

Borough of Avalon

Primary Government Financial Statements (Modified Cash Basis) and Supplementary Information

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

MaherDuessel

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BOROUGH OF AVALON

YEAR ENDED DECEMBER 31, 2021

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BOROUGH OF AVALON

YEAR ENDED DECEMBER 31, 2021

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Independent Auditor's Report

**Members of Council
Borough of Avalon**

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Borough of Avalon (Borough), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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 the modified cash basis of accounting as described in Note 2 of the Financial Statements.

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 modified cash 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 modified cash financial position for the year then ended in accordance with the modified cash basis of accounting as described in Note 2 of the Financial Statements.

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 Discretely Presented Component Unit

The financial statements do not include financial data for the Borough's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the 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 include 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 on the discretely presented component opinion unit has not been determined.

Basis of Accounting

We draw attention to Note 2 of the Financial Statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2 of the financial statements, 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 GAAS, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming 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
March 31, 2022

BOROUGH OF AVALON

STATEMENT OF NET POSITION (MODIFIED CASH BASIS)

DECEMBER 31, 2021

Assets	
Cash and cash equivalents	\$ 3,360,561
Total Assets	3,360,561
Liabilities	
Payroll liabilities	1,656
Escrow liabilities	11,941
Other liabilities	5,025
Total Liabilities	18,622
Net Position	
Restricted:	
Highway and streets	15,811
Government services	237,550
Unrestricted	3,088,578
Total Net Position	\$ 3,341,939

See accompanying notes to primary government financial statements (modified cash basis).

BOROUGH OF AVALON

STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

<u>Functions/Programs</u>	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Disbursements	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary Government:					
Governmental activities:					
General government	\$ 644,763	\$ 8,510	\$ 405,141	\$ -	\$ (231,112)
Public safety	1,364,385	318,590	95,311	10,100	(940,384)
Public works - sanitation	1,229,446	1,232,631	464	19,302	22,951
Public works - highway and streets	681,795	50,818	117,732	-	(513,245)
Culture and recreation	276,473	63,621	-	-	(212,852)
Community development	29,867	-	-	-	(29,867)
Debt service	707,167	-	-	-	(707,167)
Total governmental activities	<u>\$ 4,933,896</u>	<u>\$ 1,674,170</u>	<u>\$ 618,648</u>	<u>\$ 29,402</u>	<u>(2,611,676)</u>
General receipts:					
Taxes:					
Real estate					1,964,602
Earned income					604,828
Real estate transfer					141,099
Local services tax					42,662
Sales taxes					254,465
Investment and rental income					37,970
Proceeds from sale of assets					6,550
Miscellaneous					7,695
Proceeds from debt					300,000
Refund of prior years' disbursements (receipts), net					25,313
Total general receipts					<u>3,385,184</u>
Change in Net Position					<u>773,508</u>
Net Position:					
Beginning of year					2,568,431
End of year					<u>\$ 3,341,939</u>

See accompanying notes to primary government financial statements (modified cash basis).

BOROUGH OF AVALON

BALANCE SHEET (MODIFIED CASH BASIS)

GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	General Fund	Sewer Surcharge Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,891,623	\$ 1,120,200	\$ 348,738	\$ 3,360,561
Due from other funds	1,262	535	1,917	3,714
Total Assets	\$ 1,892,885	\$ 1,120,735	\$ 350,655	\$ 3,364,275
Liabilities and Fund Balance				
Liabilities:				
Payroll liabilities	\$ 1,656	\$ -	\$ -	\$ 1,656
Escrow liabilities	11,941	-	-	11,941
Other liabilities	2,642	2,383	-	5,025
Due to other funds	1,917	632	1,165	3,714
Total Liabilities	18,156	3,015	1,165	22,336
Fund Balance:				
Restricted:				
Highways and streets	-	-	15,811	15,811
Government services	-	-	237,550	237,550
Assigned:				
Health and sanitation	-	-	51,870	51,870
Sewer capital costs	-	1,117,720	-	1,117,720
Debt service	-	-	44,259	44,259
Unassigned	1,874,729	-	-	1,874,729
Total Fund Balance	1,874,729	1,117,720	349,490	3,341,939
Total Liabilities and Fund Balance	\$ 1,892,885	\$ 1,120,735	\$ 350,655	\$ 3,364,275

See accompanying notes to primary government financial statements (modified cash basis).

