

Audited
Financial
Statements

December 31,
2023

Borough of Millersville

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position – Modified Cash Basis	4
Statement of Activities – Modified Cash Basis	5
Fund Financial Statements	
Governmental Funds	
Balance Sheet – Modified Cash Basis	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis	7
Proprietary Fund	
Statement of Net Position – Modified Cash Basis	8
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis	9
Fiduciary Funds	
Statement of Fiduciary Net Position – Modified Cash Basis	10
Statement of Changes in Fiduciary Net Position – Modified Cash Basis	11
Notes to Financial Statements	12 -30
OTHER SUPPLEMENTARY INFORMATION (UNAUDITED)	
Budgetary Comparison Schedule – General Fund – Modified Cash Basis	31

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Borough of Millersville
York, Pennsylvania

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Borough of Millersville, Lancaster County, Pennsylvania, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Borough of Millersville, Lancaster County, Pennsylvania's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Borough of Millersville as of December 31, 2023, and the respective changes in modified cash basis financial position, and, where applicable, for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinions

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

Emphasis of Matter – Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Millersville'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 of Millersville's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Millersville's basic financial statements. The budgetary comparison schedule – modified cash basis on page 31 is to be presented to supplement 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 budgetary comparison schedule – modified cash basis is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

York, Pennsylvania
July 29, 2024

BOROUGH OF MILLERSVILLE
Statement of Net Position – Modified Cash Basis
December 31, 2023

	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,461,676	\$ 3,226,236	\$ 7,687,912
Investments	<u>445,032</u>	<u>-</u>	<u>445,032</u>
Total Current Assets	<u>\$ 4,906,708</u>	<u>\$ 3,226,236</u>	<u>\$ 8,132,944</u>
NET POSITION			
Restricted	\$ 863,323	\$ -	\$ 863,323
Unrestricted	<u>4,043,385</u>	<u>3,226,236</u>	<u>7,269,621</u>
Total Assets	<u>\$ 4,906,708</u>	<u>\$ 3,226,236</u>	<u>\$ 8,132,944</u>

BOROUGH OF MILLERSVILLE
Statement of Activities – Modified Cash Basis
Year Ended December 31, 2023

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental Activities							
General government	\$ 463,356	\$ 131,305	\$ 403,268	\$ -	\$ 71,217	\$ -	\$ 71,217
Public safety	2,104,688	224,062	-	-	(1,880,626)	-	(1,880,626)
Public works - highway	1,057,018	23,187	-	198,768	(835,063)	-	(835,063)
Culture and recreation	45,825	-	-	-	(45,825)	-	(45,825)
Pension and other benefits	1,022,058	-	-	-	(1,022,058)	-	(1,022,058)
Debt service	205,343	-	-	-	(205,343)	-	(205,343)
Total governmental activities	4,898,288	378,554	403,268	198,768	(3,917,698)	-	(3,917,698)
BUSINESS-TYPE ACTIVITIES							
Sewer	1,880,512	1,797,475	-	-	-	(83,037)	(83,037)
Solid waste management	522,321	511,869	-	-	-	(10,452)	(10,452)
Educational service agency	36,850	18,530	-	-	-	(18,320)	(18,320)
Debt service	228,701	-	-	-	-	(228,701)	(228,701)
Total primary government	\$ 2,668,384	\$ 2,327,874	\$ -	\$ -	-	(340,510)	(340,510)
Total government	\$ 7,566,672	\$ 2,706,428	\$ 403,268	\$ 198,768	(3,917,698)	(340,510)	(4,258,208)
GENERAL RECEIPTS/(DISBURSEMENTS)							
Property taxes, levied for general purposes, net					1,999,201	-	1,999,201
Other taxes					1,033,724	-	1,033,724
Cable television franchise fees					86,017	-	86,017
Investment earnings (loss)					149,188	61,925	211,113
Rental Income					159,490	-	159,490
Miscellaneous income					88,718	31,488	120,206
Miscellaneous expense					63,848	-	63,848
Transfers					(15,228)	15,228	-
Total general receipts and transfers					3,564,958	108,641	3,673,599
CHANGE IN NET POSITION					(352,740)	(231,869)	(584,609)
NET POSITION - BEGINNING					5,259,448	3,458,105	8,717,553
NET POSITION - ENDING					\$ 4,906,708	\$ 3,226,236	\$ 8,132,944

BOROUGH OF MILLERSVILLE
Balance Sheet – Governmental Funds – Modified Cash Basis
December 31, 2023

