

**Borough of Tipton**  
**Financial Statements and  
Supplementary Information**  
**December 31, 2020**



# **Borough of Tipton**

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## **Independent Auditor's Report**

To the Honorable Mayor and Members of Council  
Borough of Tipton  
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 Tipton, Berks County, Pennsylvania (the Borough), which comprise the balance sheet - modified cash basis as of December 31, 2020, 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 Tipton, Berks County, Pennsylvania, as of December 31, 2020, 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**

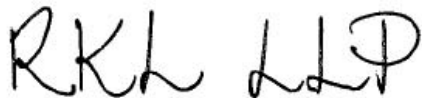
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Borough of Tipton, Berks County, Pennsylvania, as of December 31, 2020, and the respective changes in the modified cash basis financial position 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 opinions 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 29, 2021  
Wyomissing, Pennsylvania

**BALANCE SHEET - MODIFIED CASH BASIS**  
 December 31, 2020

ASSETS AND OTHER DEBITS	GOVERNMENTAL FUNDS			
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
100-120 Cash and Investments	\$ 627,970	\$ 188,538	\$ -	\$ -
140-144 Tax Receivable	-	-	-	-
121-129				
145-149 Accounts Receivable (excluding taxes)	-	-	-	-
130 Due From Other Funds	-	-	-	-
131-139				
150-159 Other Current Assets	-	-	-	-
160-169 Fixed Assets	-	-	-	-
180-189 Other Debits	-	-	-	-
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 627,970</b>	<b>\$ 188,538</b>	<b>\$ -</b>	<b>\$ -</b>

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	-	-	-	-
<b>TOTAL LIABILITIES AND OTHER CREDITS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

FUND AND ACCOUNT GROUP EQUITY				
281-284 Contributed Capital	\$ -	\$ -	\$ -	\$ -
290 Investment in General Fixed Assets	-	-	-	-
270-289 Fund Balance/Retained Earnings on 12/31	627,970	188,538	-	-
291-299 Other Equity	-	-	-	-
<b>TOTAL FUND AND ACCOUNT GROUP EQUITY</b>	<b>\$ 627,970</b>	<b>\$ 188,538</b>	<b>\$ -</b>	<b>\$ -</b>

*Total Assets and Other Debits minus Total Liabilities and Other Credits must equal the Total Fund and Account Group Equity.*

	PROPRIETARY FUNDS		FIDUCIARY FUND	ACCOUNT GROUPS		TOTAL
	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Memorandum Only
<b>ASSETS AND OTHER DEBITS</b>						
100-120 Cash and Investments	\$ 488,930	\$ -	\$ 1,020	\$ -	\$ -	\$ 1,306,458
140-144 Tax Receivable	-	-	-	-	-	-
121-129						
145-149 Accounts Receivable (excluding taxes)	-	-	-	-	-	-
130 Due From Other Funds	-	-	-	-	-	-
131-139						
150-159 Other Current Assets	-	-	-	-	-	-
160-169 Fixed Assets	-	-	-	-	-	-
180-189 Other Debits	-	-	-	-	-	-
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 488,930</b>	<b>\$ -</b>	<b>\$ 1,020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,306,458</b>

<b>LIABILITIES AND OTHER CREDITS</b>						
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	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND OTHER CREDITS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>FUND AND ACCOUNT GROUP EQUITY</b>						
281-284 Contributed Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
290 Investment in General Fixed Assets	-	-	-	-	-	-
270-289 Fund Balance/Retained Earnings on 12/31	488,930	-	1,020	-	-	1,306,458
291-299 Other Equity	-	-	-	-	-	-
<b>TOTAL FUND AND ACCOUNT GROUP EQUITY</b>	<b>\$ 488,930</b>	<b>\$ -</b>	<b>\$ 1,020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,306,458</b>

<b>TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY</b>						<b>\$ 1,306,458</b>
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Total Assets and Other Debits minus Total Liabilities and Other Credits must equal the Total Fund and Account Group Equity.