BOROUGH OF AVALON

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)

GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2021

	General Fund	Sewer Surcharge Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Cash Receipts:				
Taxes	\$ 3,007,656	\$ -	\$ -	\$ 3,007,656
Licenses, permits, and fees	104,941	-	-	104,941
Fines, forfeitures, and penalties	74,322	-	-	74,322
Investment and rental income	28,228	9,507	235	37,970
Intergovernmental	263,010	19,302	365,638	647,950
Charges for services	262,276	1,224,507	8,124	1,494,907
Contributions	100	-	-	100
Miscellaneous	6,527	85	1,083	7,695
Total cash receipts	<u>3,747,060</u>	<u>1,253,401</u>	<u>375,080</u>	<u>5,375,541</u>
Cash Disbursements:				
Current:				
General government	492,627	18,002	-	510,629
Public safety	1,364,385	-	-	1,364,385
Public works - sanitation	-	1,225,165	4,281	1,229,446
Public works - highway and streets	661,979	19,816	-	681,795
Culture and recreation	276,473	-	-	276,473
Community development	29,867	-	-	29,867
Miscellaneous	133,886	248	-	134,134
Debt service:				
Principal	482,166	67,398	55,000	604,564
Interest	72,471	18,519	11,613	102,603
Total cash disbursements	<u>3,513,854</u>	<u>1,349,148</u>	<u>70,894</u>	<u>4,933,896</u>
Excess (Deficiency) of Cash Receipts over Cash Disbursements	<u>233,206</u>	<u>(95,747)</u>	<u>304,186</u>	<u>441,645</u>
Other Financing Sources (Uses):				
Proceeds from tax anticipation note	300,000	-	-	300,000
Proceeds from sale of assets	6,550	-	-	6,550
Transfers in	117,747	-	62,130	179,877
Transfers out	(62,130)	-	(117,747)	(179,877)
Refund of prior years disbursements	52,953	-	-	52,953
Refund of prior years receipts	(27,640)	-	-	(27,640)
Total other financing sources (uses)	<u>387,480</u>	<u>-</u>	<u>(55,617)</u>	<u>331,863</u>
Excess (Deficiency) of Cash Receipts and Other Financing Sources over (under) Cash Disbursements and Other Financing Uses	<u>620,686</u>	<u>(95,747)</u>	<u>248,569</u>	<u>773,508</u>
Fund Balance:				
Beginning of year	<u>1,254,043</u>	<u>1,213,467</u>	<u>100,921</u>	<u>2,568,431</u>
End of year	<u>\$ 1,874,729</u>	<u>\$ 1,117,720</u>	<u>\$ 349,490</u>	<u>\$ 3,341,939</u>

See accompanying notes to primary government financial statements (modified cash basis).

BOROUGH OF AVALON

BUDGETARY COMPARISON SCHEDULE (MODIFIED CASH BASIS)

GENERAL FUND

YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Cash Receipts:				
Taxes:				
Real estate	\$ 1,800,100	\$ 1,800,100	\$ 1,964,602	\$ 164,502
Earned income	585,000	585,000	604,828	19,828
Real estate transfer	60,000	60,000	141,099	81,099
Local services tax	40,000	40,000	42,662	2,662
Sales	210,000	210,000	254,465	44,465
Licenses, permits, and fees	125,200	125,200	104,941	(20,259)
Fines, forfeitures, and penalties	70,000	70,000	74,322	4,322
Investment and rental income	23,907	23,907	28,228	4,321
Intergovernmental	102,229	102,229	263,010	160,781
Charges for services	190,250	190,250	262,276	72,026
Contributions	750	750	100	(650)
Miscellaneous	-	-	6,527	6,527
Total cash receipts	<u>3,207,436</u>	<u>3,207,436</u>	<u>3,747,060</u>	<u>539,624</u>
Cash Disbursements:				
Current:				
General government	539,567	539,567	492,627	46,940
Public safety	1,319,459	1,319,459	1,364,385	(44,926)
Public works - highway and streets	769,900	769,900	661,979	107,921
Culture and recreation	228,415	228,415	276,473	(48,058)
Community development	5,000	5,000	29,867	(24,867)
Miscellaneous	153,605	153,605	133,886	19,719
Debt service:				
Principal	182,167	182,167	482,166	(299,999)
Interest	73,307	73,307	72,471	836
Total cash disbursements	<u>3,271,420</u>	<u>3,271,420</u>	<u>3,513,854</u>	<u>(242,434)</u>
Excess (Deficiency) of Cash				
Receipts over Cash Disbursements	<u>(63,984)</u>	<u>(63,984)</u>	<u>233,206</u>	<u>297,190</u>
Other Financing Sources (Uses):				
Proceeds from tax anticipation note	-	-	300,000	300,000
Proceeds from sale of assets	-	-	6,550	6,550
Transfers in	202,827	202,827	117,747	(85,080)
Transfers out	(141,193)	(141,193)	(62,130)	79,063
Refund of prior years disbursements	11,000	11,000	52,953	41,953
Refund of prior years receipts	(8,650)	(8,650)	(27,640)	(18,990)
Total other financing sources (uses)	<u>63,984</u>	<u>63,984</u>	<u>387,480</u>	<u>323,496</u>
Excess (Deficiency) of Cash Receipts and Other Financing Sources over (under) Cash Disbursements and Other Financing Uses				
	<u>\$ -</u>	<u>\$ -</u>	<u>620,686</u>	<u>\$ 620,686</u>
Fund Balance:				
Beginning of year			<u>1,254,043</u>	
End of year			<u>\$ 1,874,729</u>	

