

Borough of Tipton
**Financial Statements and
Supplementary Information**
December 31, 2019



Borough of Tipton

Table of Contents
December 31, 2019

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Balance Sheet - Modified Cash Basis	3 and 4
Statement of Revenues and Expenditures - Modified Cash Basis	5 to 18
Notes to Financial Statements	19 to 28
SUPPLEMENTARY INFORMATION	
Debt Statement - Modified Cash Basis	29
Statement of Capital Expenditures - Modified Cash Basis	30



Independent Auditor's Report

To the Honorable Mayor and Members of Council
Borough of Topton
Berks County, Pennsylvania

Report on the Financial Statements

We have audited the general fund, special revenue funds, enterprise funds, and trust and agency fund presented in accordance with the reporting framework required by the Commonwealth of Pennsylvania Annual Audit and Financial Report Form DCED-CLGS-30 of the Borough of Topton, Berks County, Pennsylvania, which comprise the balance sheet - modified cash basis as of December 31, 2019, and the related statement of revenues and expenditures - modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the reporting framework of the Commonwealth of Pennsylvania Annual Audit and Financial Report Form DCED-CLGS-30 utilizing the modified cash basis of accounting as described in Note 2. This includes 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on Modified Cash Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the Borough of Topton, Berks County, Pennsylvania, as of December 31, 2019, and the changes in the statement of revenues and expenditures - modified cash basis for the year then ended in accordance with the basis of accounting described in Note 2.

Opinion on the Reporting Framework Required by the Commonwealth of Pennsylvania Annual Audit and Financial Report Form DCED-CLGS-30

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Borough of Topton, Berks County, Pennsylvania, as of December 31, 2019, and the respective changes in the modified cash basis financial position thereof for the year then ended, in accordance with the reporting framework required by the Commonwealth of Pennsylvania Annual Audit and Financial Report Form DCED-CLGS-30.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 2.

Basis of Accounting and Presentation

We draw your attention to Note 2 of the financial statements. 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. The accompanying financial statements are presented in accordance with the reporting framework required by the Commonwealth of Pennsylvania Annual Audit and Financial Report Form DCED-CLGS-30.

Handwritten signature in black ink that reads "RKL LLP". The letters are cursive and somewhat stylized.

March 20, 2020
Wyomissing, Pennsylvania

Balance Sheet - Modified Cash Basis

December 31, 2019

Assets and Other Debits		Governmental Funds			
		<i>General Fund</i>	<i>Special Revenue (Including State Liquid Fuels)</i>	<i>Capital Projects</i>	<i>Debt Service</i>
100-120	Cash and Investments	\$ 1,596,160	\$ 117,405	\$ -	\$ -
140-144	Tax Receivable	-	-	-	-
121-129					
145-149	Accounts Receivable (excluding taxes)	-	-	-	-
130	Due From Other Funds	18,009	9,413	-	-
131-139					
150-159	Other Current Assets	-	-	-	-
160-169	Fixed Assets	-	-	-	-
180-189	Other Debits	-	-	-	-
Total Assets and Other Debits		\$ 1,614,169	\$ 126,818	\$ -	\$ -

Liabilities and Other Credits					
210-229	Payroll Taxes and Other Payroll Withholdings	\$ -	\$ -	\$ -	\$ -
200-209					
231-239	All Other Current Liabilities	-	-	-	-
230	Due To Other Funds	-	-	-	-
260-269	Long-Term Liabilities	-	-	-	-
240-259	Current Portion of Long-Term Debt and Other Credits	-	-	-	-
Total Liabilities and Other Credits		\$ -	\$ -	\$ -	\$ -

Fund and Account Group Equity					
281-284	Contributed Capital	\$ -	\$ -	\$ -	\$ -
290	Investment in General Fixed Assets	-	-	-	-
270-289	Fund Balance/Retained Earnings on 12/31	1,614,169	126,818	-	-
291-299	Other Equity	-	-	-	-
Total Fund and Account Group Equity		\$ 1,614,169	\$ 126,818	\$ -	\$ -

* The financial position of the pension plan is held in a separate trust and, therefore, not included on the balance sheet.