## STATEMENT OF REVENUES AND EXPENDITURES - MODIFIED CASH BASIS

December 31, 2020

REVENUES		GOVERNMENTAL FUNDS			
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
<b>TAXES</b>					
301.00	Real Estate Taxes	\$ 495,489	\$ 86,532	\$ -	\$ -
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	5,863	-	-	-
310.10	Real Estate Transfer Taxes	33,236	-	-	-
310.20	Earned Income Taxes/Wage Taxes	270,247	-	-	-
310.30	Business Gross Receipts Taxes	-	-	-	-
310.40	Occupation Taxes (levied under Act 511)	-	-	-	-
310.50	Local Services Tax**	51,616	-	-	-
310.60	Amusement/Admission Taxes	-	-	-	-
310.70	Mechanical Device Taxes	-	-	-	-
310.90	Other Local Tax Enabling Act/Act 511 Taxes	-	-	-	-
<b>TOTAL TAXES</b>		\$ 856,451	\$ 86,532	\$ -	\$ -

LICENSES AND PERMITS					
320-322	All Other Licenses and Permits	\$ 15,964	\$ -	\$ -	\$ -
321.80	Cable Television Franchise Fees	21,774	-	-	-
<b>TOTAL LICENSES AND PERMITS</b>		\$ 37,738	\$ -	\$ -	\$ -

FINES AND FORFEITS					
330-332	Fines and Forfeits	\$ 2,231	\$ -	\$ -	\$ -
<b>TOTAL FINES AND FORFEITS</b>		\$ 2,231	\$ -	\$ -	\$ -

INTEREST, RENTS, AND ROYALTIES					
341.00	Interest Earnings	\$ 6,711	\$ 451	\$ -	\$ -
342.00	Rents and Royalties	-	-	-	-
<b>TOTAL INTEREST, RENTS, AND ROYALTIES</b>		\$ 6,711	\$ 451	\$ -	\$ -

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

## 2020 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

REVENUES	PROPRIETARY FUNDS		FIDUCIARY FUND	TOTAL
	Enterprise Fund	Internal Service	Trust and Agency	Memorandum Only
<b>TAXES</b>				
301.00 Real Estate Taxes	\$ -	\$ -	\$ -	\$ 582,021
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	-	-	-	5,863
310.10 Real Estate Transfer Taxes	-	-	-	33,236
310.20 Earned Income Taxes/Wage Taxes	-	-	-	270,247
310.30 Business Gross Receipts Taxes	-	-	-	-
310.40 Occupation Taxes (levied under Act 511)	-	-	-	-
310.50 Local Services Tax**	-	-	-	51,616
310.60 Amusement/Admission Taxes	-	-	-	-
310.70 Mechanical Device Taxes	-	-	-	-
310.90 Other Local Tax Enabling Act/Act 511 Taxes	-	-	-	-
<b>TOTAL TAXES</b>	\$ -	\$ -	\$ -	\$ 942,983

<b>LICENSES AND PERMITS</b>				
320-322 All Other Licenses and Permits	\$ -	\$ -	\$ -	\$ 15,964
321.80 Cable Television Franchise Fees	-	-	-	21,774
<b>TOTAL LICENSES AND PERMITS</b>	\$ -	\$ -	\$ -	\$ 37,738

<b>FINES AND FORFEITS</b>				
330-332 Fines and Forfeits	\$ -	\$ -	\$ -	\$ 2,231
<b>TOTAL FINES AND FORFEITS</b>	\$ -	\$ -	\$ -	\$ 2,231

<b>INTEREST, RENTS, AND ROYALTIES</b>				
341.00 Interest Earnings	\$ 1,771	\$ -	\$ 3	\$ 8,936
342.00 Rents and Royalties	-	-	-	-
<b>TOTAL INTEREST, RENTS, AND ROYALTIES</b>	\$ 1,771	\$ -	\$ 3	\$ 8,936