See accompanying notes to primary government financial statements (modified cash basis).

BOROUGH OF AVALON

STATEMENT OF FIDUCIARY NET POSITION (MODIFIED CASH BASIS)

FIDUCIARY FUNDS

DECEMBER 31, 2021

<u>Assets</u>	<u>Pension Trust Funds</u>
Cash and cash equivalents	\$ 350,687
Investments:	
Equity securities	2,708,467
Mutual funds	<u>1,698,751</u>
Total Assets	<u>4,757,905</u>
Net Position Restricted for Pension Benefits	<u><u>\$ 4,757,905</u></u>

See accompanying notes to primary government financial statements (modified cash basis).

BOROUGH OF AVALON

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (MODIFIED CASH BASIS)

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2021

Additions:

Contributions:

Employee	\$ 24,369
Employer, including state aid	209,054
	<hr/>
Total contributions	233,423

Investment income:

Net appreciation (depreciation) in fair value of investments	444,910
Interest and dividends	155,686
	<hr/>
Total investment income (loss)	600,596
	<hr/>
Less investment expense	(18,040)
	<hr/>
Net investment income (loss)	582,556
	<hr/>
Total additions	815,979

Deductions:

Benefits	202,562
Administrative expense	12,796
	<hr/>
Total deductions	215,358

Change in Plan Net Position 600,621

Net Position:

Beginning of year	4,157,284
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End of year	\$ 4,757,905

See accompanying notes to primary government financial statements (modified cash basis).

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

1. The Reporting Entity

The Borough of Avalon (Borough) located in Allegheny County, Pennsylvania was established in 1875. The Borough is governed by a mayor and a nine-member Council and provides services to residents, including general government, public safety, highway maintenance, health, and welfare.

The primary government financial statements (financial statements) include only the financial activity of the Borough and do not include the Avalon Public Library (Library), 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 Library because the Council appoints the Library's governing Board, the Library facility is owned by the Borough, and the Library is primarily funded through annual subsidies from the Borough, public donations, and the Commonwealth of Pennsylvania. Separate financial statements for the Library are available from its office.

2. Summary of Significant Accounting Policies

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position (modified cash basis) and the statement of activities (modified cash basis)) report information on all of the non-fiduciary activities of the Borough.

The statement of activities (modified cash basis) demonstrates the degree to which the direct expenses of a given function or segment is offset by program receipts. Direct expenses are those that are clearly identifiable with a specific function or segment. Program receipts 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 receipts are reported instead as general receipts.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements and the fund financial statements are reported using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, receipts are generally recognized when cash is received and expenditures are generally recognized when cash is disbursed. Short term borrowings are recognized as a liability when due. Assets and liabilities arising from payroll withholdings are reported on the balance sheet, and amounts held in escrow are also tracked through liability accounts.

The Borough reports the following major governmental funds:

The General Fund is the principal operating fund of the Borough, which is used to account for all financial transactions except those accounted for in other funds.

The Sewer Surcharge Fund, a special revenue fund, is used to account for financial resources to be used for the improvement of sanitary sewer lines and charges to pay for normal sewer usage.

The Borough reports the following other nonmajor governmental funds:

The Highway Aid Fund accounts for state aid revenues (liquid fuels tax) used for street lighting and building and improving roads and bridges.

The Health and Sanitation Fund accounts for the financial activities related to the collection of solid waste disposal fees from Borough residents.

The American Rescue Plan Act fund accounts for the federal revenues received in response to coronavirus relief and the related expenditures.