Proprietary Funds		Fiduciary Funds	Account Groups		Total
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Memorandum Only
\$ 481,593	\$ -	\$ 1,017	\$ -	\$ -	\$ 2,196,175
-	-	-	-	-	-
-	-	-	-	-	-
58,116	-	-	-	-	85,538
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 539,709	\$ -	\$ 1,017	\$ -	\$ -	\$ 2,281,713

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
85,538	-	-	-	-	85,538
-	-	-	-	-	-
-	-	-	-	-	-
\$ 85,538	\$ -	\$ -	\$ -	\$ -	\$ 85,538

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
454,171	-	1,017	-	-	2,196,175
-	-	-	-	-	-
\$ 454,171	\$ -	\$ 1,017	\$ -	\$ -	\$ 2,196,175

TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY	\$ 2,281,713
--	--------------

Statement of Revenues and Expenditures - Modified Cash Basis

December 31, 2019

REVENUES		Governmental Funds			
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
Taxes					
301.00	Real Estate Taxes	\$ 451,903	\$ 48,865	\$ -	\$ -
305.00	Occupation Taxes (levied under municipal code)	-	-	-	-
308.00	Residence Taxes (levied by cities of the 3rd Class)	-	-	-	-
309.00	Regional Asset District Sales Tax (Allegheny County municipalities only)	-	-	-	-
310.00	Per Capita Taxes	5,695	-	-	-
310.10	Real Estate Transfer Taxes	28,789	-	-	-
310.20	Earned Income Taxes/Wage Taxes	271,800	-	-	-
310.30	Business Gross Receipts Taxes	-	-	-	-
310.40	Occupation Taxes (levied under Act 511)	-	-	-	-
310.50	Local Services Tax**	55,425	-	-	-
310.60	Amusement/Admission Taxes	-	-	-	-
310.70	Mechanical Device Taxes	-	-	-	-
310.90	Other Local Tax Enabling Act/Act 511 Taxes	-	-	-	-
Total Taxes		\$ 813,612	\$ 48,865	\$ -	\$ -

Licenses and Permits					
320-322	All Other Licenses and Permits	\$ 7,450	\$ -	\$ -	\$ -
321.80	Cable Television Franchise Fees	22,854	-	-	-
Total Licenses and Permits		\$ 30,304	\$ -	\$ -	\$ -

Fines and Forfeits					
330-332	Fines and Forfeits	\$ 2,027	\$ -	\$ -	\$ -
Total Fines and Forfeits		\$ 2,027	\$ -	\$ -	\$ -

Interest, Rents, and Royalties					
341.00	Interest Earnings	\$ 7,561	\$ 777	\$ -	\$ -
342.00	Rents and Royalties	455	-	-	-
Total Interest, Rents, and Royalties		\$ 8,016	\$ 777	\$ -	\$ -

** This tax was known as the Occupational Privilege Tax (OPT) prior to 2005 and the Emergency and Municipal Services Tax prior to 2008.

Proprietary Funds		Fiduciary Fund		Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>	
\$ -	\$ -	\$ -	\$ 500,768	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	5,695	
-	-	-	28,789	
-	-	-	271,800	
-	-	-	-	
-	-	-	-	
-	-	-	55,425	
-	-	-	-	
-	-	-	-	
-	-	-	-	
\$ -	\$ -	\$ -	\$ 862,477	

\$ -	\$ -	\$ -	\$ 7,450	
-	-	-	22,854	
\$ -	\$ -	\$ -	\$ 30,304	

\$ -	\$ -	\$ -	\$ 2,027	
\$ -	\$ -	\$ -	\$ 2,027	

\$ 3,251	\$ -	\$ 6	\$ 11,595	
-	-	-	455	
\$ 3,251	\$ -	\$ 6	\$ 12,050	

Statement of Revenues and Expenditures - Modified Cash Basis

December 31, 2019

Intergovernmental Revenues		Governmental Funds			
Federal		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
351.03	Highways and Streets	\$ -	\$ -	\$ -	\$ -
351.09	Community Development	-	-	-	-
351.00	All Other Federal Capital and Operating Grants	-	-	-	-
352.01	National Forest	-	-	-	-
352.00	All Other Federal Shared Revenue and Entitlements	-	-	-	-
353.00	Federal Payments in Lieu of Taxes	-	-	-	-
Total Federal		\$ -	\$ -	\$ -	\$ -

State					
354.03	Highway and Streets	\$ -	\$ -	\$ -	\$ -
354.09	Community Development	-	-	-	-
354.15	Recycling/Act 101	8,402	-	-	-
354.00	All Other State Capital and Operating Grants	-	-	-	-
355.01	Public Utility Realty Tax (PURTA)	735	-	-	-
355.02- 355.03	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback	-	72,091	-	-
355.04	Alcoholic Beverage Licenses	800	-	-	-
355.05	General Municipal Pension System State Aid	25,476	-	-	-
355.07	Foreign Fire Insurance Tax Distribution	10,653	-	-	-
355.08	Local Share Assessment/Gaming Proceeds	-	-	-	-
355.09	Marcellus Shale Impact Fee Distribution	-	-	-	-
355.00	All Other State Shared Revenues and Entitlements	-	-	-	-
356.00	State Payments in Lieu of Taxes	-	-	-	-
Total State		\$ 46,066	\$ 72,091	\$ -	\$ -