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



**STATEMENT OF REVENUES AND EXPENDITURES - MODIFIED CASH BASIS**

December 31, 2020

INTERGOVERNMENTAL REVENUES		GOVERNMENTAL FUNDS			
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
<b>FEDERAL</b>					
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	-	-	-	-
<b>TOTAL FEDERAL</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>STATE</b>					
354.03	Highway and Streets	\$ -	\$ -	\$ -	\$ -
354.09	Community Development	216,187	-	-	-
354.15	Recycling/Act 101	43,483	-	-	-
354.00	All Other State Capital and Operating Grants	-	-	-	-
355.01	Public Utility Realty Tax (PURTA)	785	-	-	-
355.02-	Motor Vehicle Fuel Tax	-	-	-	-
355.03	(Liquid Fuels Tax) and State Road Turnback	-	74,557	-	-
355.04	Alcoholic Beverage Licenses	800	-	-	-
355.05	General Municipal Pension System State Aid	31,544	-	-	-
355.07	Foreign Fire Insurance Tax Distribution	10,733	-	-	-
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	-	-	-	-
<b>TOTAL STATE</b>		<b>\$ 303,532</b>	<b>\$ 74,557</b>	<b>\$ -</b>	<b>\$ -</b>

<b>LOCAL GOVERNMENT UNITS</b>					
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	-	-	-	-
<b>TOTAL GOVERNMENT UNITS</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## 2020 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

INTERGOVERNMENTAL REVENUES		PROPRIETARY FUNDS		FIDUCIARY FUND	TOTAL
		Enterprise Fund	Internal Service	Trust and Agency	Memorandum Only
<b>FEDERAL</b>					
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	-	-	-	-
<b>TOTAL FEDERAL</b>		\$ -	\$ -	\$ -	\$ -
<b>STATE</b>					
354.03	Highway and Streets	\$ -	\$ -	\$ -	\$ -
354.09	Community Development	-	-	-	216,187
354.15	Recycling/Act 101	-	-	-	43,483
354.00	All Other State Capital and Operating Grants	-	-	-	-
355.01	Public Utility Realty Tax (PURTA)	-	-	-	785
355.02-	Motor Vehicle Fuel Tax	-	-	-	-
355.03	(Liquid Fuels Tax) and State Road Turnback	-	-	-	74,557
355.04	Alcoholic Beverage Licenses	-	-	-	800
355.05	General Municipal Pension System State Aid	-	-	-	31,544
355.07	Foreign Fire Insurance Tax Distribution	-	-	-	10,733
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	-	-	-	-
<b>TOTAL STATE</b>		\$ -	\$ -	\$ -	\$ 378,089
<b>LOCAL GOVERNMENT UNITS</b>					
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	-	-	-	-
<b>TOTAL GOVERNMENT UNITS</b>		\$ -	\$ -	\$ -	\$ -
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>					<b>\$ 378,089</b>

**STATEMENT OF REVENUES AND EXPENDITURES - MODIFIED CASH BASIS**

December 31, 2020

REVENUES		GOVERNMENTAL FUNDS			
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
<b>CHARGES FOR SERVICE</b>					
361.00	General Government	\$ 15,461	\$ -	\$ -	\$ -
362.00	Public Safety	-	-	-	-
363.20	Parking	-	-	-	-
363.00	All Other Charges for Highway and Streets Services	1,425	-	-	-
364.00	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	-	-	-	-
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	-	-	-	-
<b>TOTAL CHARGES FOR SERVICE</b>		<b>\$ 16,886</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>UNCLASSIFIED OPERATING REVENUES</b>					
383.00	Assessments	\$ -	\$ -	\$ -	\$ -
386.00	Escheats (sale of personal property)	-	-	-	-
387.00	Contributions and Donations from Private Sectors	20,852	-	-	-
388.00	Fiduciary Fund Pension Contributions	-	-	-	-
389.00	All Other Unclassified Operating Revenues	11,723	-	-	-
<b>TOTAL UNCLASSIFIED OPERATING REVENUES</b>		<b>\$ 32,575</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>OTHER FINANCING SOURCES</b>					
391.00	Proceeds of General Fixed Asset Disposition	\$ 286	\$ -	\$ -	\$ -
392.00	Interfund Operating Transfers	85,950	-	-	-
393.00	Proceeds of General Long-Term Debt	462,274	-	-	-
394.00	Proceeds of Short-Term Debt	-	-	-	-
395.00	Refunds of Prior Year Expenditures	93,392	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>		<b>\$ 641,902</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>TOTAL REVENUES</b>		<b>\$ 1,898,026</b>	<b>\$ 161,540</b>	<b>\$ -</b>	<b>\$ -</b>
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## 2020 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