The Fire Truck Fund accounts for the accumulation of resources that are assigned for the payment of principal and interest on long-term debt related to the purchase of a fire truck.

Fiduciary Funds are used to report assets held in a trustee capacity for others, and therefore, are not available to support Borough programs. The reporting focus is on net

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

position and changes in net position and is reported using accounting principles similar to proprietary funds. The Borough reports on the following fiduciary fund:

Pension Trust Funds are used to account for assets held by the Borough in a trustee capacity for its employees. These include the Police Pension Fund and the General Employees' Pension Fund.

Budgets and Budgetary Accounting

Budgetary information in the accompanying financial statements has been reclassified to conform to the financial statement presentation. The Borough follows these procedures in establishing this budgetary data:

- a. Formal budgetary integration is employed as a management control device during the year for the General Fund. The budget is adopted annually on the modified cash basis.
- b. In accordance with the Borough Code, beginning at least 30 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. The proposed budget shall be kept on file with the Borough secretary and made available for public inspection for a period of ten days. Notice that the proposed budget is available for inspection is published in a newspaper of general circulation. After expiration of the ten days, the Council makes such revisions in the budget as deemed advisable and shall adopt the budget by motion.
- c. Transfers of budget amounts are authorized between departments within any fund. However, any revisions that alter the total appropriations of any fund must be approved by the Council.
- d. Unused appropriations for annually budgeted funds lapse at the end of the year.
- e. The budget amounts shown in the financial statements are the original and final amounts for the year ended December 31, 2021.

Annual appropriated budgets are not adopted for all funds reported in these financial statements. For the year ended December 31, 2021, cash disbursements in the General Fund exceeded appropriations in public safety, culture and recreation, community development, and debt service principal. These overages were funded by excess revenues, transfers in from other funds, debt proceeds, and, to the extent available, fund balance.

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

Cash and Cash Equivalents

For purposes of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Fair Value Measurements

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.

Long Term Debt

Long-term debt arising from modified cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as cash disbursements.

Net Position

The Borough classifies net position into two components - restricted and unrestricted. These classifications are defined as follows:

- Restricted - This component of net position consists of constraints placed on net position use through external restrictions.
- Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted."

The Borough applies restricted resources first, when available, before using unrestricted resources, to pay expenditures that can be paid from either source.

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

Fund Balance

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

- 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.
- Assigned – This category represents intentions of the Council to use the funds for specific purposes. The Council has delegated the authority to assign amounts to be used for specific purposes to the Borough Manager or his/her designee. This category includes amounts set aside for health and sanitation, sewer capital costs, and debt service.
- 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 has not established a policy for its use of unrestricted fund balance amounts; therefore, restricted amounts should be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in those classifications are available to be used.

Pending Pronouncements

The Governmental Accounting Standards Board (GASB) has issued statements that will become effective in future years including 87 (Leases), 89 (Accounting for Interest Cost), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), and 97 (Deferred Compensation Plans). Management has not yet determined the impact of these statements on the financial statements.

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

3. Deposits and Investments

Pennsylvania statutes limit investment of governmental funds into certain authorized investment types including: U.S. Treasury Bills, short-term commercial paper issued by a public corporation, banker's acceptances, insured or collateralized time deposits, and certificates of deposit. The statutes also allow pooling of governmental funds for investment purposes. The deposit and investment policy of the Borough adheres to state statutes. Deposits of the governmental funds are either maintained in demand deposits or invested with the Pennsylvania Local Government Investment Trust (PLGIT). There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Borough.

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

Custodial Credit Risk – For a deposit, 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 formal deposit policy for custodial credit risk.

As of December 31, 2021, \$250,000 of the Borough's \$2,475,333 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance 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 have carrying amounts of \$2,415,698 as of December 31, 2021.

Cash Equivalent Investments

The fair value of the Borough's position in the external investment pool is the same as the value of the pool shares. All investments in an external investment pool that are not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania.

The Borough can withdraw funds from the external investment pools. However, there are certain limitations placed on these withdrawals. For PLGIT-Class accounts, there is a one-day holding period. For PLGIT/PRIME accounts, there is a one-day holding period and a penalty for more than two withdrawals in a calendar month. For PLGIT/Term accounts, there is a minimum investment period of sixty days and a premature withdrawal penalty. PLGIT is audited annually by independent auditors. PLGIT uses amortized cost to report net

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

assets to compute share prices. It is PLGIT's policy to maintain a net asset value of \$1 per share. Accordingly, the fair value of the position of PLGIT is the same as the value of PLGIT shares.