Local Government Units					
357.03	Highways and Streets	\$ -	\$ -	\$ -	\$ -
357.00	All Other Local Governmental Units Capital and Operating Grants	-	-	-	-
358.00	Local Government Unit Shared Payments for Contracted Intergovernmental Services	-	-	-	-
359.00	Local Governmental Units, Authorities Payments, and Payments in Lieu of Taxes	-	-	-	-
Total Local Government Units		\$ -	\$ -	\$ -	\$ -

Proprietary Funds		Fiduciary Fund	Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	8,402
121,566	-	-	121,566
-	-	-	735
-	-	-	72,091
-	-	-	800
-	-	-	25,476
-	-	-	10,653
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 121,566	\$ -	\$ -	\$ 239,723

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

TOTAL INTERGOVERNMENTAL REVENUES	\$ 239,723
---	------------

Statement of Revenues and Expenditures - Modified Cash Basis

December 31, 2019

REVENUES		Governmental Funds			
Charges for Service		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
361.00	General Government	\$ 5,171	\$ -	\$ -	\$ -
362.00	Public Safety	-	-	-	-
363.20	Parking	-	-	-	-
363.00	All Other Charges for Highway and Streets Services	2,678	-	-	-
364.10	Wastewater/Sewage Charges	-	-	-	-
364.30	Solid Waste Collection and Disposal Charge (trash)	-	-	-	-
364.60	Host Municipality Benefit Fee for Solid Waste Facility	-	-	-	-
364.00	All Other Charges for Sanitation Services	-	-	-	-
365.00	Health	-	-	-	-
366.00	Human Services	-	-	-	-
367.00	Culture and Recreation	1,055	75,283	-	-
368.00	Airports	-	-	-	-
369.00	Bars	-	-	-	-
370.00	Cemeteries	-	-	-	-
372.00	Electric System	-	-	-	-
373.00	Gas System	-	-	-	-
374.00	Housing System	-	-	-	-
375.00	Markets	-	-	-	-
377.00	Transit Systems	-	-	-	-
378.00	Water System	-	-	-	-
379.00	All Other Charges for Service	-	-	-	-
Total Charges for Service		\$ 8,904	\$ 75,283	\$ -	\$ -

Unclassified Operating Revenues					
383.00	Assessments	\$ -	\$ -	\$ -	\$ -
386.00	Escheats (sale of personal property)	-	-	-	-
387.00	Contributions and Donations from Private Sectors	89,717	259	-	-
388.00	Fiduciary Fund Pension Contributions	-	-	-	-
389.00	All Other Unclassified Operating Revenues	5,396	109	-	-
Total Unclassified Operating Revenues		\$ 95,113	\$ 368	\$ -	\$ -

Other Financing Sources					
391.00	Proceeds of General Fixed Asset Disposition	\$ -	\$ -	\$ -	\$ -
392.00	Interfund Operating Transfers	48,865	-	-	-
393.00	Proceeds of General Long-Term Debt	1,000,000	-	-	-
394.00	Proceeds of Short-Term Debt	-	-	-	-
395.00	Refunds of Prior Year Expenditures	82,477	-	-	-
Total Other Financing Sources		\$ 1,131,342	\$ -	\$ -	\$ -

TOTAL REVENUES		\$ 2,135,384	\$ 197,384	\$ -	\$ -
-----------------------	--	---------------------	-------------------	-------------	-------------

Proprietary Funds		Fiduciary Fund	Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>
\$ -	\$ -	\$ -	\$ 5,171
-	-	-	-
-	-	-	-
-	-	-	2,678
744,868	-	-	744,868
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	76,338
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
307,559	-	-	307,559
-	-	-	-
\$ 1,052,427	\$ -	\$ -	\$ 1,136,614

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	89,976
-	-	-	-
77	-	-	5,582
\$ 77	\$ -	\$ -	\$ 95,558

\$ -	\$ -	\$ -	\$ -
-	-	-	48,865
335,841	-	-	1,335,841
-	-	-	-
-	-	-	82,477
\$ 335,841	\$ -	\$ -	\$ 1,467,183