REVENUES	PROPRIETARY FUNDS		FIDUCIARY FUND	TOTAL
	Enterprise Fund	Internal Service	Trust and Agency	Memorandum Only
<b>CHARGES FOR SERVICE</b>				
361.00 General Government	\$ -	\$ -	\$ -	\$ 15,461
362.00 Public Safety	-	-	-	-
363.20 Parking	-	-	-	-
363.00 All Other Charges for Highway and Streets Services	-	-	-	1,425
364.00 Wastewater/Sewage Charges	755,192	-	-	755,192
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	-	-	-	-
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	298,076	-	-	298,076
379.00 All Other Charges for Service	-	-	-	-
<b>TOTAL CHARGES FOR SERVICE</b>	<b>\$ 1,053,268</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,070,154</b>
<b>UNCLASSIFIED OPERATING REVENUES</b>				
383.00 Assessments	\$ -	\$ -	\$ -	\$ -
386.00 Escheats (sale of personal property)	-	-	-	-
387.00 Contributions and Donations from Private Sectors	-	-	-	20,852
388.00 Fiduciary Fund Pension Contributions	-	-	-	-
389.00 All Other Unclassified Operating Revenues	-	-	-	11,723
<b>TOTAL UNCLASSIFIED OPERATING REVENUES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,575</b>
<b>OTHER FINANCING SOURCES</b>				
391.00 Proceeds of General Fixed Asset Disposition	\$ -	\$ -	\$ -	\$ 286
392.00 Interfund Operating Transfers	241,578	-	-	327,528
393.00 Proceeds of General Long-Term Debt	-	-	-	462,274
394.00 Proceeds of Short-Term Debt	-	-	-	-
395.00 Refunds of Prior Year Expenditures	-	-	-	93,392
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$ 241,578</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 883,480</b>
<b>TOTAL REVENUES</b>	<b>\$ 1,296,617</b>	<b>\$ -</b>	<b>\$ 3</b>	<b>\$ 3,356,186</b>

**STATEMENT OF REVENUES AND EXPENDITURES - MODIFIED CASH BASIS**

December 31, 2020

EXPENDITURES		GOVERNMENTAL FUNDS			
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
<b>GENERAL GOVERNMENT</b>					
400.00	Legislative (Governing) Body	\$ 16,204	\$ -	\$ -	\$ -
401.00	Executive (Manager or Mayor)	75,717	-	-	-
402.00	Auditing Services/Financial Administration	37,130	-	-	-
403.00	Tax Collection	13,207	-	-	-
404.00	Solicitor/Legal Services	29,674	-	-	-
405.00	Secretary/Clerk	-	-	-	-
406.00	Other General Government Administration	44,744	2,096	-	-
407.00	IT-Networking Services - Data Processing	-	-	-	-
408.00	Engineering Services	348,731	-	-	-
409.00	General Government Buildings and Plant	8,207	-	-	-
<b>TOTAL GENERAL GOVERNMENT</b>		<b>\$ 573,614</b>	<b>\$ 2,096</b>	<b>\$ -</b>	<b>\$ -</b>

<b>PUBLIC SAFETY</b>					
410.00	Police	\$ 145,000	\$ -	\$ -	\$ -
411.00	Fire	53,569	-	-	-
412.00	Ambulance/Rescue	23,466	-	-	-
413.00	UCC and Code Enforcement	7,144	-	-	-
414.00	Planning and Zoning	2,008	-	-	-
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	-	-	-	-
<b>TOTAL PUBLIC SAFETY</b>		<b>\$ 231,187</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>HEALTH AND HUMAN SERVICES</b>					
420.00-					
425.00	Health and Human Services	\$ -	\$ -	\$ -	\$ -

<b>PUBLIC WORKS - SANITATION</b>					
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	-	-	-	-
<b>TOTAL PUBLIC WORKS - SANITATION</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## 2020 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

