair value. Police Plan assets are invested primarily in equities and common/collective trusts. The Police Plan did not have any investment transactions with related parties during the year.

#### Police Plan – Description

The Police Plan is a single-employer defined benefit plan available to all full-time Borough police officers under Act 205 of the Commonwealth of Pennsylvania (Act). The Police Plan is governed by the Borough's Council which has delegated the authority to manage certain Plan assets to the Police Pension Committee. Police Plan provisions and contribution requirements are established and may be amended by the Borough. The activity of the plan is reported within the Pension Trust Funds in the accompanying financial statements.

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# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Per the latest available demographic information, December 31, 2020, employee membership data related to the Plan was as follows:

Inactive plan members or beneficiaries currently receiving benefits	20
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>26</u>
Total plan members	<u>47</u>

### Police Plan – Benefits Provided

*Retirement Benefit* - Participants are eligible for retirement upon the later of the completion of 25 years of aggregate service or attainment of age 50. Participants are fully vested in the Police Plan upon the completion of 12 years of aggregate service. The monthly pension benefit is equal to 50 percent of the final monthly salary averaged over the last 36 months of employment plus a service increment of \$100 after 26 years of service. The service increment is not available for employees hired after 2010.

*Disability Benefit* - If a participant becomes totally and permanently disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive a monthly disability benefit. A participant who is disabled prior to April 17, 2002 is entitled to the accrued benefit as of the date of disability plus COLA. For disabilities incurred on or after April 17, 2002, the disability benefit is the greater of (i) the accrued benefit, or (ii) 50 percent of the participant's salary at the date of disability offset by the Social Security disability benefits attributable to the disability.

*Death Benefit* - If a participant's death occurs in the line of duty and the participant is survived by an eligible spouse or dependent children, a monthly benefit is payable until the latest of the spouse's death, spouse's remarriage, or the youngest dependent attaining age 18 (age 23 if attending college). The benefit payable is 100% of the participant's salary at the time of death. If a participant's death occurs after the participant has qualified for retirement and the participant is survived by an eligible spouse or dependent children, a monthly benefit is payable until the latest of the spouse's death, spouse's remarriage, or the youngest dependent attaining age 18 (age 23 if attending college). The benefit payable is 50% of the pension the participant was receiving or entitled to receive on the date of death.

*Cost-of-Living Adjustments* – Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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annual adjustments are equal to the percentage change in the CPI-W during the last year, multiplied by the pension benefit less the service increment, if any. The total of all increases may not exceed 30% of the retiree's original benefit, nor may the sum of the retiree's benefit and all increases exceed 75% of the average monthly salary used to compute the initial benefit.

### Police Plan – Contributions and Funding Policy

The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under the Act, such contributions are subject to collective bargaining. For 2021, the police Plan MMO was \$1,128,743, which included \$83,384 in additional contributions relating to an understatement of payroll during the 2020 MMO. Employee contributions to the Police Plan for 2021 were \$197,095, which represents 5% of covered payroll.

The Commonwealth of Pennsylvania (Commonwealth) allocates certain funds to assist in pension funding, which is funded by state foreign casualty insurance tax. Any financial requirement established by the MMO that exceeds the Commonwealth allocation must be funded by the Borough. In 2021, the Borough used the Commonwealth allocation to assist in funding its police, administrative, and non-uniformed pension plans. The portion allocated to the Police Plan was \$249,459. The remaining \$879,284 was provided by the General Fund during 2021.

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the Police Plan and funded by investment earnings.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

### Police Plan – Net Pension Liability and Changes in the Net Pension Liability

The components of and changes in the net pension liability of the Police Plan at December 31, 2021 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2020	\$ 18,890,447	\$ 14,365,244	\$ 4,525,203
Changes for the year:			
Service cost	413,002	-	413,002
Interest	1,458,178	-	1,458,178
Differences between expected and actual	75,814	-	75,814
Changes in assumptions	-	-	-
Contributions - employer	-	1,128,743	(1,128,743)
Contributions - employee	-	197,095	(197,095)
Net investment income	-	2,262,867	(2,262,867)
Benefit payments	(976,514)	(976,514)	-
Administrative expense	-	(16,463)	16,463
Other changes	-	-	-
Net changes	970,480	2,595,728	(1,625,248)
Balances at December 31, 2021	\$ 19,860,927	\$ 16,960,972	\$ 2,899,955
Plan fiduciary net position as a percentage of the total pension liability			85.40%

*Actuarial Assumptions* - The total pension liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.75%
Underlying inflation rate	2.00%
Cost-of-living adjustments	2.00%
RP-2014 s/f 1 yrs, +bc mortality table with rates set forward 5 years for all disabled lives, MP-2020 mortality improvement	

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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*Changes in Actuarial Assumptions* - Based upon an actuarial valuation performed as of December 31, 2020, the following assumptions were updated: the mortality improvement scale was updated from MP-2018 to MP-2020, the base RP-2014 mortality rates, with the blue-collar adjustment, were set forward 1 year versus 2 years in the prior valuation, and the rate of future cost-of living adjustments was lowered to 2.00% from 2.50%. The effect of these assumption changes was a decrease of around \$32,000 in the actuarial accrued liability.