\$ 1,513,162	\$ -	\$ 6	\$ 3,845,936
--------------	------	------	--------------

Statement of Revenues and Expenditures - Modified Cash Basis

December 31, 2019

EXPENDITURES		Governmental Funds			
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
General Government					
400.00	Legislative (Governing) Body	\$ 16,112	\$ -	\$ -	\$ -
401.00	Executive (Manager or Mayor)	68,551	-	-	-
402.00	Auditing Services/Financial Administration	14,500	-	-	-
403.00	Tax Collection	11,311	-	-	-
404.00	Solicitor/Legal Services	18,662	-	-	-
405.00	Secretary/Clerk	-	-	-	-
406.00	Other General Government Administration	48,706	-	-	-
407.00	IT-Networking Services - Data Processing	-	-	-	-
408.00	Engineering Services	149,091	-	-	-
409.00	General Government Buildings and Plant	18,234	-	-	-
Total General Government		\$ 345,167	\$ -	\$ -	\$ -

Public Safety					
410.00	Police	\$ 4,709	\$ -	\$ -	\$ -
411.00	Fire	55,090	-	-	-
412.00	Ambulance/Rescue	10,249	-	-	-
413.00	UCC and Code Enforcement	11,775	-	-	-
414.00	Planning and Zoning	-	-	-	-
415.00	Emergency Management and Communications	-	-	-	-
416.00	Militia and Armories	-	-	-	-
417.00	Examination of Licensed Occupations	-	-	-	-
418.00	Public Scales (weights and measures)	-	-	-	-
419.00	Other Public Safety	-	-	-	-
Total Public Safety		\$ 81,823	\$ -	\$ -	\$ -

Health and Human Services					
420.00-					
425.00	Health and Human Services	\$ -	\$ -	\$ -	\$ -

Public Works - Sanitation					
426.00	Recycling Collection and Disposal	\$ -	\$ -	\$ -	\$ -
427.00	Solid Waste Collection and Disposal (trash)	-	-	-	-
428.00	Weed Control	-	-	-	-
429.00	Wastewater/Sewage Collection and Treatment	-	-	-	-
Total Public Works - Sanitation		\$ -	\$ -	\$ -	\$ -

Proprietary Funds		Fiduciary Fund	Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>
\$ -	\$ -	\$ -	\$ 16,112
-	-	-	68,551
-	-	-	14,500
-	-	-	11,311
-	-	-	18,662
-	-	-	-
-	-	-	48,706
-	-	-	-
-	-	-	149,091
-	-	-	18,234
\$ -	\$ -	\$ -	\$ 345,167

\$ -	\$ -	\$ -	\$ 4,709
-	-	-	55,090
-	-	-	10,249
-	-	-	11,775
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ 81,823

\$ -	\$ -	\$ -	\$ -
------	------	------	------

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
827,236	-	-	827,236
\$ 827,236	\$ -	\$ -	\$ 827,236

Statement of Revenues and Expenditures - Modified Cash Basis

December 31, 2019

EXPENDITURES		Governmental Funds			
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
Public Works - Highways and Streets					
430.00	General Services - Administration	\$ 362,064	\$ -	\$ -	\$ -
431.00	Cleaning of Streets and Gutters	-	-	-	-
432.00	Winter Maintenance - Snow Removal	3,265	16,472	-	-
433.00	Traffic Control Devices	1,860	-	-	-
434.00	Street Lighting	42,700	-	-	-
435.00	Sidewalks and Crosswalks	-	-	-	-
436.00	Storm Sewers and Drains	-	-	-	-
437.00	Repairs of Tools and Machinery	11,124	-	-	-
438.00	Maintenance and Repairs of Roads and Bridges	-	-	-	-
439.00	Highway Construction and Rebuilding Projects	-	-	-	-
Total Public Works - Highways and Streets		\$ 421,013	\$ 16,472	\$ -	\$ -

Public Works - Other Services					
440.00	Airports	\$ -	\$ -	\$ -	\$ -
441.00	Cemeteries	-	-	-	-
442.00	Electric System	-	-	-	-
443.00	Gas System	-	-	-	-
444.00	Markets	-	-	-	-
445.00	Parking	-	-	-	-
446.00	Storm Water and Flood Control	-	-	-	-
447.00	Transit System	-	-	-	-
448.00	Water System	-	-	-	-
449.00	Water Transport and Terminals	-	-	-	-
Total Public Works - Other Services		\$ -	\$ -	\$ -	\$ -