	General Fund	General Capital Reserve Fund	Park Fund	Liquid Fuels Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,747,523	\$ 1,295,862	\$ -	\$ 418,291	\$ 4,461,676
Investments	<u>-</u>	<u>-</u>	<u>445,032</u>	<u>-</u>	<u>445,032</u>
Total Assets	<u>\$ 2,747,523</u>	<u>\$ 1,295,862</u>	<u>\$ 445,032</u>	<u>\$ 418,291</u>	<u>\$ 4,906,708</u>
FUND BALANCES					
Restricted	\$ -	\$ -	\$ 445,032	\$ 418,291	\$ 863,323
Assigned	905,908	1,295,862	-	-	2,201,770
Unassigned	<u>1,841,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,841,615</u>
Total fund balances	<u>\$ 2,747,523</u>	<u>\$ 1,295,862</u>	<u>\$ 445,032</u>	<u>\$ 418,291</u>	<u>\$ 4,906,708</u>

BOROUGH OF MILLERSVILLE
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Funds – Modified Cash Basis
Year Ended December 31, 2023

	General Fund	General Capital Reserve Fund	Park Fund	Liquid Fuels Fund	Total Governmental Funds
REVENUES					
Real estate taxes	\$ 1,999,201	\$ -	\$ -	\$ -	\$ 1,999,201
Other taxes	1,033,724	-	-	-	1,033,724
Licenses and permits	87,592	-	-	-	87,592
Fines, forfeits and costs	81,977	-	-	-	81,977
Interests and rents	237,005	10,971	42,216	18,486	308,678
Intergovernmental revenues	484,430	-	-	198,768	683,198
Charges for services	213,840	-	-	-	213,840
Miscellaneous	49,304	-	-	15,000	64,304
Total revenues	4,187,073	10,971	42,216	232,254	4,472,514
EXPENDITURES					
General government	427,338	36,018	-	-	463,356
Public safety	2,091,188	13,500	-	-	2,104,688
Public works - highway	410,776	597,167	-	49,075	1,057,018
Culture and recreation	28,533	17,292	-	-	45,825
Employee benefits, insurance and other	1,022,058	-	-	-	1,022,058
Debt service	205,343	-	-	-	205,343
Total expenditures	4,185,236	663,977	-	49,075	4,898,288
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,837	(653,006)	42,216	183,179	(425,774)
OTHER FINANCING SOURCES (USES)					
Refund of prior year expenses	24,414	-	-	-	24,414
Transfers in (out)	(228)	-	-	(15,000)	(15,228)
Other unclassified expenditures	63,848	-	-	-	63,848
Total other financing sources (uses)	88,034	-	-	(15,000)	73,034
NET CHANGE IN FUND BALANCES	89,871	(653,006)	42,216	168,179	(352,740)
FUND BALANCE - BEGINNING	2,657,652	1,948,868	402,816	250,112	5,259,448
FUND BALANCE - ENDING	\$ 2,747,523	\$ 1,295,862	\$ 445,032	\$ 418,291	\$ 4,906,708

BOROUGH OF MILLERSVILLE
Statement of Net Position – Proprietary Funds – Modified Cash Basis
December 31, 2023

	Major Enterprise Funds			Total Enterprise Funds
	Sewer Revenue and Capital Fund	Solid Waste Management Fund	Educational Service Agency Fund	
ASSETS				
Cash and cash equivalents	\$ 2,706,879	\$ 507,276	\$ 12,081	\$ 3,226,236
Total current assets	<u>\$ 2,706,879</u>	<u>\$ 507,276</u>	<u>\$ 12,081</u>	<u>\$ 3,226,236</u>
NET POSITION				
Unrestricted	\$ 2,706,879	\$ 507,276	\$ 12,081	\$ 3,226,236
Total net position	<u>\$ 2,706,879</u>	<u>\$ 507,276</u>	<u>\$ 12,081</u>	<u>\$ 3,226,236</u>

BOROUGH OF MILLERSVILLE
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds –
Modified Cash Basis
Year Ended December 31, 2023

	Sewer Revenue and Capital Fund	Solid Waste Management Fund	Educational Service Agency Fund	Total Enterprise Funds
OPERATING REVENUES				
Intergovernmental revenues	\$ -	\$ 1,684	\$ -	\$ 1,684
Charges for services	1,797,475	510,185	18,530	2,326,190
Total operating revenues	<u>1,797,475</u>	<u>511,869</u>	<u>18,530</u>	<u>2,327,874</u>
OPERATING EXPENSES				
Salaries	444,266	45,908	31,319	521,493
Employee benefits	277,728	25,132	2,396	305,256
Materials and supplies	137,064	10,441	2,135	149,640
Professional services	144,425	11,158	-	155,583
Contractual services	54,520	410,597	-	465,117
Office	5,891	6,302	-	12,193
General	3,070	-	-	3,070
Insurance	45,000	1,400	1,000	47,400
Utilities	164,196	-	-	164,196
Facilities maintenance	31,098	8,500	-	39,598
Equipment maintenance	112,697	2,883	-	115,580
Major capital purchases	460,557	-	-	460,557
Total operating expenses	<u>1,880,512</u>	<u>522,321</u>	<u>36,850</u>	<u>2,439,683</u>
OPERATING INCOME (LOSS)	<u>(83,037)</u>	<u>(10,452)</u>	<u>(18,320)</u>	<u>(111,809)</u>
NONOPERATING REVENUES (EXPENSES)				
Earnings on investments	58,725	3,153	47	61,925
Refund of prior year expenses	10,382	659	-	11,041
Miscellaneous revenue	5,127	15,288	32	20,447
Debt service	(228,701)	-	-	(228,701)
Total nonoperating revenues (expenses)	<u>(154,467)</u>	<u>19,100</u>	<u>79</u>	<u>(135,288)</u>
Change in Net Position Before Transfers	<u>(237,504)</u>	<u>8,648</u>	<u>(18,241)</u>	<u>(247,097)</u>
Transfers in (out)	-	-	15,228	15,228
Total Transfers	<u>-</u>	<u>-</u>	<u>15,228</u>	<u>15,228</u>
CHANGE IN NET POSITION	<u>(237,504)</u>	<u>8,648</u>	<u>(3,013)</u>	<u>(231,869)</u>
NET POSITION - BEGINNING	<u>2,944,383</u>	<u>498,628</u>	<u>15,094</u>	<u>3,458,105</u>
NET POSITION - ENDING	<u>\$ 2,706,879</u>	<u>\$ 507,276</u>	<u>\$ 12,081</u>	<u>\$ 3,226,236</u>