*Investment Policy* – The Police Plan’s policies in regard to the allocation of invested assets are established and may be amended by the Police Pension Committee by a majority vote of its members as long as they are in compliance with the investment policy statement. Ultimate authority to effect change or change anything related to the investment policy statement is retained by Borough Council. It is the policy of the Police Pension Committee to produce a total return commensurate with the portfolio’s risk, client constraints, and plan financial needs. The policy aims to comply with all applicable trust, fiduciary, and due diligence requirements, and to comply with all applicable federal, state, and local laws, rules, and regulations. The policy is intended to temper overall performance volatility.

*Long-Term Expected Rate of Return* – The long-term expected rate of return on Police Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Police Plan’s target asset allocation as of December 31, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	50.0%	8.9%
International Equity	5.0%	3.5%
Fixed Income	40.0%	3.6%
Cash	5.0%	-0.1%
	<u>100.0%</u>	

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# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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*Rate of Return* – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2021, the annual money-weighted rate of return on the Police Plan investments, net of investment expense, was 15.83%.

*Concentrations* – The Police Plan did not have investments in a single issuer that exceeded 5% of the Police Plan’s fiduciary net position at December 31, 2021.

*Discount Rate* – The discount rate used to measure the total pension liability for the Police Plan was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Borough’s contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Police Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following presents the net pension liability of the Plans calculated using the discount rates described above, as well as what the Police Plan’s net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
<u>\$ 5,228,091</u>	<u>\$ 2,899,955</u>	<u>\$ 947,729</u>



# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### Pension Expense, Deferred Outflow of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2021, the Police Plan recognized pension expense of \$149,168. At December 31, 2021, the Police Plan reported deferred outflows of resources related to pensions from the following sources:

<u>Deferred Outflow of Resources:</u>	
Differences between expected and actual experience	\$ 882,286
Changes in assumption	207,256
Net difference between projected and actual earnings on pension plan investments	<u>249,829</u>
Total deferred outflows of resources	<u>\$ 1,339,371</u>
<u>Deferred Inflows of Resources:</u>	
Differences between expected and actual experience	\$ 716,173
Changes in assumption	32,381
Net difference between projected and actual earnings on pension plan investments	<u>1,801,184</u>
Total deferred outflows of resources	<u>\$ 2,549,738</u>

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

<u>Year ending December 31,</u>	
2022	\$ (331,524)
2023	(581,353)
2024	(290,193)
2025	(188,717)
2026	39,890
Thereafter	<u>141,530</u>
Total	<u>\$ (1,210,367)</u>

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### Administrative Plan

The Administrative Plan (Plan) is a non-contributory defined contribution plan available to full-time permanent employees, other than police officers, and employees covered under the Western Pennsylvania Teamsters and Employers Pension Fund. Employer pension contributions were 10 percent of covered earnings during 2021 and participants are vested after their 6-month waiting period after initial hiring. Participants may receive retirement benefits upon attainment of age 59 and one-half. Withdrawals of vested pension benefits prior to attaining age 59 and one-half years are subject to regular income taxes and penalties in the year of withdrawal. The pension benefit is equal to contributions made by the Borough on behalf of the employee plus related earnings. Employees may elect to receive a lump-sum distribution or an annuity upon retirement.

Financial information is presented on the accrual basis of accounting. Employer contributions to this Plan are recognized when earned. Benefits and refunds are recognized when incurred in accordance with the terms of the Plan.

The Plan assets are reported at fair value. Plan assets are invested primarily in guaranteed interest accounts. The Plan did not have any investment transactions with related parties during the year.

The recommended contribution estimated in accordance with Act 205 for the Plan for 2021 was \$130,697, which resulted from a defined contribution of approximately 10% of estimated covered payroll. The actual required contribution of \$130,235, based on actual 2021 wages, was made to the Plan from an employer contribution.

### Public Works Plan

The Public Works Plan (Plan) is a non-contributory defined contribution plan available to full-time public works employees. Employer pension contributions were 2 percent of covered earnings during 2021 and participants are vested after their 6-month waiting period after initial hiring. Participants may receive retirement benefits upon attainment of age 59 and one-half. Withdrawals of vested pension benefits prior to attaining age 59 and one-half years are subject to regular income taxes and penalties in the year of withdrawal. The pension benefit is equal to contributions made by the Borough on behalf of the employee plus related earnings. Employees may elect to receive a lump-sum distribution or an annuity upon retirement.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Financial information is presented on the accrual basis of accounting. Employer contributions to this Plan are recognized when earned. Benefits and refunds are recognized when incurred in accordance with the terms of the Plan.

The Plan assets are reported at fair value. Plan assets are invested primarily in pooled separate accounts. The Plan did not have any investment transactions with related parties during the year.

The actual required contribution of \$26,244, based on actual 2021 wages, was made to the Plan from an employer contribution.