Culture and Recreation					
450.00	All Other Culture and Recreation	\$ 500	\$ -	\$ -	\$ -
451.00	Culture-Recreation Administration	-	-	-	-
452.00	Participant Recreation	30,633	78,489	-	-
453.00	Spectator Recreation	-	-	-	-
454.00	Parks	113,506	-	-	-
455.00	Shade Trees	-	-	-	-
456.00	Libraries	16,200	-	-	-
457.00	Civil and Military Celebrations	-	-	-	-
458.00	Senior Citizens' Centers	-	-	-	-
Total Culture and Recreation		\$ 160,839	\$ 78,489	\$ -	\$ -

Proprietary Funds		Fiduciary Fund		Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>	
\$ -	\$ -	\$ -	\$ 362,064	
-	-	-	-	
-	-	-	19,737	
-	-	-	1,860	
-	-	-	42,700	
-	-	-	-	
-	-	-	-	
-	-	-	11,124	
-	-	-	-	
-	-	-	-	
\$ -	\$ -	\$ -	\$ 437,485	

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
243,883	-	-	243,883
-	-	-	-
\$ 243,883	\$ -	\$ -	\$ 243,883

\$ -	\$ -	\$ -	\$ 500
-	-	-	-
-	-	-	109,122
-	-	-	-
-	-	-	113,506
-	-	-	-
-	-	-	16,200
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ 239,328

Statement of Revenues and Expenditures - Modified Cash Basis

December 31, 2019

EXPENDITURES		Governmental Funds			
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
Community Development					
461.00	Conservation of Natural Resources	\$ -	\$ -	\$ -	\$ -
462.00	Community Development and Housing	-	-	-	-
463.00	Economic Development	-	-	-	-
464.00	Economic Opportunity	-	-	-	-
465.00- 469.00	All Other Community Development	-	-	-	-
Total Community Development		\$ -	\$ -	\$ -	\$ -

Debt Service					
471.00	Debt Principal (short-term and long-term)	\$ -	\$ 8,719	\$ -	\$ -
472.00	Debt Interest (short-term and long-term)	-	366	-	-
475.00	Fiscal Agent Fees	35,578	-	-	-
Total Debt Service		\$ 35,578	\$ 9,085	\$ -	\$ -

Employer Paid Benefits and Withholding Items					
481.00	Employer Paid Withholding Taxes and Unemployment Compensation	\$ 19,592	\$ 5,879	\$ -	\$ -
482.00	Judgments and Losses	-	-	-	-
483.00	Pension/Retirement Fund Contributions	8,508	-	-	-
484.00	Workers Compensation Insurance	10,859	701	-	-
487.00	Group Insurance and Other Benefits	2,613	-	-	-
Total Employer Paid Benefits and Withholding Items		\$ 41,572	\$ 6,580	\$ -	\$ -

Insurance					
486.00	Insurance, Casualty, and Surety	\$ 12,741	\$ -	\$ -	\$ -

Unclassified Operating Expenditures					
488.00	Fiduciary Fund Benefits and Refunds Paid	\$ -	\$ -	\$ -	\$ -
489.00	All Other Unclassified Expenditures	-	-	-	-
Total Unclassified Operating Expenditures		\$ -	\$ -	\$ -	\$ -

Proprietary Funds		Fiduciary Fund	Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

\$ 240,165	\$ -	\$ -	\$ 248,884
29,527	-	-	29,893
-	-	-	35,578
\$ 269,692	\$ -	\$ -	\$ 314,355

\$ 22,953	\$ -	\$ -	\$ 48,424
-	-	-	-
17,016	-	-	25,524
11,700	-	-	23,260
-	-	-	2,613
\$ 51,669	\$ -	\$ -	\$ 99,821

\$ -	\$ -	\$ -	\$ 12,741
------	------	------	-----------

\$ -	\$ -	\$ -	\$ -
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Statement of Revenues and Expenditures - Modified Cash Basis

December 31, 2019

EXPENDITURES		Governmental Funds			
		<i>General Fund</i>	<i>Special Revenue (Including State Liquid Fuels)</i>	<i>Capital Projects</i>	<i>Debt Service</i>
Other Financing Uses					
491.00	Refund of Prior Year Revenues	\$ -	\$ -	\$ -	\$ -
492.00	Interfund Operating Transfers	-	48,865	-	-
493.00	All Other Financing Uses	-	-	-	-
Total Other Financing Uses		\$ -	\$ 48,865	\$ -	\$ -

TOTAL EXPENDITURES	\$ 1,098,733	\$ 159,491	\$ -	\$ -
---------------------------	---------------------	-------------------	-------------	-------------

EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	\$ 1,036,651	\$ 37,893	\$ -	\$ -
---	---------------------	------------------	-------------	-------------

Proprietary Funds		Fiduciary Fund	Total
<i>Enterprise</i>	<i>Internal Service</i>	<i>Trust and Agency</i>	<i>Memorandum Only</i>
\$ -	\$ -	\$ -	\$ -
-	-	-	48,865
-	-	-	-
\$ -	\$ -	\$ -	\$ 48,865

\$ 1,392,480	\$ -	\$ -	\$ 2,650,704
--------------	------	------	--------------

\$ 120,682	\$ -	\$ 6	\$ 1,195,232
------------	------	------	--------------

Borough of Tipton

Notes to Financial Statements

December 31, 2019

Note 1 - Nature of Activity

The Borough of Tipton, Berks County, Pennsylvania (the Borough), was incorporated in 1876 and has an approximate population of 2,100, based on a 2010 census report, living within an area of one square mile. The Borough is in the southeastern portion of the Commonwealth of Pennsylvania and is located in Berks County.

Note 2 - Summary of Significant Accounting Policies

The accompanying primary government financial statements conform to the modified cash basis method of accounting as applicable to governmental units and are presented in accordance with the Commonwealth of Pennsylvania Annual Audit and Financial Report Form DCED-CLGS-30. The following is a summary of the more significant accounting policies used by the Borough.

The Financial Reporting Entity

Primary Government

The Borough is a Pennsylvania Municipal Corporation which operates under a Council-Mayor form of government. The governing body is an elected seven-member Borough Council and elected Mayor. The Borough is managed by a Borough Manager appointed by the Borough Council. The Borough operates the general government activities of the community, including public safety, street and road maintenance, public water and sewer systems, culture and recreation, and various administrative functions.

Related Organization

Tipton Borough Authority

The Tipton Borough Authority (the Authority) is governed by a five-member Board appointed by the Borough Council. Although it is legally separate from the Borough, the Authority is a component unit and its primary purpose is to finance improvements to the Borough's sewer system, if needed. The Authority is inactive. The Authority is not included in the Borough's reporting entity as these financial statements only include the activities of the primary government.

Description of Fund Accounting and Funds

The accounts of the Borough are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Note 2 - Summary of Significant Accounting Policies (continued)

Description of Fund Accounting and Funds (continued)

The various funds of the Borough are grouped in the primary government financial statements in this report as follows:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Borough are financed. The acquisition, use, and balances of the Borough's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position rather than upon net income determination. The following are the Borough's governmental fund types:

General Fund - is the general operating fund of the Borough. It is used to account for all activities, except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes, or designated to finance particular functions or activities of the Borough.

Proprietary Fund Types

Proprietary funds are used to account for the Borough's ongoing activities, which are similar to those often found in the private sector and are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the Borough in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting and Measurement Focus

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the primary government financial statements.

Modified Cash Basis

The Borough's policy is to prepare its financial statements on a modified cash basis under which only revenues collected and expenditures paid, and intergovernmental due to and due from receivables and payables are recorded. Under this basis, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid, rather than when the related liability is incurred. Consequently, other receivables, other payables, inventories, long-lived assets, accrued income and expenses, and amortization and depreciation, and assets held in trust in the pension plan, which may be material in amount, are not reflected in the accompanying primary government financial statements, which are not intended to present the financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for on a spending or "financial flow" measurement focus within the limitations of the modified cash basis of accounting. Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary funds and nonexpendable trust funds are accounted for on a cost of services or "capital maintenance" measurement focus within the limitations of the modified cash basis of accounting. Their reported fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in equity.

Assets and Liabilities

Cash

The Borough considers all cash accounts, which are not subject to withdrawal restrictions or penalties, to be cash.

Due To and From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Note 2 - Summary of Significant Accounting Policies (continued)

Assets and Liabilities (continued)

Capital Assets

Purchased capital assets are recorded as expenditures in the governmental fund types. Proprietary fund type capital assets are recorded as expenditures in the fund in which it is utilized. Infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are recorded as expenditures in the fund types expending the funds.

Equity

Fund Balances

It is the Borough's policy to first use reserved fund balance prior to the use of unreserved fund balance when an expenditure is incurred for purposes for which both reserved and unreserved fund balances are available.

Revenues and Expenditures

Revenues

All revenues are recognized when received.