BOROUGH OF MILLERSVILLE
Statement of Fiduciary Net Position - Modified Cash Basis
Year Ended December 31, 2023

	Custodial Fund
<hr/>	
ASSETS	
Cash and cash equivalents	\$ <u>1,767</u>
Total assets	\$ <u><u>1,767</u></u>
<hr/>	
NET POSITION	
Restricted for Lancaster County	\$ <u>1,767</u>
Total net position	\$ <u><u>1,767</u></u>

BOROUGH OF MILLERSVILLE
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Year Ended December 31, 2023

	Custodial Fund
ADDITIONS	
Taxes collected for the County	\$ 987,290
Total additions	<u>987,290</u>
DEDUCTIONS	
Payments of taxes collected for County	<u>989,697</u>
Total deductions	<u>989,697</u>
Changes in net position	(2,407)
Net position - beginning	<u>4,174</u>
Net position - ending	<u>\$ 1,767</u>

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Borough of Millersville have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The significant accounting policies are as follows:

Reporting Entity

Borough of Millersville (“Borough”), of the County of Lancaster, is a municipality located in Millersville, Pennsylvania. It is a Borough of the second class based upon its population per square mile. The accompanying financial statements present the Borough’s primary government. Significant influence or accountability is based primarily on operational or financial relationships with the Borough’s Council (as distinct from legal relationships).

Control by, dependence on, or financial accountability to the Borough is determined on the basis of budget adoption, taxing authority, outstanding debt collateralized by revenues or general obligations of the Borough, obligations of the Borough, obligation of the Borough to finance any deficits that may occur, or receipt of significant subsidies from the Borough.

The Governmental Accounting Standards Board (GASB) defines the criteria used to determine the composition of the reporting entity. This standard requires that the reporting entity include (a) the primary government, (b) organizations for which the primary government is financially accountable, (c) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (d) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. This criteria has been considered and there are no entities that are considered a component unit of the Borough. In addition, the Borough is not considered a component unit of any other primary governments.

Basis of Accounting

The government-wide and the fund financial statements are presented using a modified cash basis of accounting. This basis recognizes certain assets, liabilities, net position/fund balance, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint Ventures

Blue Rock Regional Fire District (District) - During the year ended December 31, 2010, the Borough entered into an intergovernmental cooperation agreement (agreement) with Township of Manor (Township) to provide for pooling of resources and funds for the purpose of establishing and operating a regional fire and emergency services response district to be called the District. The Blue Rock Regional Fire Commission, which is tasked with the operation of the District, consists of: two members, each of which is an elected official of the Borough and the Township; three additional members, two which represent the Township and one which represents the Borough and are chosen by the respective governing body of each municipality. The agreement is for a five-year period unless renewed or extended. The Borough may withdraw after providing a minimum of one year's notice. Absent notice to withdraw, the District will renew in additional five-year terms. During the year ended December 31, 2023, the Borough contributed \$135,404 to the District. The financial statements of the District can be obtained from the Administrative Offices at 26 E Charlotte Street, Millersville, PA 17551.

Lancaster County Tax Collection Bureau (Bureau) - The Borough participates with 17 school districts in Lancaster County and the municipalities represented by those school districts for the collection of earned income taxes through the Bureau. The participants appoint members to serve on the joint operating committee of the Bureau. During the year ended December 31, 2023, the Borough's share of the Bureau's disbursements was \$10,542. The Borough reports earned income tax collection net of these disbursements. The financial statements of the Bureau can be obtained from the Administrative Offices at 1845 William Penn Way, Lancaster, PA, 17601.

Basis of Presentation

Government-wide financial statements (i.e., the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis) report information on all of the nonfiduciary activities of the Borough. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately in the government-wide financial statements from business-type activities, which rely, to a significant extent on fees and charges for support.