### Non-Uniformed Pension Plan

The Non-Uniformed Pension Plan (Pension Plan) is a cost-sharing multi-employer pension plan available to full-time permanent employees who are covered by a collective bargaining agreement. The Pension Plan provides defined benefit pensions to both employees of local governments and to employees of employers that are not governmental employers; and the plan has no predominant local government employer. The Borough had 28 employees in the year ended December 31, 2021 who participated in the plan. Annual covered payroll of the active Borough members amounted to approximately \$1,397,000 for the year ended December 31, 2021. Borough contributions to this Pension Plan were 100% of the contractual requirements and were approximately \$237,000 the year ended December 31, 2021. The Western Pennsylvania Teamsters manage this Pension Plan and additional information regarding its current provisions, withdrawal liabilities, and plan assets may be obtained from their offices. Under federal law, this Pension Plan has been certified as being in critical status because it has funding or liquidity problems, or both. Future employer contribution increases are likely.

## **9. Real Estate Taxes**

Real estate taxes are based on assessed valuations provided by Allegheny County and are levied on July 1. These taxes are billed and collected by an elected tax collector. Taxes paid through August 31 are given a 2% discount. Amounts paid after November 1, 2021 are assessed a 10% penalty. Taxes billed and not collected before May 1 of the year following the billing year are subject to an additional 6% interest charge. Delinquent taxes are also collected by the elected tax collector.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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Under the Borough Code, the Borough is permitted to levy real estate taxes up to 30 mills for general purposes. The aggregate tax rate for the year ended December 31, 2021 was \$4.78 per \$1,000 of assessed valuation (2.816 mills for general purposes, 0.415 mills for debt service, 0.489 mills for street improvement, 0.380 mills for fire protection, 0.320 mills for emergency medical services, and 0.360 mills for capital improvement). Taxable assessed value for 2021 real estate taxes was \$1,626,872,814 (approximates 100% of market value).

### **10. Post-Employment Benefits Other than Pension Benefits (OPEBS)**

#### Plan Description and Benefits Provided

In addition to providing pension benefits under contractual obligations, the Borough provides certain health care and life insurance benefits for certain retired employees who are covered under employment contracts. The Borough does not have a formal plan document for the OPEB plan, but it operates as a single-employer defined benefit plan that is not accounted for as a trust fund. An irrevocable trust has not been established, the plan does not issue a separate report, and activity of the plan is reported in the Borough's General Fund.

All Police officers that have reached 25 years of service which includes the purchase of prior military service and having reached the age of 50 years are eligible to participate in the retirement program. Eligible employees and their spouses may continue health care benefits from the time of retirement until they become eligible for Medicare. Upon being eligible for Medicare, the employee and their spouse are eligible to participate in medical coverage, at a total cost to the Borough, in a Highmark High Deductible 1500/3000 health insurance plan. With ratification of a new bargaining agreement, hospitalization/major Medical benefits for retirees shall not be provided to any officer hired on or after January 1, 2011.

All other covered employees who have reached 60 years of age are eligible to participate in the retirement program. To be eligible for life insurance, employees must also have been employed by the Borough for at least 15 years. Eligible employees may continue to receive benefits until they become eligible for Medicare.

The cost of the premium will be paid in accordance with the following formula:

For police officers, during the first full year of retirement, the Borough will pay 70% of the premium and the retiree will pay 30% of the premium. During the second full year

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# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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of retirement, the Borough will pay 80% of the premium and the retiree will pay 20% of the premium. During the third full year of retirement, and each year thereafter until the retiree reaches age 65, the Borough will pay 90% of the premium and the retiree will pay 10% of the premium.

For Municipal and Clerical employees, the Borough shall pay for the cost of a retired employee's individual medical coverage under the Borough Plan from age 62 until age 65. The Borough will pay for the cost of a retired employees' individual medical coverage from age 60 to 62 provided the employee pays the stated contribution of \$82 per month.

As of December 31, 2020, the most recent valuation date, there were 65 active employees in the plan and 32 retirees met the eligibility requirements to receive OPEBs.

### Contributions

The contribution requirements of OPEB Plan members and the Borough are established and may be amended by the Borough. The OPEB plan is not funded. The employer's contributions are financed on a pay-as-you-go basis. In 2021, the Borough paid \$168,423 in OPEB premiums, net of reimbursement.

### Net OPEB Liability

The Borough's net OPEB liability was measured as of December 31, 2021 and was determined by an actuarial valuation as of December 31, 2020.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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The net OPEB liability for the current year was computed as of the latest actuarial valuation using the following actuarial assumptions:

Actuarial valuation date	12/31/2020
Actuarial cost method	Entry Age Normal
Amortization method	Straight-line
Asset valuation method	N/A - the OPEB plan is unfunded
Actuarial assumptions:	
Investment rate of return	2.00%
Assumed retirement age	Police: later of age 58 & 25 years service Other employees: age 62
Healthcare cost trends:	
# of years	3 years 4 years 5 years 6 years Ultimate
Non-Medicare	9% 8% 7% 6% 5%
Medicare	2.5% 2.5% 2.5% 2.5% 2.5%

A few assumptions were updated for the December 31, 2020 actuarial report that impacted the calculation of the net OPEB liability. As a result, the net OPEB liability was increased by approximately \$15,000. The mortality improvement scale was updated from MP-2018 to MP-2020, the discount rate was lowered from 3% to 2%, and the medical care cost trend for the Medicare supplement premiums was lowered from 4% to 2.5%.