EXPENDITURES	PROPRIETARY FUNDS		FIDUCIARY FUND	TOTAL
	Enterprise Fund	Internal Service	Trust and Agency	Memorandum Only
<b>GENERAL GOVERNMENT</b>				
400.00 Legislative (Governing) Body	\$ -	\$ -	\$ -	\$ 16,204
401.00 Executive (Manager or Mayor)	-	-	-	75,717
402.00 Auditing Services/Financial Administration	-	-	-	37,130
403.00 Tax Collection	-	-	-	13,207
404.00 Solicitor/Legal Services	-	-	-	29,674
405.00 Secretary/Clerk	-	-	-	-
406.00 Other General Government Administration	-	-	-	46,840
407.00 IT-Networking Services - Data Processing	-	-	-	-
408.00 Engineering Services	-	-	-	348,731
409.00 General Government Buildings and Plant	-	-	-	8,207
<b>TOTAL GENERAL GOVERNMENT</b>	\$ -	\$ -	\$ -	\$ 575,710

<b>PUBLIC SAFETY</b>				
410.00 Police	\$ -	\$ -	\$ -	\$ 145,000
411.00 Fire	-	-	-	53,569
412.00 Ambulance/Rescue	-	-	-	23,466
413.00 UCC and Code Enforcement	-	-	-	7,144
414.00 Planning and Zoning	-	-	-	2,008
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	-	-	-	-
<b>TOTAL PUBLIC SAFETY</b>	\$ -	\$ -	\$ -	\$ 231,187

<b>HEALTH AND HUMAN SERVICES</b>				
420.00-				
425.00 Health and Human Services	\$ -	\$ -	\$ -	\$ -

<b>PUBLIC WORKS - SANITATION</b>				
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	685,958	-	-	685,958
<b>TOTAL PUBLIC WORKS - SANITATION</b>	\$ 685,958	\$ -	\$ -	\$ 685,958

**STATEMENT OF REVENUES AND EXPENDITURES - MODIFIED CASH BASIS**

December 31, 2020

EXPENDITURES	GOVERNMENTAL FUNDS			
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
<b>PUBLIC WORKS - HIGHWAY AND STREETS</b>				
430.00 General Services - Administration	\$ 411,718	\$ -	\$ -	\$ -
431.00 Cleaning of Streets and Gutters	-	-	-	-
432.00 Winter Maintenance - Snow Removal	-	3,183	-	-
433.00 Traffic Control Devices	3,006	-	-	-
434.00 Street Lighting	34,671	-	-	-
435.00 Sidewalks and Crosswalks	-	-	-	-
436.00 Storm Sewers and Drains	-	-	-	-
437.00 Repairs of Tools and Machinery	7,900	-	-	-
438.00 Maintenance and Repairs of Roads and Bridges	-	-	-	-
439.00 Highway Construction and Rebuilding Projects	1,094,652	-	-	-
<b>TOTAL PUBLIC WORKS - HIGHWAY AND STREETS</b>	<b>\$ 1,551,947</b>	<b>\$ 3,183</b>	<b>\$ -</b>	<b>\$ -</b>

<b>PUBLIC WORKS - OTHER SERVICES</b>				
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	-	-	-	-
<b>TOTAL PUBLIC WORKS - OTHER SERVICES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>CULTURE AND RECREATION</b>				
451.00 Culture-Recreation Administration	\$ -	\$ -	\$ -	\$ -
452.00 Participant Recreation	3,143	8,591	-	-
453.00 Spectator Recreation	-	-	-	-
454.00 Parks	19,855	-	-	-
455.00 Shade Trees	-	-	-	-
456.00 Libraries	16,000	-	-	-
457.00 Civil and Military Celebrations	-	-	-	-
458.00 Senior Citizens' Centers	-	-	-	-
459.00 All Other Culture and Recreation	500	-	-	-
<b>TOTAL CULTURE AND RECREATION</b>	<b>\$ 39,498</b>	<b>\$ 8,591</b>	<b>\$ -</b>	<b>\$ -</b>

## 2020 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

EXPENDITURES	PROPRIETARY FUNDS		FIDUCIARY FUND	TOTAL
	Enterprise Fund	Internal Service	Trust and Agency	Memorandum Only
<b>PUBLIC WORKS - HIGHWAY AND STREETS</b>				
430.00 General Services - Administration	\$ -	\$ -	\$ -	\$ 411,718
431.00 Cleaning of Streets and Gutters	-	-	-	-
432.00 Winter Maintenance - Snow Removal	-	-	-	3,183
433.00 Traffic Control Devices	-	-	-	3,006
434.00 Street Lighting	-	-	-	34,671
435.00 Sidewalks and Crosswalks	-	-	-	-
436.00 Storm Sewers and Drains	-	-	-	-
437.00 Repairs of Tools and Machinery	-	-	-	7,900
438.00 Maintenance and Repairs of Roads and Bridges	-	-	-	-
439.00 Highway Construction and Rebuilding Projects	-	-	-	1,094,652
<b>TOTAL PUBLIC WORKS - HIGHWAY AND STREETS</b>	\$ -	\$ -	\$ -	\$ 1,555,130