The Statement of Activities presents a comparison between direct expenses and program revenues for business-type activities and for each function of the Borough's governmental activities. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include 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.

Fund financial statements are also provided in the report for all of the governmental funds, proprietary fund, and the fiduciary funds of the Borough. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Borough's enterprise fund include sewer treatment and transportation from cost sharing by the Borough and other user municipalities. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Borough reports the following governmental fund types:

General Fund - The General Fund is established to account for resources devoted to financing the general services that the Borough performs for its citizens. General tax receipts and other sources of receipts used to finance the fundamental operations of the Borough are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds - These funds are established to account for the proceeds of specific receipt sources that are legally restricted or committed to disbursements for specific purposes other than debt service or capital projects. This includes the Borough's Liquid Fuels Fund and Park Fund.

Capital Project Fund - This fund is established to account for major capital disbursements not financed by proprietary or fiduciary funds. The fund included in this category is then General Capital Reserve Fund.

The Borough reports the following Proprietary fund types:

Enterprise Funds - The enterprise funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. These funds include the Sewer Revenue and Capital Fund, Solid Waste Management Fund and Educational Service Agency Fund.

The Borough reports the following Fiduciary fund types:

Fiduciary Funds - These funds are used to account for the assets held by the Borough as a trustee or agent for individuals, private organizations and/or governmental units. The funds included in this category are the custodial funds. The custodial fund is used to account for taxes collected for Lancaster County, which are subsequently disbursed to Lancaster County.

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major and Non-major Funds – The funds are further classified major and non-major as follows:

Major:

General Fund

Capital Project Fund:

General Capital Reserve Fund

Proprietary Funds:

Sewer Revenue and Capital Fund

Solid Waste Management Fund

Non-major:

Special Revenue Fund:

Park Fund

Liquid Fuels Fund

Proprietary Fund:

Educational Service Agency Fund

Measurement of Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements regardless of measurement focus.

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligation is incurred, except that investment assets are recorded at fair value and changes in fair value are recognized as a component of receipts.

The Borough distinguishes operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with the Borough's principal ongoing operations. The principal operating receipts of the Borough are charges to customers for sales and services. Operating disbursements include the cost of sales and service and administrative disbursements. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

An operating budget is adopted each year as a management control for the General Fund, General Capital Reserve Fund, Highway Aid Fund (non-major governmental fund), and major enterprise funds. The budgets are adopted on the modified cash basis of accounting. The annual operating budget is adopted each fiscal year through passage of an annual budget ordinance. All unencumbered budget appropriations lapse at the end of each year.

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

The Borough's investment in the external investment pool is valued at amortized cost, which approximates fair value. The Borough's other investments are recorded at fair value. The Borough categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Capital Assets

The Borough reports capital outlays resulting from cash transactions as expended at the time payment is made and does not capitalize the cost of capital assets. Accordingly, no depreciation has been reflected in the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-Term Obligations

In governmental funds, the debt proceeds are reported as other financing sources and payment of principal and interest are reported as disbursements. In proprietary funds, the debt proceeds and payment of principal and interest are reported as nonoperating receipts and nonoperating disbursements, respectively.

Compensated Absences

Disbursements related to compensated absences are recorded when paid. The amount of accrued compensated absences accumulated, unpaid leave, and compensatory time that would be due to employees upon termination, along with the related employer costs, is reported as a commitment in Note 9.

Pension Plans

All eligible full-time employees of the Borough participate in either the defined benefit Police Pension Plan (PPP) or the defined benefit Non-Uniformed Employee Pension Plan (NEPP).

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Proprietary Fund Net Position

Government-Wide Fund net position is divided into the following components:

- **Nonspendable** – consists of amounts that are not in a spendable form or are required to be maintained intact.
- **Restricted** – consists of resources that can be spent only for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed only with the consent of the resource providers.
- **Committed** – consists of amounts that can be used only for the specific purposes determined by a formal action of the Council. Commitments may be changed only by the government taking the same formal action that imposed the constraint originally.
- **Assigned** – consists of resources intended to be used by the government for specific purposes. Intent can be expressed by the Council or by an official or body to which the Council delegates the authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed.
- **Unassigned** – residual classification for the General Fund and includes all amounts not contained in any other classification. Unassigned amounts are available for any purpose.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the Borough's policy to consider restricted fund balance to have been depleted before using any component of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is applied first and assigned fund balance is applied second. Unassigned fund balance is applied last.

Government-Wide and Proprietary Fund net position is divided into the following components:

- **Restricted** – consists of amounts where external restrictions are imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – represents the net position of the Borough which is not restricted for any project or other purpose.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the Borough's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses on governmental funds and after nonoperating receipts/disbursements on proprietary funds.

Grants

The Borough is party to various grants with federal, state, and county agencies. Grant receipts are subject to review by the funding agency and may result in disallowance in future periods.