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

### Changes in the Net OPEB Liability

The changes in the total OPEB liability of the Borough for the year ended December 31, 2021 were as follows:

	<u>Net OPEB Liability</u>
Balance at December 31, 2020	\$ 6,909,567
Changes for the year:	
Service cost	218,850
Interest	139,200
Differences between expected and actual experience	(50,225)
Benefits paid	<u>(168,423)</u>
Balance at December 31, 2021	<u>\$ 7,048,969</u>

### Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following represents the net OPEB liability calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

<u>1% Decrease (1%)</u>	<u>Current Discount Rate (2%)</u>	<u>1% Increase (3%)</u>
<u>\$ 7,907,065</u>	<u>\$ 7,048,969</u>	<u>\$ 6,214,850</u>

### Sensitivity of the net OPEB Liability to Changes in the Medical Trend Rate

The following presents the net OPEB liability calculated using the stated medical trend assumption, as well as what the net OPEB liability would be if it were calculated using the medical trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
<u>\$ 6,243,954</u>	<u>\$ 7,048,969</u>	<u>\$ 8,034,784</u>

# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### OPEB Expense and Deferred Inflows of Resources

For the year ended December 31, 2021, the Borough recognized OPEB expense of \$359,982. At December 31, 2021, the Borough reported deferred inflows of resources related to the difference between expected and actual non-investment experience and assumption changes of \$270,713 and \$44,448, respectively. At December 31, 2021, the Borough reported deferred outflows of resources related to the difference between expected and actual non-investment experience and assumption changes of \$386,314 and \$12,118, respectively.

The deferred outflows (inflows) of resources will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>		
2022	\$	1,932
2023		1,932
2024		1,932
2025		1,932
2026		1,932
2027-2031		<u>73,611</u>
	\$	<u><u>83,271</u></u>

### **11. Deferred Compensation Plan**

The Borough offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their salary until future years. Participation in the Plan is open to all employees and is optional. The Plan is not available to employees until termination, retirement, death, or unforeseeable emergency. At December 31, 2021, all amounts of compensation deferred under the Plan are held in trust solely for the benefit of the participants. Investments are managed by the Plan's trustee under several investment options selected by the participant. Deferred compensation assets at December 31, 2021 totaled \$2,717,757. Under the applicable accounting provisions, the Plan is not required to be included in the Borough's financial statements.



# BOROUGH OF PLUM

## NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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### 12. Commitments and Contingencies

#### Contingencies

The Borough is involved in a number of other matters arising in the ordinary course of its operations. At present, management believes the ultimate outcome of these matters, after consideration of any applicable insurance coverage, will not be material to the financial statements taken as a whole.

The Borough maintains insurance through independent carriers for all types of business losses. Management believes the insurance coverage is sufficient to cover the Borough against potential losses. There have been no significant changes in insurance coverage since the prior fiscal year and settlements have not exceeded insurance coverage in the past three years.

#### Commitments

The Borough had approximately \$10,400,000 of construction commitments related to construction of the new Municipal Complex at December 31, 2021.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

# BOROUGH OF PLUM

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

YEAR ENDED DECEMBER 31, 2021

	Actual	Budgeted Amounts		Variance with Final Budget
		Original	Final	
<b>Revenues:</b>				
Taxes	\$ 10,131,757	\$ 9,730,649	\$ 9,730,649	\$ 401,108
Licenses and permits	779,837	786,200	786,200	(6,363)
Fines and forfeits	52,088	60,000	60,000	(7,912)
Interest, rent, and royalties	906	7,500	7,500	(6,594)
Intergovernmental	720,427	740,846	740,846	(20,419)
Charges for services	2,252,135	2,305,261	2,305,261	(53,126)
Miscellaneous	77,539	69,500	69,500	8,039
Total revenues	<u>14,014,689</u>	<u>13,699,956</u>	<u>13,699,956</u>	<u>314,733</u>
<b>Expenditures:</b>				
Current:				
General government	1,884,464	1,957,776	1,957,776	73,312
Public safety	6,152,107	6,344,358	6,344,358	192,251
Public works	4,704,539	4,627,653	4,627,653	(76,886)
Culture and recreation	622,823	693,320	693,320	70,497
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>13,363,933</u>	<u>13,623,107</u>	<u>13,623,107</u>	<u>259,174</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>650,756</u>	<u>76,849</u>	<u>76,849</u>	<u>573,907</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(1,775,000)	(300,000)	(1,775,000)	-
Total other financing sources (uses)	<u>(1,775,000)</u>	<u>(300,000)</u>	<u>(1,775,000)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (1,124,244)</u>	<u>\$ (223,151)</u>	<u>\$ (1,698,151)</u>	<u>\$ 573,907</u>

See accompanying notes to supplementary schedules.