Property Taxes

The Borough is permitted by state law to levy taxes up to 30 mills of assessed valuation for general purposes. State law also permits additional millage to be levied for specific purposes as defined in the law. The millage rate levied by the Borough for 2019 was 6.55 mills, consisting of 5.90 mills for general operations, and 0.65 mills for fire protection, as established by Borough Council. Current tax collections for the Borough were approximately 98% of the total tax levy.

The Borough's real estate taxes are based on assessed values established by the County of Berks Board of Assessments. The taxes are collected by an elected or appointed local tax collector. Real estate taxes attach an enforceable lien on property when levied on March 1. A discount of 2% is applied to payments made prior to April 30. A penalty of 10% is added to the face amount of taxes paid after June 30. The County of Berks Tax Claim Bureau collects delinquent real estate taxes on behalf of itself and other taxing authorities. Return of unpaid real estate taxes to the County of Berks Tax Claim Bureau is made by January 15 of the subsequent year.

Intergovernmental Revenues

Intergovernmental revenues represent revenues received from the Commonwealth of Pennsylvania, federal agencies and local governmental units generally to fund specific programs and are recognized when received.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenues and Expenditures (continued)

Long-Term Debt

Debt proceeds from issuance of long-term debt are reported as other financing sources and debt service expenditures are recognized in the period paid.

Interfund Transactions

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

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Recent Accounting Pronouncement

In March 2018, the Governmental Accounting Standards Board issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The Statement requires that additional essential information related to debt be disclosed in the notes to the financial statements. The Borough adopted this Statement as of January 1, 2019.

Note 3 - Deposits

The Borough's available cash is invested in demand deposit accounts and savings accounts.

Custodial Credit Risk, Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, the Borough's deposits may not be returned to the Borough. The Pennsylvania Government Code and the Borough's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: Pennsylvania Act 72 requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law.

Borough of Tipton

Notes to Financial Statements

December 31, 2019

Note 3 - Deposits (continued)

Custodial Credit Risk, Deposits (continued)

At December 31, 2019, the carrying amount of the Borough's bank deposits was \$2,196,175, and the corresponding bank balances were \$2,412,372, of which \$750,000 was covered by Federal Depository Insurance. The remaining \$1,662,372 of deposits was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Borough's name. Of the \$1,662,372 of deposits exposed custodial risk at December 31, 2019, \$856,229 was on deposit with a bank that experienced a shortfall in collateral, whereby collateral for those deposits only totaled 90.3934%. Therefore, approximately \$82,254 of the Borough's bank balance was uninsured and uncollateralized at December 31, 2019. The bank funded the collateral shortfall subsequent to year end.

Note 4 - Long-Term Debt

Long-term debt consists of the following at December 31, 2019:

	Balance Outstanding December 31, 2018	Additions	Reductions	Balance Outstanding December 31, 2019
General Obligation Note, Series of 2019, maximum draw down of \$1,000,000, due in payments in accordance with agreed upon amortization schedule. No payments were made in 2019. The interest rate is 2.75% per annum to October 2029	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
General Obligation Note, Series of 2017, maximum draw down of \$2,425,000, due in monthly payments of \$22,474, including interest at a rate of 2.47% per annum to December 2027	1,211,537	335,841	(240,165)	1,307,213
	<u>\$ 1,211,537</u>	<u>\$ 1,335,841</u>	<u>\$ (240,165)</u>	<u>\$ 2,307,213</u>

Borough of Tipton

Notes to Financial Statements

December 31, 2019

Note 4 - Long-Term Debt (continued)

Aggregate maturities required on long-term debt at December 31, 2019 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 328,110	\$ 58,228	\$ 386,338
2021	336,109	48,664	384,773
2022	345,257	40,041	385,298
2023	354,558	31,182	385,740
2024	364,018	21,759	385,777
Thereafter	579,161	44,884	624,045
	<u>\$ 2,307,213</u>	<u>\$ 244,758</u>	<u>\$ 2,551,971</u>

The Borough's outstanding debt from direct borrowings and direct placements is secured by a pledge of full faith, credit, and taxing power of the Borough. The Borough's debt agreement contains a covenant requiring the Borough to include in its annual budget the amount of the debt service that is due and payable for the year; the Borough shall appropriate from its general revenues, in each fiscal year, the amount required to pay debt service on the Note for such year; and shall duly and punctually pay or cause to be paid from its sinking fund or any other of its revenue or funds the principal amount of the Note and the interest due thereon at the dates and place and in the manner stated in the Note agreement.

The Notes also require the Borough to submit audited financial statements to the bank within 180 days from the close of the fiscal year.

At December 31, 2019, the Borough was in compliance with these covenants.