As of December 31, 2021, the entire PLGIT book balance of \$944,863 (bank balance of \$944,863) is considered to be a cash equivalent for presentation on the statement of net position and governmental funds balance sheet.

The following is a description of the Borough's investment risks as related to governmental activities:

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Borough has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2021, investments in PLGIT have received an AAA rating from Standard & Poor's.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. The Borough does not have a formal investment policy for custodial credit risk. The Borough's investments in PLGIT cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form.

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 are held separately from those of other Borough funds. Assets in the Pension Trust Funds are stated at fair value. The Pension Trust Funds have no investment policy.

The Pension Trust Funds are invested in various types of financial instruments. This diversification of the investment portfolio serves to assist in mitigating the various types of risks associated with different types of financial instruments. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments could occur in the near term and that such a change could materially affect the amount reported on the statement of fiduciary net position (modified cash basis).

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

As of December 31, 2021, the Borough had the following investments in its Pension Trust Funds:

	Fair Value	Maturity in Years		
		Less than 1 year	1-5 years	More than 5 years
Mutual funds - fixed income	\$ 1,698,751	\$ -	\$ -	\$ 1,698,751
Cash and cash equivalents - money market	350,687			
Equity securities	2,708,467			
Total cash equivalents and equity securities	3,059,154			
Total investments reported on statement of fiduciary net position (modified cash basis)	\$ 4,757,905			

Mutual funds and equity securities are valued using quoted market prices (Level 1 inputs).

Pension Trust Funds' investment in money markets and mutual 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 Pension Trust Funds' deposit and investment risks:

Credit Risk – For investments, the risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Pension Trust Funds have no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations.

Custodial Credit Risk – For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Pension Trust Funds will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. The Pension Trust Funds do not have a formal investment policy for custodial credit risk.

Concentration of Credit Risk – The Borough places no limit on the amount the Pension Trust Funds may invest in any one issuer. The Pension Trust Funds have no investments of greater than 5% with one issuer.

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Pension Trust Funds. The Pension Trust Funds do not have a formal deposit or investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

4. Pension Plans

Plan Descriptions

The Borough administers two single-employer defined benefit pension plans covering substantially all full-time employees: Police Pension and Welfare Plan (Police Plan) and Employees' Pension and Welfare Plan (General Employees' Plan). Both plans provide retirement benefits and special provisions for death benefits to plan members.

Plan provisions are established by municipal ordinance with the authority for municipal contributions required by Act 205 of the Commonwealth of Pennsylvania (Act). Employee contributions have been eliminated subject to the plans meeting certain financial conditions. The plans do not issue separate reports.

Summary of Significant Accounting Policies

Financial information of the Borough's plans is presented on the modified cash basis of accounting. Employer contributions to each plan are recognized the earlier of when cash is received by the plan or the Borough. Benefits and refunds are recognized when cash is disbursed.

Investments of the plans are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price.

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. The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO,

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

which exceeds the Commonwealth of Pennsylvania allocation must be funded by the Borough (and could include employee contributions). The 2021 MMO was based on the January 1, 2019 actuarial valuation.

In 2021, the police contribution rate was 5%. Municipal employees were not required to contribute to their plan.

The Borough contributed the MMO for both the Police and General Employees' Plans, in the amount of \$172,384 and \$36,670, respectively.

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the appropriate plan and funded from investment earnings.

The Borough's funded status and related information for each Plan as of the latest actuarial valuation date, January 1, 2021, is as follows:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
General Employees' Plan	\$ 654,755	\$ 538,163	\$ 116,592	121.66%	\$ 400,302	29.13%
Police Plan	\$ 3,192,028	\$ 3,130,912	\$ 61,116	101.95%	\$ 480,790	12.71%

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

Actuarial Assumptions

The actuarially accrued liability for both Plans was determined by an actuarial valuation performed on January 1, 2021 using the following actuarial assumptions, applied to all periods in the measurement:

	Police Plan	General Employees Plan
	Entry Age Normal	Entry Age Normal
Actuarial cost method		
Actuarial assumptions:		
Investment rate of return	6.75%	6.75%
Projected salary increases	4.75%	4.50%
Underlying inflation rate	2.50%	2.50%

Police Plan: 2010 Public Retirement Plan - Public Safety mortality tables (PubS-2010)

General Employees Plan: 2010 Public Retirement Plan - General Employees mortality tables (PubG-2010)