## BOROUGH OF PLUM

### SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

#### SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

##### POLICE PENSION PLAN

YEARS ENDED DECEMBER 31,  
LAST TEN YEARS\*

	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability:</b>								
Service cost	\$ 413,002	\$ 397,655	\$ 404,291	\$ 356,349	\$ 344,144	\$ 303,908	\$ 305,818	\$ 300,890
Interest	1,458,178	1,337,413	1,310,288	1,345,173	1,128,703	1,039,343	1,090,961	1,021,776
Differences between expected and actual experience	75,814	611,062	-	(1,130,881)	-	614,600	-	(206,031)
Changes of assumptions	-	(32,066)	-	327,272	-	(11,839)	-	(42,224)
Benefit payments, including refunds of member contributions	(976,514)	(905,974)	(716,742)	(677,549)	(681,244)	(731,666)	(584,918)	(557,705)
<b>Net Changes in Total Pension Liability</b>	<b>970,480</b>	<b>1,408,090</b>	<b>997,837</b>	<b>220,364</b>	<b>791,603</b>	<b>1,214,346</b>	<b>811,861</b>	<b>516,706</b>
<b>Total Pension Liability - Beginning</b>	<b>18,890,447</b>	<b>17,482,357</b>	<b>16,484,520</b>	<b>16,264,156</b>	<b>15,472,553</b>	<b>14,258,207</b>	<b>13,446,346</b>	<b>12,929,640</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 19,860,927</b>	<b>\$ 18,890,447</b>	<b>\$ 17,482,357</b>	<b>\$ 16,484,520</b>	<b>\$ 16,264,156</b>	<b>\$ 15,472,553</b>	<b>\$ 14,258,207</b>	<b>\$ 13,446,346</b>
<b>Plan Fiduciary Net Position:</b>								
Contributions - employer	\$ 1,128,743	\$ 733,014	\$ 786,801	\$ 651,357	\$ 634,344	\$ 627,380	\$ 609,987	\$ 498,283
Contributions - member	197,095	158,173	145,582	174,680	134,107	136,789	123,591	125,489
Net investment income	2,262,867	1,504,152	2,269,972	(451,595)	1,191,646	646,457	(26,375)	747,151
Benefit payments, including refunds of member contributions	(976,514)	(905,974)	(716,742)	(677,549)	(681,244)	(731,666)	(584,918)	(557,705)
Administrative expense	(16,463)	(12,527)	(12,449)	(12,866)	(19,705)	(16,217)	(32,323)	(15,798)
Other	-	-	820	36,483	(7,152)	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>2,595,728</b>	<b>1,476,838</b>	<b>2,473,984</b>	<b>(279,490)</b>	<b>1,251,996</b>	<b>662,743</b>	<b>89,962</b>	<b>797,420</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>14,365,244</b>	<b>12,888,406</b>	<b>10,414,422</b>	<b>10,693,912</b>	<b>9,441,916</b>	<b>8,779,173</b>	<b>8,689,211</b>	<b>7,891,791</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 16,960,972</b>	<b>\$ 14,365,244</b>	<b>\$ 12,888,406</b>	<b>\$ 10,414,422</b>	<b>\$ 10,693,912</b>	<b>\$ 9,441,916</b>	<b>\$ 8,779,173</b>	<b>\$ 8,689,211</b>
<b>Net Pension Liability - Ending (a-b)</b>	<b>\$ 2,899,955</b>	<b>\$ 4,525,203</b>	<b>\$ 4,593,951</b>	<b>\$ 6,070,098</b>	<b>\$ 5,570,244</b>	<b>\$ 6,030,637</b>	<b>\$ 5,479,034</b>	<b>\$ 4,757,135</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>85.40%</b>	<b>76.05%</b>	<b>73.72%</b>	<b>63.18%</b>	<b>65.75%</b>	<b>61.02%</b>	<b>61.57%</b>	<b>64.62%</b>
<b>Covered Payroll</b>	<b>\$ 2,772,095</b>	<b>\$ 2,859,255</b>	<b>\$ 2,712,083</b>	<b>\$ 2,763,777</b>	<b>\$ 2,653,364</b>	<b>\$ 2,519,406</b>	<b>\$ 2,392,895</b>	<b>\$ 2,343,637</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>104.61%</b>	<b>158.27%</b>	<b>169.39%</b>	<b>219.63%</b>	<b>209.93%</b>	<b>239.37%</b>	<b>228.97%</b>	<b>202.98%</b>

\* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to supplementary schedules.