Note 5 - Capital Lease

A capital lease consisted of the following at December 31, 2019:

	<u>Balance Outstanding December 31, 2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance Outstanding December 31, 2019</u>
2017 Ford F550 4x4, financed through a leasing company, payable in annual installments of \$9,084 including estimated interest rate of 4.19%, through September 2019	<u>\$ 8,719</u>	<u>\$ -</u>	<u>\$ 8,719</u>	<u>\$ -</u>

Borough of Tipton

Notes to Financial Statements

December 31, 2019

Note 6 - Interfund Balances and Transfers

The composition of interfund balances and transfers is as follows as of December 31, 2019:

Interfund Balances

	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
General Fund	\$ -	\$ 18,009
Special Revenue Funds		
Pool Fund	-	9,413
Enterprise Funds		
Water Fund	-	58,116
Sewer Fund	85,538	-
Total All Funds	<u>\$ 85,538</u>	<u>\$ 85,538</u>

Interfund Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 48,865	\$ -
Special Revenue Fund	-	48,865
	<u>\$ 48,865</u>	<u>\$ 48,865</u>

Note 7 - Borough of Tipton Nonuniformed Pension Plan

Plan Description

The Borough of Tipton Nonuniformed Pension Plan (the Plan) is a single-employer defined benefit pension plan administered by the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Borough of Tipton. The Plan provides pension benefits for retirement at the age of 60. The assets of the Plan are not included in the Borough's financial statements.

Benefits Provided

The basic annual benefit shall be equal to the member's final salary multiplied by all years of credited service and multiplied by the benefit accrual rate of 1.5%. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. The assets of the Plan are invested separately. The Plan's assets may be used only for the payment of benefits to the members of the plan in accordance with the terms of the Plan.

Borough of Tipton

Notes to Financial Statements

December 31, 2019

Note 7 - Borough of Tipton Nonuniformed Pension Plan (continued)

Employees Covered by Benefit Terms

At December 31, 2018, the date of the most recent actuarial valuation, the following employees were covered by the plan:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to, but not yet receiving benefits	-
Active employees	<u>8</u>
	<u>13</u>

Contributions

Pennsylvania Act 205 requires that annual contributions to the Plan be based upon the Plan's Minimum Municipal Obligation, which is based on the Plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. Participants are not required to contribute to the Plan. The Borough is required to contribute amounts necessary to fund the Plan using the actuarial basis specified by statute. During the year ended December 31, 2019, the Borough contributed \$25,524 to the Plan.

Note 8 - Commitments and Contingency

Water Main Cleaning Project

The Borough entered into a contract for a water main cleaning project. The outstanding commitment on the contract was approximately \$91,000 at December 31, 2019.

Litigation

In the normal course of business, the Borough is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the financial statements.

Borough of Tipton

Notes to Financial Statements

December 31, 2019

Note 9 - Subsequent Events

The Borough has evaluated subsequent events through March 20, 2020. This date is the date the financial statements were available to be issued. The following material event was noted subsequent to December 31, 2019:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy, financial markets, and the geographical area of the Borough. It is unknown how long these conditions will last and what the complete financial effect will be to the Borough.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

No other material events subsequent to December 31, 2019 were noted.

DEBT STATEMENT - MODIFIED CASH BASIS											
Purpose	Bond (B) Note (N)	Issue Date (Year)	Maturity Date (Year)	Original Amount of Issue	Outstanding Beginning of Year (1)	Principal Incurred This Year (Additions)	Principal Paid This Year	Current Year Accretion of Compound Interest Bonds	Outstanding Year-End (1)	Plus (Less) Unamortized Premium (Discount)	Total Balance
GENERAL OBLIGATION BONDS AND NOTES:											
General Obligation Note	N	2017	2027	\$ 2,425,000	\$ 1,211,537	\$ 335,841	\$ 240,165	\$ -	\$ 1,307,213	\$ -	\$ 1,307,213
General Obligation Note	N	2019	2029	1,000,000	-	1,000,000	-	-	1,000,000	-	1,000,000
				-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-
REVENUE BONDS AND NOTES:											
None.				-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-
LEASE RENTAL DEBT/GENERAL LEASES:											
Capital Lease	N	2015	2019	41,681	8,719	-	8,719	-	-	-	-
				-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-
OTHER:											
None.				-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-
											\$ 2,307,213
Total bonds and notes outstanding											\$ 2,307,213
Capitalized lease obligations											-
Other debt											-
TOTAL OUTSTANDING DEBT											\$ 2,307,213