Changes in Actuarial Assumptions – The following actuarial assumptions were changed since the January 1, 2019 actuarial valuation. The Consumer Price Index/inflation assumption was lowered from 2.75% to 2.50% per year for both plans. The assumed interest rate was lowered from 7.00% to 6.75% per year and 7.25% to 6.75% per year for the Police Plan and General Employees Plan, respectively. For the Police Plan, the salary increase assumption was reduced from 5.00% to 4.75% per year. The mortality assumption was updated from the RP-2014 Mortality Table with 50% Blue-Collar adjustment to the 2010 Public Retirement Plans – General Employees mortality tables (PubG-2010) and Public Safety employees mortality tables (PubS-2010) for the General Employees Plan and the Police Plan, respectively. In addition, the mortality improvement assumption was updated from being based on the 2015 Social Security Administration’s Trustee Report assumptions for both plans. Finally, for the Police Plan, the disability assumption has been updated to projections based on the ultimate rates of disability incidence in the Social Security Administration’s 2020 Trustee’s Report.

Changes in Benefits – For the Police Plan, there were no benefit changes reported since the January 1, 2019 actuarial valuation. For the General Employees Plan, there were two changes to the plan provisions for administrative employees who are not members of a collective bargaining unit: the one-year service requirement for plan participation was eliminated and vesting was updated to 100% after five years of service.

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

Deferred Compensation Plan

Employees of the Borough may participate in a deferred compensation plan (plan) adopted under the provisions of Internal Revenue Code Section 457 (Deferred compensation plans with respect to service for State and Local Governments), which is considered a defined contribution pension plan. As part of its fiduciary role, the Borough has an obligation of due care in selecting the third-party administrator. The plan is available to all full-time employees of the Borough. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The Council has agreed to match on a per-dollar basis, the employee's contribution to the plan, with a cap of \$120 per month. During 2021, the employer and employee contributions were approximately \$8,100 and \$38,907, respectively.

5. Real Estate Taxes

Real estate taxes based on assessed valuations provided by Allegheny County (County) are levied on April 1 of the taxable year. Real estate taxes are billed and collected by an elected tax collector. Taxes paid by May 31 are given a 2% discount. Amounts paid after August 31 are assessed a 10% penalty.

Under the Borough Code, the Borough is permitted to levy real estate taxes up to 30 mills for general purposes. In addition, additional taxes may be levied for certain specified purposes. Borough real estate taxes were levied at the rate of 9.83 mills for general purposes during 2021.

6. Long-Term Debt

The 2008 Pennvest Guaranteed Revenue Note was issued in the amount of \$1,350,000. Principal and interest payments are due monthly beginning in September 2009, and final payment is due in 2029. Interest is calculated at the rate of 2.109% per annum for the first five years, and 2.965% per annum for the years thereafter. This debt was incurred to finance infrastructure improvements and will be repaid from the Sewer Surcharge Fund. The Note is secured by a pledge of all of the gross revenue and receipts generated from or by the Borough. Upon the occurrence of any event of default, the entire unpaid principal sum plus all interest accrued become due and payable immediately.

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

The 2020 General Obligation Note was issued in the amount of \$3,235,000 to refund the Borough's 2013 General Obligation Bonds and the 2016 Republic First National Loan. This debt was originally issued to finance the purchase of a fire truck and pumper, for the use of the Avalon Volunteer Fire Company (Company). The Company committed to pay the Borough \$150,000 over a five-year period to assist with the debt service payments. The Company has paid off their portion as of 2021. The 2020 General Obligation Note has a fixed interest rate of 2.544% and matures on June 1, 2036. The Note is a general obligation of the Borough, for which it pledges its full faith, credit, and taxing power. Upon the occurrence of any event of default, then any registered owner of the obligation may bring suit in the Court of Common Pleas of Allegheny County and request the court issue a writ of mandamus directing the Borough to pay into the appropriate Sinking Fund the first tax moneys or other available revenues thereafter received in such fiscal year by the Borough until the sum shall equal the moneys that should have been budgeted or appropriated for such Note.

The 2020 Street Sweeper Note was issued in the amount of \$167,144 to finance the purchase of a street sweeper. Principal and interest are due monthly beginning April 2020, and the final payment is due in 2025. Interest is calculated at the rate of 2.40%. Upon the occurrence of any event of default, the lessor may take one or any of the following remedial steps: declare the entire unpaid principal sum plus all interest accrued to become due and payable immediately, retake possession of the collateralized asset(s), and/or take legal action.