**BOROUGH OF PLUM**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF BOROUGH'S CONTRIBUTIONS  
AND INVESTMENT RETURNS

POLICE PENSION PLAN

YEARS ENDED DECEMBER 31,  
LAST TEN YEARS\*

	2021	2020	2019	2018	2017	2016	2015	2014
<b>Schedule of Borough's Contributions</b>								
Actuarially determined contribution	\$ 1,128,743	\$ 733,014	\$ 786,801	\$ 651,357	\$ 634,344	\$ 627,380	\$ 609,987	\$ 498,284
Contributions in relation to the actuarially determined contribution	1,128,743	733,014	786,801	651,357	634,344	627,380	609,987	498,284
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,772,095	\$ 2,859,255	\$ 2,712,083	\$ 2,763,777	\$ 2,653,364	\$ 2,519,406	\$ 2,392,895	\$ 2,343,637
Contributions as a percentage of covered payroll	40.72%	25.64%	29.01%	23.57%	23.91%	24.90%	25.49%	21.26%
<b>Investment Returns</b>								
Annual money-weighted rate of return, net of investment expense	15.83%	11.66%	21.65%	-3.78%	12.46%	7.68%	7.77%	9.44%

\* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to supplementary schedules.

**BOROUGH OF PLUM**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF BOROUGH'S CONTRIBUTIONS  
AND INVESTMENT RETURNS

NON-UNIFORMED PENSION PLAN

YEARS ENDED DECEMBER 31,  
LAST TEN YEARS\*

<u>Schedule of Borough's Contributions</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 236,912	\$ 231,960	\$ 227,661	\$ 213,207	\$ 185,594	\$ 165,952	\$ 144,739	\$ 157,004
Contributions in relation to the actuarially determined contribution	236,912	231,960	227,661	213,207	185,594	165,952	144,739	157,004
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,397,493</u>	<u>\$ 1,477,929</u>	<u>\$ 1,358,062</u>	<u>\$ 1,399,006</u>	<u>\$ 1,058,610</u>	<u>\$ 1,170,384</u>	<u>\$ 1,079,803</u>	<u>\$ 1,058,299</u>
Contributions as a percentage of covered payroll	16.95%	15.69%	16.76%	15.24%	17.53%	14.18%	13.40%	14.84%

\* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to supplementary schedules.

## BOROUGH OF PLUM

### SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

YEAR ENDED DECEMBER 31,  
LAST TEN YEARS\*

	2021	2020	2019	2018
<b>Total OPEB Liability:</b>				
Service cost	\$ 218,850	\$ 208,491	\$ 212,565	\$ 167,524
Interest	139,200	187,362	180,329	163,929
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(50,225)	463,578	(32,794)	(300,687)
Changes of assumptions	-	14,542	-	(66,672)
Benefit payments	(168,423)	(122,892)	(102,773)	(97,986)
<b>Net Changes in Total OPEB Liability</b>	139,402	751,081	257,327	(133,892)
<b>Total OPEB Liability - Beginning</b>	6,909,567	6,158,486	5,901,159	6,035,051
<b>Total OPEB Liability - Ending (a)</b>	<u>\$ 7,048,969</u>	<u>\$ 6,909,567</u>	<u>\$ 6,158,486</u>	<u>\$ 5,901,159</u>
<b>Covered Payroll</b>	<u>\$ 5,550,119</u>	<u>\$ 5,587,209</u>	<u>\$ 5,373,094</u>	<u>\$ 5,175,329</u>
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	127.01%	123.67%	114.62%	114.02%

\* Until a full 10-year trend is compiled, the required information for the OPEB Plan is presented for as many years as are available.

See accompanying notes to supplementary schedules

# BOROUGH OF PLUM

## NOTES TO SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2021

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### 1. Budgetary Comparison

The Borough of Plum's (Borough) budgetary process accounts for transactions on the modified accrual basis of accounting on the governmental fund statements.

### 2. Pension Information

#### Actuarial Methods and Assumptions Used in Determining the Contribution Rate

Actuarial valuation date	1/1/2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Remaining amortization period	11 years
Asset valuation method	General Rule
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.75%
Underlying inflation rate	2.50%
Cost-of-living adjustments	2.50%
Mortality Table	RP-2014 s/f 2 years; +bc set forward 5 years for all disabled lives

#### Benefit Changes – Police Plan

In 2021, no benefit terms were modified.

#### Changes in Actuarial Assumptions

The mortality table was updated from the PR-2014 Mortality Table with the Blue collar adjustment to the RP-2014 Mortality Table s/f 2 yrs; + bc from the January 1, 2017 valuation to the January 1, 2019 valuation.



# BOROUGH OF PLUM

## NOTES TO SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2021

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### 3. OPEB Information

#### Valuation Date

The Borough's net OPEB liability is measured as of December 31. The net OPEB liability was determined by an actuarial valuation performed as of December 31, 2020.

#### Funding Policy

The Borough's funding policy is to pay for plan benefits when they become due each year, as such no actuarial determined contribution is calculated. There is no accumulation of assets in a trust for the plan.