<b>PUBLIC WORKS - OTHER SERVICES</b>				
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	251,764	-	-	251,764
449.00 Water Transport and Terminals	-	-	-	-
<b>TOTAL PUBLIC WORKS - OTHER SERVICES</b>	\$ 251,764	\$ -	\$ -	\$ 251,764

<b>CULTURE AND RECREATION</b>				
451.00 Culture-Recreation Administration	\$ -	\$ -	\$ -	\$ -
452.00 Participant Recreation	-	-	-	11,734
453.00 Spectator Recreation	-	-	-	-
454.00 Parks	-	-	-	19,855
455.00 Shade Trees	-	-	-	-
456.00 Libraries	-	-	-	16,000
457.00 Civil and Military Celebrations	-	-	-	-
458.00 Senior Citizens' Centers	-	-	-	-
459.00 All Other Culture and Recreation	-	-	-	500
<b>TOTAL CULTURE AND RECREATION</b>	\$ -	\$ -	\$ -	\$ 48,089



**STATEMENT OF REVENUES AND EXPENDITURES - MODIFIED CASH BASIS**

December 31, 2020

EXPENDITURES	GOVERNMENTAL FUNDS			
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
<b>COMMUNITY DEVELOPMENT</b>				
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	-	-	-	-
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>DEBT SERVICE</b>				
471.00 Debt Principal (short-term and long-term)	\$ 189,951	\$ -	\$ -	\$ -
472.00 Debt Interest (short-term and long-term)	18,387	-	-	-
475.00 Fiscal Agent Fees	1,156	-	-	-
<b>TOTAL DEBT SERVICE</b>	<b>\$ 209,494</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>EMPLOYER PAID BENEFITS AND WITHHOLDING ITEMS</b>				
481.00 Employer Paid Withholding Taxes and Unemployment Compensation	\$ 18,475	\$ -	\$ -	\$ -
482.00 Judgments and Losses	-	-	-	-
483.00 Pension/Retirement Fund Contributions	-	-	-	-
484.00 Workers Compensation Insurance	9,291	-	-	-
487.00 Group Insurance and Other Benefits	2,186	-	-	-
<b>TOTAL EMPLOYER PAID BENEFITS AND WITHHOLDING ITEMS</b>	<b>\$ 29,952</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>INSURANCE</b>				
486.00 Insurance, Casualty, and Surety	\$ 6,955	\$ -	\$ -	\$ -
<b>UNCLASSIFIED OPERATING EXPENDITURES</b>				
488.00 Fiduciary Fund Benefits and Refunds Paid	\$ -	\$ -	\$ -	\$ -
489.00 All Other Unclassified Expenditures	-	-	-	-
<b>TOTAL UNCLASSIFIED OPERATING EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## 2020 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