Capital Lease

The Borough has entered into a lease agreement for financing the purchase of a backhoe loader in the amount of \$102,975. The lease qualifies as a capital lease for accounting purposes and is secured by the assets pledged as collateral. Principal and interest are due annually beginning August 2020, and the final payment is due in 2027. Interest is calculated at the rate of 2.95%. Upon the occurrence of any event of default, the lessor may, to the extent permitted by applicable law, recover the principal balance as of the date of default, take possession of the equipment, require the Borough to sell the equipment and apply any net proceeds to the lease obligation, and/or exercise any other remedy available at law.

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

Tax Anticipation Note

During 2021, the Borough obtained a tax anticipation note in the amount of \$300,000. Note proceeds were used for general operating expenses of the government in anticipation of current year tax revenues. The tax anticipation note was paid in full as of December 31, 2021.

Annual debt service requirements are as follows:

Years	Governmental Activities		Total
	Direct Borrowings		
	Principal	Interest	
2022	\$ 311,710	\$ 91,308	\$ 403,018
2023	320,944	82,959	403,903
2024	329,270	74,381	403,651
2025	311,822	65,780	377,602
2026	311,615	57,555	369,170
2027-2031	1,216,137	172,029	1,388,166
2032-2036	833,000	47,433	880,433
	\$ 3,634,498	\$ 591,445	\$ 4,225,943

As of December 31, 2021, long-term debt consists of the following:

	Balance as of January 1, 2021	New Debt/ Additions	Repayment	Balance as of December 31, 2021	Due Within One Year
<u>Governmental Activities:</u>					
<u>Direct Borrowings:</u>					
Pennvest Revenue Note	\$ 655,322	\$ -	\$ (67,398)	\$ 587,924	\$ 69,424
Street Sweeper Loan	143,360	-	(32,412)	110,948	33,210
Backhoe Capital Lease	82,380	-	(10,754)	71,626	11,076
G.O. Note 2020	3,058,000	-	(194,000)	2,864,000	198,000
Total Direct Borrowings	3,939,062	-	(304,564)	3,634,498	311,710
Total Long-Term Debt	\$ 3,939,062	\$ -	\$ (304,564)	\$ 3,634,498	\$ 311,710

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

7. Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Borough carries commercial insurance. There have been no significant changes in insurance coverage since the prior year.

For its worker's compensation insurance coverage, the Borough participates in the Municipal Risk Management Worker's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of 239 cities, municipalities, boroughs, townships, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1993 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workers' Compensation Act and Occupational Disease Act of each and every participant of the Trust. The Trust purchases excess insurance coverage with statutory limits. The retention for this excess coverage is \$750,000 per occurrence. Political subdivisions joining the Trust must remain members for a minimum of four years; a member may withdraw from the Trust after that time by giving ninety days' notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments but has no claim on any other assets of the Trust.

8. Commitments and Contingencies

Various claims and lawsuits are pending against the Borough. The ultimate outcome of these claims and lawsuits cannot presently be determined and, accordingly, no provision for amounts arising from settlements has been made in these financial statements. In the opinion of management, the effect on the financial statements of potential losses on any claim and/or lawsuit should not be material.

BOROUGH OF AVALON

NOTES TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2021

9. Interfund Receivables, Payables, and Transfers

Interfund receivables, payables, and transfers are summarized below:

	<u>Transfer in</u>	<u>Transfers Out</u>	<u>Due To</u>	<u>Due From</u>
Governmental Funds:				
General	\$ 117,747	\$ 62,130	\$ 1,917	\$ 1,262
Highway Aid	-	117,747	-	-
Fire Truck	62,130	-	-	-
Health and Sanitation	-	-	1,165	1,917
Sewer Surcharge	-	-	632	535
	<u>\$ 179,877</u>	<u>\$ 179,877</u>	<u>\$ 3,714</u>	<u>\$ 3,714</u>

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. 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 \$117,747 from the Highway Aid Fund to the General Fund and used those funds for street lighting, traffic control devices, salt, asphalt, and tool and machinery repairs. In addition, the Borough transferred \$62,130 from the General Fund to the Fire Truck Fund for debt service payments.