#### Actuarial Methods and Assumptions

The information presented in the required supplementary OPEB schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	12/31/2020
Actuarial cost method	Entry Age Normal
Amortization method	Straight-line
Asset valuation method	N/A - the OPEB plan is unfunded
Actuarial assumptions:	
Investment rate of return	2.00%
Assumed retirement age	Police: later of age 58 & 25 years service Other employees: age 62
Healthcare cost trends:	
# of years	3 years 4 years 5 years 6 years Ultimate
Non-Medicare	9% 8% 7% 6% 5%
Medicare	2.5% 2.5% 2.5% 2.5% 2.5%

# BOROUGH OF PLUM

## NOTES TO SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2021

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### Change in Actuarial Assumptions

A few assumptions were updated from the December 31, 2018 actuarial report that impacted the calculation of the net OPEB liability. As a result, the net OPEB liability increased by approximately \$14,500. The mortality improvement scale was updated from MP-2018 to MP-2020, the discount rate was lowered from 3% to 2%, and the medical care cost trend for the Medicare supplement premiums was lowered from 4% to 2.5%.

## **SUPPLEMENTARY INFORMATION**

## BOROUGH OF PLUM

### COMBINING BALANCE SHEET OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund		Total Other Governmental Funds
	Fire Protection Fund	State Fund	Flood Mitigation Fund	Emergency Medical Services Fund		Street Improvement Fund	Capital Improvements Fund	
<b>Assets</b>								
Cash and cash equivalents	\$ 431,218	\$ 859,251	\$ 24,538	\$ 56,769	\$ 1,489,302	\$ 597,865	\$ 935,936	\$ 4,394,879
Receivables:								
Taxes	93,333	-	-	43,824	114,565	156,004	42,214	449,940
Other	-	949	153,830	-	-	-	-	154,779
Prepaid expenditures	5,999	-	-	-	-	-	-	5,999
Due from other funds	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 530,550</b>	<b>\$ 860,200</b>	<b>\$ 178,368</b>	<b>\$ 100,593</b>	<b>\$ 1,603,867</b>	<b>\$ 753,869</b>	<b>\$ 978,150</b>	<b>\$ 5,005,597</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 36,483	\$ 750,000	\$ 17,908	\$ 466	\$ -	\$ 13,550	\$ 37,070	\$ 855,477
Unearned revenue	-	-	-	-	-	-	12,500	12,500
Due to other funds	-	-	38,767	-	-	30,079	-	68,846
<b>Total Liabilities</b>	<b>36,483</b>	<b>750,000</b>	<b>56,675</b>	<b>466</b>	<b>-</b>	<b>43,629</b>	<b>49,570</b>	<b>936,823</b>
<b>Deferred Inflows of Resources:</b>								
Unavailable revenue	86,964	-	26,630	38,460	107,609	147,806	36,181	443,650
<b>Fund Balance:</b>								
Nonspendable - prepaids	5,999	-	-	-	-	-	-	5,999
Restricted for:								
Liquid Fuels Tax projects	-	110,200	-	-	-	-	-	110,200
Fire protection	401,104	-	-	-	-	-	-	401,104
Debt service	-	-	-	-	1,496,258	-	-	1,496,258
Street improvements	-	-	-	-	-	562,434	-	562,434
Flood mitigation	-	-	95,063	-	-	-	-	95,063
Capital projects	-	-	-	-	-	-	892,399	892,399
Emergency medical services	-	-	-	61,667	-	-	-	61,667
<b>Total Fund Balance</b>	<b>407,103</b>	<b>110,200</b>	<b>95,063</b>	<b>61,667</b>	<b>1,496,258</b>	<b>562,434</b>	<b>892,399</b>	<b>3,625,124</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 530,550</b>	<b>\$ 860,200</b>	<b>\$ 178,368</b>	<b>\$ 100,593</b>	<b>\$ 1,603,867</b>	<b>\$ 753,869</b>	<b>\$ 978,150</b>	<b>\$ 5,005,597</b>