EXPENDITURES	PROPRIETARY FUNDS		FIDUCIARY FUND	TOTAL
	Enterprise Fund	Internal Service	Trust and Agency	Memorandum Only
<b>COMMUNITY DEVELOPMENT</b>				
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	-	-	-	-
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>DEBT SERVICE</b>				
471.00 Debt Principal (short-term and long-term)	\$ 254,690	\$ -	\$ -	\$ 444,641
472.00 Debt Interest (short-term and long-term)	37,477	-	-	55,864
475.00 Fiscal Agent Fees	-	-	-	1,156
<b>TOTAL DEBT SERVICE</b>	<b>\$ 292,167</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 501,661</b>
<b>EMPLOYER PAID BENEFITS AND WITHHOLDING ITEMS</b>				
481.00 Employer Paid Withholding Taxes and Unemployment Compensation	\$ 19,094	\$ -	\$ -	\$ 37,569
482.00 Judgments and Losses	-	-	-	-
483.00 Pension/Retirement Fund Contributions	-	-	-	-
484.00 Workers Compensation Insurance	12,875	-	-	22,166
487.00 Group Insurance and Other Benefits	-	-	-	2,186
<b>TOTAL EMPLOYER PAID BENEFITS AND WITHHOLDING ITEMS</b>	<b>\$ 31,969</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 61,921</b>
<b>INSURANCE</b>				
486.00 Insurance, Casualty, and Surety	\$ -	\$ -	\$ -	\$ 6,955
<b>UNCLASSIFIED OPERATING EXPENDITURES</b>				
488.00 Fiduciary Fund Benefits and Refunds Paid	\$ -	\$ -	\$ -	\$ -
489.00 All Other Unclassified Expenditures	-	-	-	-
<b>TOTAL UNCLASSIFIED OPERATING EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**STATEMENT OF REVENUES AND EXPENDITURES - MODIFIED CASH BASIS**

December 31, 2020

EXPENDITURES		GOVERNMENTAL FUNDS			
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service
<b>OTHER FINANCING USES</b>					
491.00	Refund of Prior Year Revenues	\$ -	\$ -	\$ -	\$ -
492.00	Interfund Operating Transfers	241,578	85,950	-	-
493.00	All Other Financing Uses	-	-	-	-
<b>TOTAL OTHER FINANCING USES</b>		<b>\$ 241,578</b>	<b>\$ 85,950</b>	<b>\$ -</b>	<b>\$ -</b>

<b>TOTAL EXPENDITURES</b>	<b>\$ 2,884,225</b>	<b>\$ 99,820</b>	<b>\$ -</b>	<b>\$ -</b>
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<b>EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES</b>	<b>\$ (986,199)</b>	<b>\$ 61,720</b>	<b>\$ -</b>	<b>\$ -</b>
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## 2020 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT/STATEMENT OF REVENUES AND EXPENDITURES

EXPENDITURES	PROPRIETARY FUNDS		FIDUCIARY FUND	TOTAL
	Enterprise Fund	Internal Service	Trust and Agency	Memorandum Only
<b>OTHER FINANCING USES</b>				
491.00 Refund of Prior Year Revenues	\$ -	\$ -	\$ -	\$ -
492.00 Interfund Operating Transfers	-	-	-	327,528
493.00 All Other Financing Uses	-	-	-	-
<b>TOTAL OTHER FINANCING USES</b>	\$ -	\$ -	\$ -	\$ 327,528
<b>TOTAL EXPENDITURES</b>	\$ 1,261,858	\$ -	\$ -	\$ 4,245,903
<b>EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES</b>	\$ 34,759	\$ -	\$ 3	\$ (889,717)

## **Borough of Tipton**

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### Notes to Financial Statements

December 31, 2020

#### **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.

## **Borough of Tipton**

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### Notes to Financial Statements

December 31, 2020

#### **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 (expenses, including depreciation) 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.

## **Borough of Tipton**

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### Notes to Financial Statements

December 31, 2020

#### **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 2020 was 7.55 mills, consisting of 6.40 mills for general operations, and 1.15 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.



## **Borough of Tipton**

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### Notes to Financial Statements

December 31, 2020

#### **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.

#### **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.

At December 31, 2020, the carrying amount of the Borough's bank deposits was \$1,306,458, and the corresponding bank balances were \$1,357,013, of which \$502,766 was covered by Federal Depository Insurance. The remaining \$854,247 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.

## Borough of Tipton

### Notes to Financial Statements

December 31, 2020

#### Note 4 - Long-Term Debt

Long-term debt consists of the following at December 31, 2020:

	<b>Balance Outstanding December 31, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance Outstanding December 31, 2020</b>
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 October 2023	\$ 1,307,213	\$ 256,801	\$ (254,690)	\$ 1,309,324
General Obligation Note, Series of 2019, maximum draw down of \$1,000,000, due in payments in accordance with agreed upon amortization schedule. The interest rate is 2.75% per annum to October 2029	1,000,000	-	(88,000)	912,000
General Obligation Note, Series of 2020, maximum draw down of \$125,000, due in monthly payments of \$21,960, including interest at a rate of 4.00% per annum to January 2023	-	125,000	(41,417)	83,583
Loan Payable, in the amount of \$80,473, due in monthly payments of \$10,060, including interest at a rate of 2.35% per annum to December 2024	-	80,473	(42,617)	37,856
	<b>\$ 2,307,213</b>	<b>\$ 462,274</b>	<b>\$ (426,724)</b>	<b>\$ 2,342,763</b>