SUPPLEMENTARY INFORMATION

BOROUGH OF AVALON

COMBINING BALANCE SHEET (MODIFIED CASH BASIS)

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	Highway Aid Fund	Health and Sanitation Fund	American Rescue Plan Act Fund	Fire Truck Fund	
Assets					
Cash and cash equivalents	\$ 15,811	\$ 51,118	\$ 237,550	\$ 44,259	\$ 348,738
Due from other funds	-	1,917	-	-	1,917
Total Assets	\$ 15,811	\$ 53,035	\$ 237,550	\$ 44,259	\$ 350,655
Liabilities and Fund Balance					
Liabilities:					
Due to other funds	\$ -	\$ 1,165	\$ -	\$ -	\$ 1,165
Total Liabilities	-	1,165	-	-	1,165
Fund Balance:					
Restricted:					
Highways and streets	15,811	-	-	-	15,811
Government services	-	-	237,550	-	237,550
Assigned:					
Health and sanitation	-	51,870	-	-	51,870
Debt service	-	-	-	44,259	44,259
Total Fund Balance	15,811	51,870	237,550	44,259	349,490
Total Liabilities and Fund Balance	\$ 15,811	\$ 53,035	\$ 237,550	\$ 44,259	\$ 350,655

BOROUGH OF AVALON

COMBINING STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2021

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	Highway Aid Fund	Health and Sanitation Fund	American Rescue Plan Act Fund	Fire Truck Fund	
Cash Receipts:					
Investment and rental income	\$ 15	\$ 63	\$ 108	\$ 49	\$ 235
Intergovernmental	117,732	464	237,442	10,000	365,638
Charges for services	-	8,124	-	-	8,124
Miscellaneous	-	1,083	-	-	1,083
Total cash receipts	117,747	9,734	237,550	10,049	375,080
Cash Disbursements:					
Current:					
Public works - sanitation	-	4,281	-	-	4,281
Debt service:					
Principal	-	-	-	55,000	55,000
Interest	-	-	-	11,613	11,613
Total cash disbursements	-	4,281	-	66,613	70,894
Excess (Deficiency) of Cash Receipts over Cash Disbursements	117,747	5,453	237,550	(56,564)	304,186
Other Financing Sources (Uses):					
Transfers in	-	-	-	62,130	62,130
Transfers out	(117,747)	-	-	-	(117,747)
Total other financing sources (uses)	(117,747)	-	-	62,130	(55,617)
Excess (Deficiency) of Cash Receipts and Other Financing Sources over (under) Cash Disbursements and Other Financing Uses	-	5,453	237,550	5,566	248,569
Fund Balance:					
Beginning of year	15,811	46,417	-	38,693	100,921
End of year	\$ 15,811	\$ 51,870	\$ 237,550	\$ 44,259	\$ 349,490

BOROUGH OF AVALON

COMBINING STATEMENT OF FIDUCIARY NET POSITION (MODIFIED CASH BASIS) PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2021

	<u>Police</u>	<u>General Employees</u>	<u>Total</u>
<hr/> Assets <hr/>			
Cash and cash equivalents	\$ 289,068	\$ 61,619	\$ 350,687
Investments:			
Equity securities	2,245,594	462,873	2,708,467
Mutual funds	<u>1,407,365</u>	<u>291,386</u>	<u>1,698,751</u>
Total Assets	<u>3,942,027</u>	<u>815,878</u>	<u>4,757,905</u>
Net Position Restricted for Pension Benefits	<u>\$ 3,942,027</u>	<u>\$ 815,878</u>	<u>\$ 4,757,905</u>

BOROUGH OF AVALON

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (MODIFIED CASH BASIS) PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2021

	Police	General Employees	Total
Additions:			
<hr/>			
Contributions:			
Employee	\$ 24,369	\$ -	\$ 24,369
Employer, including state aid	172,384	36,670	209,054
	<hr/>	<hr/>	<hr/>
Total contributions	196,753	36,670	233,423
Investment income:			
Net appreciation (depreciation) in fair value of investments	368,510	76,400	444,910
Interest and dividends	128,975	26,711	155,686
	<hr/>	<hr/>	<hr/>
Total investment income (loss)	497,485	103,111	600,596
Less investment expense	<hr/>	<hr/>	<hr/>
	(14,938)	(3,102)	(18,040)
Net investment income (loss)	<hr/>	<hr/>	<hr/>
	482,547	100,009	582,556
Total additions	<hr/>	<hr/>	<hr/>
	679,300	136,679	815,979
Deductions:			
<hr/>			
Benefits	175,307	27,255	202,562
Administrative expense	6,833	5,963	12,796
	<hr/>	<hr/>	<hr/>
Total deductions	182,140	33,218	215,358
Change in Net Position	<hr/>	<hr/>	<hr/>
	497,160	103,461	600,621
Net Position:			
<hr/>			
Beginning of year	3,444,867	712,417	4,157,284
End of year	<hr/>	<hr/>	<hr/>
	\$ 3,942,027	\$ 815,878	\$ 4,757,905