## BOROUGH OF PLUM

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2021

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total Other Governmental Funds
	Fire Protection Fund	State Fund	Flood Mitigation Fund	Emergency Medical Services Fund		Street Improvement Fund	Capital Improvements Fund	
<b>Revenues:</b>								
Taxes	\$ 597,444	\$ -	\$ -	\$ 503,130	\$ 652,455	\$ 768,789	\$ 553,456	\$ 3,075,274
Interest, rent, and royalties	15,000	282	-	12	-	-	-	15,294
Intergovernmental	126,076	791,168	-	-	-	-	75,000	992,244
Charges for services	-	-	723,984	-	-	-	-	723,984
Miscellaneous	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>738,520</b>	<b>791,450</b>	<b>723,984</b>	<b>503,142</b>	<b>652,455</b>	<b>768,789</b>	<b>628,456</b>	<b>4,806,796</b>
<b>Expenditures:</b>								
General government	-	-	-	-	-	-	-	-
Public safety	489,700	-	-	438,255	-	-	124,335	1,052,290
Public works	-	750,000	873,878	-	-	387,785	318,087	2,329,750
Culture and recreation	-	-	-	-	-	-	38,260	38,260
Capital outlay	-	-	-	-	-	7,635	455,331	462,966
Debt service:								
Principal	140,954	-	-	53,645	304,363	75,638	522,852	1,097,452
Interest	44,063	-	1	-	929,199	154,301	-	1,127,564
<b>Total expenditures</b>	<b>674,717</b>	<b>750,000</b>	<b>873,879</b>	<b>491,900</b>	<b>1,233,562</b>	<b>625,359</b>	<b>1,458,865</b>	<b>6,108,282</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>63,803</b>	<b>41,450</b>	<b>(149,895)</b>	<b>11,242</b>	<b>(581,107)</b>	<b>143,430</b>	<b>(830,409)</b>	<b>(1,301,486)</b>
<b>Other Financing Sources (Uses):</b>								
Proceeds from capital lease	-	-	-	-	-	-	480,682	480,682
Refund of prior year revenues	-	-	-	-	(1,648)	-	-	(1,648)
Proceeds of capital asset disposition	-	-	-	-	-	-	16,025	16,025
Transfers in	-	-	-	-	930,000	150,000	725,000	1,805,000
Transfers out	(15,000)	-	-	(15,000)	-	-	-	(30,000)
<b>Total other financing sources (uses)</b>	<b>(15,000)</b>	<b>-</b>	<b>-</b>	<b>(15,000)</b>	<b>928,352</b>	<b>150,000</b>	<b>1,221,707</b>	<b>2,270,059</b>
<b>Net Change in Fund Balance</b>	<b>48,803</b>	<b>41,450</b>	<b>(149,895)</b>	<b>(3,758)</b>	<b>347,245</b>	<b>293,430</b>	<b>391,298</b>	<b>968,573</b>
<b>Fund Balance:</b>								
Beginning of year	358,300	68,750	244,958	65,425	1,149,013	269,004	501,101	2,656,551
End of year	<u>\$ 407,103</u>	<u>\$ 110,200</u>	<u>\$ 95,063</u>	<u>\$ 61,667</u>	<u>\$ 1,496,258</u>	<u>\$ 562,434</u>	<u>\$ 892,399</u>	<u>\$ 3,625,124</u>

# BOROUGH OF PLUM

## STATEMENT OF PLAN NET POSITION PENSION TRUST FUNDS

DECEMBER 31, 2021

	Police Pension	Administrative Pension	Public Works Pension	Total
<b>Assets</b>				
Investments at fair value:				
Guaranteed interest account	\$ -	\$ 208,150	\$ -	\$ 208,150
Mutual funds	2,321,586	30,004	-	2,351,590
Corporate bonds	211,000	-	-	211,000
Common stocks	8,920,532	-	-	8,920,532
Money market funds	524,436	-	-	524,436
ETFs	432,566	-	-	432,566
Common/collective trusts	4,550,852	-	-	4,550,852
Pooled separate accounts - equities	-	536,395	5,009	541,404
Pooled separate accounts - balanced/asset allocation	-	1,475,041	50,639	1,525,680
Pooled separate accounts - fixed income	-	426,755	2,491	429,246
	16,960,972	2,676,345	58,139	19,695,456
<b>Total Assets</b>				
	-	-	-	-
<b>Liabilities</b>				
	-	-	-	-
<b>Net Position Restricted for Pension Benefits</b>				
	\$ 16,960,972	\$ 2,676,345	\$ 58,139	\$ 19,695,456

# BOROUGH OF PLUM

## STATEMENT OF CHANGES IN PLAN NET POSITION PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2021

	Police Pension Fund	Administrative Pension Fund	Public Works Pension Fund	Total
<b>Additions:</b>				
<b>Contributions:</b>				
Employer, including state aid	\$ 1,128,743	\$ 130,235	\$ 26,244	\$ 1,285,222
Employee	197,095	7,022	-	204,117
<b>Total contributions</b>	<b>1,325,838</b>	<b>137,257</b>	<b>26,244</b>	<b>1,489,339</b>
<b>Investment income:</b>				
Net appreciation (depreciation) in fair value of investments	2,092,648	277,034	5,011	2,374,693
Interest and dividends	170,219	-	-	170,219
<b>Total investment income</b>	<b>2,262,867</b>	<b>277,034</b>	<b>5,011</b>	<b>2,544,912</b>
<b>Total additions</b>	<b>3,588,705</b>	<b>414,291</b>	<b>31,255</b>	<b>4,034,251</b>
<b>Deductions:</b>				
Benefits	976,514	-	1,879	978,393
Administrative expense	16,463	43,924	50	60,437
<b>Total deductions</b>	<b>992,977</b>	<b>43,924</b>	<b>1,929</b>	<b>1,038,830</b>
<b>Change in Plan Net Position</b>	<b>2,595,728</b>	<b>370,367</b>	<b>29,326</b>	<b>2,995,421</b>
<b>Net Position:</b>				
Beginning of year	14,365,244	2,305,978	28,813	16,700,035
End of year	<u>\$ 16,960,972</u>	<u>\$ 2,676,345</u>	<u>\$ 58,139</u>	<u>\$ 19,695,456</u>