NOTE 2 DEPOSITS AND INVESTMENTS

The Commonwealth of Pennsylvania's "Borough Code" and Act 10 of 2016 define allowable investments for Borough funds as follows:

- U.S. Treasury Bills.
- Short term obligations of the U.S. Government or its agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company registered under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the banker's acceptances do not exceed 180 days maturity.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

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 does not have a policy for custodial credit risk. As of December 31, 2023, the Borough has a bank balance of \$8,218,114. Of this balance, \$1,250,000 is covered by FDIC insurance and the remaining balance of \$6,968,114 was exposed to custodial credit risk. This balance was uninsured and is collateralized by securities held by the pledging financial institution, not in the Borough's name.

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets. Based on the standards outlined in Act 72, the various banks utilized by the Borough have pledged collateral on a pooled basis on behalf of the Borough and all other governmental depositors in the respective financial institutions.

Investments

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

<u>Investments</u>	<u>Fair Value</u>
Money market funds	\$ 16,346
Mutual funds - equities	149,691
Mutual funds - bonds	76,176
Exchange traded equity funds	202,819
	<u>\$ 445,032</u>

Credit Risk – Investments

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

Included in cash and cash equivalents in the financial statements are pooled investments in the Pennsylvania Local Government Investment Trust (PLGIT) - Class and PLGIT - Prime of \$1,115,082. These funds operate similarly to mutual funds and consist of short-term money market instruments and seek to maintain a constant net asset value of \$ 1 per share. All investments in PLGIT are rated AAAM by Standard and Poor’s rating agency.

Policies Followed by PLGIT

Regulatory Oversight

PLGIT is not registered with the Securities and Exchange Commission (SEC); however, PLGIT follows investment procedures similar to those followed by SEC registered money market funds. There is no regulatory oversight for the pools which are governed by the Board of Trustees. The Borough’s investments in PLGIT are valued at amortized cost, which approximates fair value and is determined by the pools’ share price.

The Borough has no limitations or restrictions on withdrawals on accounts held at PLGIT.

Investments – Fair Value Measurements

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded, and reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available.

The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Represented by quoted prices available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities and mutual funds.

Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states, and political subdivisions and certain corporate, asset backed securities, swap agreements, and life insurance contracts.

Level 3 - Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and those with internally developed values.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value on the statement of net position, as well as the general classifications of such instruments pursuant to the valuation hierarchy.

Money Market Funds – The fair value of money market funds is estimated using quoted active markets for identical assets. Such investments are generally classified as Level 1 of the valuation hierarchy.

Equity Funds – Listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and ask prices on such exchange.

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Mutual Funds – Mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and ask prices on such exchange. The Borough’s interests in mutual funds are categorized by type as equity and fixed income. Such securities are classified within Level 1 of the valuation hierarchy.

The following table sets forth, by level within fair value hierarchy, the financial assets that were accounted for at fair value on a recurring basis as December 31, 2023:

Investment	Level 1	Level 2	Level 3	Total
Truist Institutional Investments				
Money market funds	\$ 16,346	\$ -	\$ -	\$ 16,346
Mutual funds - equities	149,691	-	-	149,691
Mutual funds - bonds	76,176	-	-	76,176
Exchange traded equity funds	<u>202,819</u>	<u>-</u>	<u>-</u>	<u>202,819</u>
	<u>\$ 445,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 445,032</u>

Credit Risk

The Borough has no formal investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2023, the Borough’s investments had the following level of exposure to credit risk:

Investments	Average Credit Quality Rating	Fair Value
Money market funds	AAA	\$ 16,346
External investment pool	AAA	<u>1,115,082</u>
		<u>\$ 1,131,428</u>

Interest Rate Risk

The various investments noted above all have maturity dates of less than one year.

The Borough has a formal policy to limit its exposure to fair value losses arising from increasing interest rates by limiting the maturity of investments to a maximum of three years.

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer. At December 31, 2023, there were no individual investments that exceeded 5% of the Borough’s portfolio.

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 3 PROPERTY AND SPECIAL ASSESSMENT TAXES

Based upon assessed valuations provided by the County, property taxes are collected by the elected tax collector. Borough of Millersville’s tax rate for the year ended December 31, 2023 was 5.8 mills (\$ 5.80 per \$ 1,000 assessed valuation). The Borough levies assessments for streetlight usage to various areas of the Borough. The assessments are based on a flat rate and are collected by the elected tax collector.

Property taxes and special assessment taxes levied for 2023 were due as follows:

January 1	Levy Date
March 1 – April 30	2% Discount Period
May 1 – June 30	Face Payment Period
July 1 – December 31	10% Penalty Period
January 1	Lien Date

Borough of Millersville, in accordance with accounting principles generally accepted in the United States of America, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by management. A portion of the net amount to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance is unavailable revenue within the governmental fund financial statements.