## Borough of Tipton

### Notes to Financial Statements

December 31, 2020

#### Note 4 - Long-Term Debt (continued)

Aggregate maturities required on long-term debt at December 31, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$ 359,327	\$ 57,467	\$ 416,794
2022	390,096	49,182	439,278
2023	379,197	38,586	417,783
2024	367,630	27,471	395,101
2025	366,958	19,419	386,377
Thereafter	479,555	30,214	509,769
	<u>\$ 2,342,763</u>	<u>\$ 222,339</u>	<u>\$ 2,565,102</u>

The Notes are 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, 2020, the Borough was in compliance with these covenants.

#### Note 5 - Capital Lease

A capital lease consisted of the following at December 31, 2020:

	<u>Balance Outstanding December 31, 2019</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance Outstanding December 31, 2020</u>
2019 Ford F550 Escape, financed through a leasing company, payable in annual installments of \$5,060 including estimated interest rate of 4.95%, through July 2023. The Borough paid this lease in full as of December 31, 2020	<u>\$ 17,917</u>	<u>\$ -</u>	<u>\$ 17,917</u>	<u>\$ -</u>

## Borough of Tipton

### Notes to Financial Statements

December 31, 2020

#### Note 6 - Interfund Transfers

Individual fund operating transfers for 2020 were as follows:

	<u>Transfers In/From Other Funds</u>	<u>Transfers Out/To Other Funds</u>
<b>General Fund</b>	\$ 85,950	\$ 241,578
<b>Special Revenue Funds</b>	-	85,950
Fire Tax Fund		
<b>Enterprise Funds</b>		
Sewer Fund	<u>241,578</u>	<u>-</u>
<b>Total All Funds</b>	<u>\$ 327,528</u>	<u>\$ 327,528</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.

##### 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>

## **Borough of Tipton**

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### Notes to Financial Statements

December 31, 2020

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

##### **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, 2020, the Borough did not make a contribution to the Plan.

#### **Note 8 - Commitments and Contingency**

##### **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.

#### **Note 9 - Risks and Uncertainties**

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, public support, and the geographical area in which the Borough operates. 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.

#### **Note 10 - Subsequent Events**

The Borough has evaluated subsequent events through March 29, 2021. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2020 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)
<b>GENERAL OBLIGATION BONDS AND NOTES</b>									
General Obligation Note	N	2017	2027	\$ 2,425,000	\$ 1,307,213	\$ 256,801	\$ 254,690	\$ -	\$ 1,309,324
General Obligation Note	N	2019	2029	1,000,000	1,000,000	-	88,000	-	912,000
General Obligation Note	N	2020	2023	125,000	-	125,000	41,417	-	83,583
Truck Loan	N	2020	2024	80,473	-	80,473	42,617	-	37,856
				-	-	-	-	-	-
				-	-	-	-	-	-
				-	-	-	-	-	-
<b>REVENUE BONDS AND NOTES</b>									
None				-	-	-	-	-	-
				-	-	-	-	-	-
				-	-	-	-	-	-
				-	-	-	-	-	-
				-	-	-	-	-	-
				-	-	-	-	-	-
<b>LEASE RENTAL DEBT/GENERAL LEASES</b>									
Capital Lease	N	2019	2023	22,882	17,917	-	17,917	-	-
				-	-	-	-	-	-
				-	-	-	-	-	-
				-	-	-	-	-	-
				-	-	-	-	-	-
<b>OTHER</b>									
None				-	-	-	-	-	-
				-	-	-	-	-	-
				-	-	-	-	-	-
				-	-	-	-	-	-

Total bonds and notes outstanding	\$ 2,342,763
Capitalized lease obligations	-
Other debt	-
<b>TOTAL OUTSTANDING DEBT</b>	<b>\$ 2,342,763</b>