NOTE 4 INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund transfers were as follows in 2023:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 15,000	\$ 15,228
Education Service Agency Fund	15,228	-
Park Trust Fund	-	15,000
	<u>\$ 30,228</u>	<u>\$ 30,228</u>

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 5 LONG-TERM DEBT

The changes in long-term liabilities during the year ended December 31, 2023 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities						
Direct borrowings						
(A) General Obligation Note, Series of 2017	\$ 1,563,220	\$ -	\$ (164,230)	\$ 1,398,990	\$ 155,130	\$ 1,243,860
Business-Type Activities						
Direct borrowings						
(A) General Obligation Note, Series of 2017	\$ 222,840	\$ -	\$ (222,840)	\$ -	\$ -	\$ -
Total long-term liabilities	\$ 1,786,060	\$ -	\$ (387,070)	\$ 1,398,990	\$ 155,130	\$ 1,243,860

A) General Obligation Note, Series of 2017 - On April 5, 2017, the Borough issued a general obligation note in the amount of \$ 3,690,000. The proceeds of the note were to refund the Guaranteed Revenue Note, Series of 2007, to refund the General Obligation Note, Series of 2007, to refund the General Obligation Note, Series of 2010, and to pay the costs of issuing the note. The note bears a fixed rate of interest of 2.63% per semi-annum and is scheduled to mature in June 2032. In the event of default, the bank reserves the right to exercise the remedies set forth in the bond document.

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of December 31, 2023 are as follows:

Year ended December 31,	Direct Borrowings		
	Principal	Interest	Total
2024	\$ 155,130	\$ 36,793	\$ 191,923
2025	155,890	32,714	188,604
2026	156,460	28,614	185,074
2027	166,940	24,499	191,439
2028	167,120	20,108	187,228
2029-2032	597,450	35,022	632,472
	<u>\$ 1,398,990</u>	<u>\$ 177,750</u>	<u>\$ 1,576,740</u>

NOTE 6 FUND BALANCE

At December 31, 2023, components of fund balance are as follows:

	General Fund	General Capital Reserve Fund	Park Fund	Liquid Fuels Funds	Total Governmental Funds
Restricted for public works - highway	\$ -	\$ -	\$ -	\$ 418,291	\$ 418,291
Restricted for culture and recreation	-	-	445,032	-	445,032
Assigned for 2024 budget	379,737	-	-	-	379,737
Assigned for capital improvements	-	1,295,862	-	-	1,295,862
Unassigned	2,367,786	-	-	-	2,367,786
	<u>\$ 2,747,523</u>	<u>\$ 1,295,862</u>	<u>\$ 445,032</u>	<u>\$ 418,291</u>	<u>\$ 4,906,708</u>

BOROUGH OF MILLERSVILLE

Notes to Financial Statements

NOTE 7 PENSION PLANS

The Borough maintains two defined benefit pension plans. The Police Pension Plan (PPP) covers all of the Borough's full-time police officers. The Non-Uniformed Employee Pension Plan, (NEPP) covers all of the Borough's general employees who works not less than 35 hours per week. The PPP and NEPP were established effective June 1, 1970 and January 1, 1973, respectively, and, in July 2016, entered into a Joinder Agreement with the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT), an agent multiple employer plan. The PPP and NEPP were restated by Resolution No. 2016-16 and 2016-15, respectively, effective July 1, 2016. The PPP and NEPP are governed by Council and Council has delegated the authority to manage the assets to PSABMRT. PPP and NEPP plan assets are held by PSABMRT. Annual Borough contributions to the pension plans are remitted to PSABMRT and PSABMRT is responsible for payment of benefits to current retirees. PSABMRT issues a publicly available financial report that includes financial statements. The report may be obtained by writing to PSABMRT, 2941 North Front Street, Harrisburg, PA, 17110.

Funding Standards and State Aid

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act (Act 205) initiated actuarial funding requirements for Commonwealth municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

Act 205 also establishes a general municipal pension system state aid program, financed by a tax on the premiums of casualty and fire insurance policies sold in the Commonwealth. The Borough is eligible for this aid for each of its pension plans; however, the ultimate obligation to contribute the MMO to the plans is the Borough's.

Police Pension Plan

Plan Description

The Borough of Millersville Police Pension Plan is a single-employer defined benefit pension plan covering the full-time police officers. The Plan was established effective June 1, 1970 and entered into a Joinder Agreement with the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT). The Plan was restated by Resolution No. 2016-16 effective July 1, 2016. The Plan is governed by the Borough Council. The Borough Council has delegated the authority to manage Plan assets to the PSABMRT.

Eligibility Requirements and Benefits Descriptions

All full-time members of the police force of Borough of Millersville are eligible to join the Plan upon employment. A participant is eligible for normal retirement after attainment of age 50 and completion of 25 years of service. A participant's benefits vest upon completion of 12 years of service. The vested benefit is a deferred pension beginning at normal retirement equal to the benefit accrued to the date of termination.

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 7 PENSION PLANS (CONTINUED)

The normal retirement pension is payable monthly during the participant's lifetime, with payments continuing after the participant's death to the surviving spouse equal to 50% of the amount payable to the participant. The amount of monthly pension is equal to 50% of average monthly pay plus \$ 50 per year for each year of service in excess of 25 years of service subject to a maximum increment of \$ 100.

Average monthly pay is based upon the last 36 months of employment. Pay is defined as wages as reported on a federal W-2, excluding officer in charge pay.

If a participant is disabled in the line of duty, they are eligible for disability pension. The disability pension is equal to 50% of the member's average monthly pay at the time of disability, offset by any Social Security disability payments.

Contributions and Funding Policy

As a condition of participation, full-time employees are required to contribute 1% of compensation to the Plan. This contribution is governed by the Plan's ordinance and collective bargaining agreement. In accordance with Act 205, as amended, the Borough was required to contribute to the Plan for the year 2023, \$508,459.

Plan Membership

Membership of the plan as of December 31, 2023 consisted of:

Inactive members or beneficiaries currently receiving benefits	10
Inactive members entitled to but not yet receiving benefits	0
Active members	<u>10</u>
Total	<u>20</u>

Net Pension Liability

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

Actuarial Assumptions

The total pension liability in the January 1, 2023 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	2.25%	
Salary increases	4.25%	(average, including inflation)
Investment rate of return	7.00%	(including inflation)
Postretirement cost of living increase	3.00%	

Mortality rates were based on the PUBS-2010 mortality table, including rates for disabled retirees and contingent survivors.

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 7 PENSION PLANS (CONTINUED)

The long-term expected rate of return on pension 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 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 target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
US Large Value	12.00%
US Large Core	13.00%
US Large Growth	12.00%
US Mid/Small Equity	8.00%
International Equity	15.00%
Fixed Income	33.00%
Real Estate	7.00%

The Expected Real Rate of Return was 4.8%, which excludes an inflation expectation of 2.5%. The Long Term Expected Rate of Return, including inflation was 7.3%

The long-term expected rate of return on the Plan's investments was determined using an asset allocation study conducted by the Plan's investment management consultant in December 2023 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were 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. Best-estimates or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2023 are listed in the table above.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the 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.

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 7 PENSION PLANS (CONTINUED)

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balances at December 31, 2022	\$ 9,101,947	\$ 6,886,501	\$ 2,215,446
Changes for the year:			
Service cost	185,187	-	185,187
Interest	630,445	-	630,445
Changes in Benefit Terms	62,782	-	62,782
Differences Between Expected and Actual Experience	237,177	-	237,177
Changes of Assumptions	(187,158)	-	(187,158)
Contributions - Borough & State Aid	-	508,459	(508,459)
Contributions - Member	-	15,377	(15,377)
Net Investment Income	-	968,176	(968,176)
Benefit Payments	(416,785)	(416,785)	-
Administrative Expense	-	(63,652)	63,652
Net Changes	<u>511,648</u>	<u>1,011,575</u>	<u>(499,927)</u>
Balances at December 31, 2023	<u>\$ 9,613,595</u>	<u>\$ 7,898,076</u>	<u>\$ 1,715,519</u>

Non-Uniformed Pension Plan

Plan Description and Eligibility

The Borough of Millersville Non-Uniformed Defined Benefit Pension Plan is a single-employer defined benefit pension plan covering the full-time non-uniformed employees and also eligible non-uniformed employees that work at least 1000 hours during the year. The Plan was established effective January 1, 1973 and entered into a Joinder Agreement with the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT). The Plan was restated by Resolution No. 2016-15 effective July 1, 2016. The Plan is governed by the Borough Council. The Borough Council has delegated the authority to manage Plan assets to the PSABMRT.

Benefits Descriptions

A participant is eligible for normal retirement after attainment of age 65, or 60 for early retirement, with five years of service. Participants become 100% vested immediately.

The retirement benefits include a monthly benefit equal to 1.75% of average monthly compensation over the last 5 consecutive years of employment (excluding the final year of employment) times years of service. The normal form of benefit is a 10-year certain.

Contributions and Funding Policy

As a condition of participation, full-time employees are not required to contribute to the Plan. This contribution is governed by the Plan's resolution and PSABMRT Joinder Agreement. In accordance with Act 205, as amended, the Borough was required to contribute to the Plan for the year 2022, \$152,716.

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 7 PENSION PLANS (CONTINUED)

Plan Membership

Membership of the plan as of December 31, 2023 consisted of:

Inactive plan members or beneficiaries currently receiving benefits	13
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	<u>15</u>
Total	<u>34</u>

Net Pension Liability

The net pension liability was measured as of December 31, 2023, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

The total pension liability in the January 1, 2023 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	2.25%	
Salary increases	4.25%	(average, including inflation)
Investment rate of return	7.00%	(including inflation)
Postretirement cost of living increase	3.00%	

Mortality rates were based on the PUBS-2010 mortality table, including rates for disabled retirees and contingent survivors.

The long-term expected rate of return on pension 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 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 target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
US Large Value	12.00%
US Large Core	13.00%
US Large Growth	12.00%
US Mid/Small Equity	8.00%
International Equity	15.00%
Fixed Income	33.00%
Real Estate	7.00%

The Expected Real Rate of Return was 4.8%, which excludes an inflation expectation of 2.5%. The Long Term Expected Rate of Return, including inflation was 7.3%

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 7 PENSION PLANS (CONTINUED)

The long-term expected rate of return on the Plan's investments was determined using an asset allocation study conducted by the Plan's investment management consultant in December 2023 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were 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. Best-estimates or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2023 are listed in the table above.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the 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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at December 31, 2022	\$ 3,895,222	\$ 3,315,859	\$ 579,363
Changes for the year:			
Service cost	100,594	-	100,594
Interest	272,637	-	272,637
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	61,367	-	61,367
Changes of Assumptions	-	-	-
Contributions - Borough & State Aid	-	152,716	(152,716)
Contributions - Member	-	-	-
Net Investment Income	-	461,751	(461,751)
Benefit Payments	(123,548)	(123,548)	-
Administrative Expense	-	(34,690)	34,690
Net Changes	<u>311,050</u>	<u>456,229</u>	<u>(145,179)</u>
Balances at December 31, 2023	<u>\$ 4,206,272</u>	<u>\$ 3,772,088</u>	<u>\$ 434,184</u>

NOTE 8 RISK MANAGEMENT

The Borough maintains both insurance contracts and self-funded arrangements to deal with the risk of loss arising from the following events: torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, acts of God, and losses resulting from providing medical benefits to employees and their dependents. For the year ended December 31, 2023, and the three previous years, the claims that were incurred did not exceed insurance coverage.

Insurance contracts cover public officials, law enforcement, automobile, and umbrella liabilities. The contracts also provide employee, tax collector, treasurer, and employee blanket bonds.

BOROUGH OF MILLERSVILLE
Notes to Financial Statements

NOTE 8 RISK MANAGEMENT (CONTINUED)

The Borough has self-funded arrangements, as described below, for unemployment and workers' compensation claims.

Self-Insurance - Unemployment

The Borough has elected to self-insure for unemployment compensation rather than contribute to the state fund. Disbursements are recorded in the applicable Fund when invoiced by the state and paid by the Borough. The Borough paid no unemployment claims during the year ended December 31, 2023.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Grant Programs

The Borough participates in various federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Borough is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Compensated Absences

As a result of the Borough's use of the modified cash basis of accounting, accrued liabilities related to compensated absences and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absence commitment as of December 31, 2023 is \$130,985, which includes accrued sick and vacation time.

NOTE 10 SUBSEQUENT EVENTS

There were no significant subsequent events noted as of the date of the Independent Auditor's Report.

OTHER SUPPLEMENTARY INFORMATION

BOROUGH OF MILLERSVILLE
Budgetary Comparison Schedule - General Fund - Modified Cash Basis
Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Real estate taxes and penalties	\$ 2,018,869	\$ 2,018,869	\$ 1,999,201	\$ (19,668)
Other taxes	924,000	924,000	1,033,724	109,724
Licenses and permits	101,785	101,785	87,592	(14,193)
Fines and forfeits	79,055	79,055	81,977	2,922
Interest, rents, and royalties	168,807	168,807	237,005	68,198
Intergovernmental revenues	469,079	469,079	484,430	15,351
Charges for services	227,529	227,529	213,840	(13,689)
Miscellaneous	41,100	41,100	49,304	8,204
Total revenues	4,030,224	4,030,224	4,187,073	156,849
EXPENDITURES				
General government	368,709	368,709	427,338	(58,629)
Public safety	2,204,634	2,204,634	2,091,188	113,446
Highways and streets	461,885	461,885	410,776	51,109
Culture and recreation	46,860	46,860	28,533	18,327
Debt service:				
Principal	164,230	164,230	164,230	-
Interest and other charges	41,113	41,113	41,113	-
Employee benefits, insurance and other	1,312,722	1,312,722	1,022,058	290,664
Total expenditures	4,600,153	4,600,153	4,185,236	414,917
Excess of revenues over expenditures	(569,929)	(569,929)	1,837	571,766
OTHER FINANCING SOURCES (USES)				
Transfers in	40,000	40,000	15,000	(25,000)
Transfers out	(15,228)	(15,228)	(15,228)	-
Other unclassified sources (uses)	-	-	63,848	63,848
Refund of prior year expenditures	25,008	25,008	24,414	(594)
Total other financing sources (uses)	49,780	49,780	88,034	38,254
Changes in fund balance	\$ (520,149)	\$ (520,149)	\$ 89,871	\$ 610,020
FUND BALANCE - beginning			2,657,652	
FUND BALANCE - ending			\$ 2,747,523	