

BOROUGH OF TOPTON
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

BOROUGH OF TOPTON
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DECEMBER 31, 2022

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Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis Municipal Annual Audit and Financial Report, Form DCED CLGS-30 (the "financial statements"), of the Borough of Topton ("the Borough"), as of and for the year ended December 31, 2022, which comprise the balance sheet, statement of revenues and expenditures, debt statement, and statement of capital expenditures and employee compensation, and related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the balance sheet of the Borough as of December 31, 2022, and the statement of revenues and expenditures, debt statement, and the statement of capital expenditures and employee compensation, and related notes to the financial statements, for the year then ended, in accordance with the financial reporting provisions of the Commonwealth of Pennsylvania, Department of Community and Economic Development ("DCED") on the modified-cash basis of accounting described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are required to be independent of the Borough and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to the basis of accounting described under Responsibilities of Management for the Financial Statements section. The financial statements were prepared by the Borough in accordance with the accounting practices prescribed or permitted by DCED 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 effects on the financials statement of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United State of America, although not reasonably determinable, are presumed to be material and pervasive. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Borough's management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Commonwealth of Pennsylvania, Department of Community and Economic Development ("DCED"), 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,



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

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 Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Restriction on Use

This report is intended solely for the information and use of the Borough and for filing with DCED and is not intended be and should not be used by anyone other than these specified parties.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD, LLC

Harrisburg, Pennsylvania
March 21, 2024



BALANCE SHEET

DCED-CLGS-30 (09-09)

TOPTON BORO, BERKS County
BALANCE SHEET
December 31, 2022

		Governmental Funds				Proprietary Funds		Fid. Fund	Account Groups		Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	Memorandum Only
Assets and Other Debits											
100-120	Cash and Investments	548,870	255,779			341,683		1,020			1,147,352
140-144	Tax Receivable										
121-129, 145-149	Accounts Receivable (excluding taxes)										
130.00	Due From Other Funds	116,212	26,071								142,283
131-139, 150-159	Other Current Assets										
160-169	Fixed Assets										
180-189	Other Debits										
Total Assets and Other Debits		665,082	281,850			341,683		1,020			1,289,635

Liabilities and Other Credits											
210-229	Payroll Taxes and Other Payroll Withholdings										
200-209, 231-239	All Other Current Liabilities										
230.00	Due To Other Funds	26,071	11,695			104,517					142,283

The accompanying notes are an integral part of these financial statements.

TOPTON BORO, BERKS County

BALANCE SHEET

December 31, 2022

		Governmental Funds				Proprietary Funds		Fid. Fund	Account Groups		Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	Memorandum Only
Liabilities and Other Credits											
260-269	Long-Term-Liabilities										
240-259	Current Portion of Long-Term Debt and Other Credits										
Total Liabilities and Other Credits		26,071	11,695			104,517					142,283
Fund and Account Group Equity											
281-284	Contributed Capital										
290.00	Investment in General Fixed Assets										
270-289	Fund Balance / Retained Earnings on 12/31	639,011	270,155			237,166		1,020			1,147,352
291-299	Other Equity										
Total Fund and Account Group Equity		639,011	270,155			237,166		1,020			1,147,352
TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY											1,289,635

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2022

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES**Taxes**

301.00	Real Estate Taxes	494,475	87,685					582,160
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	5,995						5,995
310.10	Real Estate Transfer Taxes	44,760						44,760
310.20	Earned Income Taxes / Wage Taxes	304,735						304,735
310.30	Business Gross Receipts Taxes							
310.40	Occupation Taxes (levied under Act 511)							
310.50	Local Services Tax **	53,849						53,849
310.60	Amusement / Admission Taxes							
310.70	Mechanical Device Taxes							
310.90	Other: _____							
	Other: _____							
Total Taxes		903,814	87,685					991,499

Licenses and Permits

320-322	All Other Licenses and Permits	1,395						1,395
321.80	Cable Television Franchise Fees	20,596						20,596
Total Licenses and Permits		21,991						21,991

Fines and Forfeits

330-332	Fines and Forfeits	2,110						2,110
Total Fines and Forfeits		2,110						2,110

The accompanying notes are an integral part of these financial statements.

TOPTON BORO, BERKS County
STATEMENT OF REVENUES AND EXPENDITURES

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December 31, 2022

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

Interest, Rents and Royalties								
341.00	Interest Earnings	711	219			432		1,362
342.00	Rents and Royalties	1,465						1,465
Total Interest, Rents and Royalties		2,176	219			432		2,827

Federal								
351.03	Highways and Streets	158,807						158,807
351.09	Community Development							
351.00	All Other Federal Capital and Operating Grants	108,281						108,281
352.01	National Forest							
352.00	All Other Federal Shared Revenue and Entitlements							
353.00	Federal Payments in Lieu of Taxes							
Total Federal		267,088						267,088

State								
354.03	Highways and Streets							
354.09	Community Development	3,430						3,430
354.15	Recycling / Act 101	2,699						2,699
354.00	All Other State Capital and Operating Grants							
355.01	Public Utility Realty Tax (PURTA)	934						934
355.02-355.03	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback		64,617					64,617
355.04	Alcoholic Beverage Licenses	800						800
355.05	General Municipal Pension System State Aid	31,603						31,603
355.07	Foreign Fire Insurance Tax Distribution	11,637						11,637
355.08	Local Share Assessment/Gaming Proceeds							
355.09	Marcellus Shale Impact Fee Distribution							

The accompanying notes are an integral part of these financial statements.

TOPTON BORO, BERKS County
STATEMENT OF REVENUES AND EXPENDITURES

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December 31, 2022

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

State								
355.00	All Other State Shared Revenues and Entitlements							
356.00	State Payments in Lieu of Taxes							
Total State		51,103	64,617					115,720

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 and Authorities Payments in Lieu of Taxes							
Total Local Government Units								

Charges for Service								
361.00	General Government	7,424				20,149		27,573
362.00	Public Safety							
363.20	Parking							
363.00	All Other Charges for Highway & Street Services	1,877						1,877
364.10	Wastewater / Sewage (including connection / tapping fees, sewer usage charges, reserve capacity fee, etc.)							
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					677,966		677,966
365.00	Health							
366.00	Human Services							
367.00	Culture and Recreation	21,215						21,215
368.00	Airports							

The accompanying notes are an integral part of these financial statements.

TOPTON BORO, BERKS County
STATEMENT OF REVENUES AND EXPENDITURES

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December 31, 2022

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

Charges for Service								
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				299,222			299,222
379.00	All Other Charges for Service							
Total Charges for Service		30,516			997,337			1,027,853

Unclassified Operating Revenues								
383.00	Special Assessments							
386.00	Escheats (sale of personal property)							
387.00	Contributions and Donations from Private Sectors	5,550						5,550
388.00	Fiduciary Fund Pension Contributions							
389.00	All Other Unclassified Operating Revenues	12,190			9,838			22,028
Total Unclassified Operating Revenues		17,740			9,838			27,578

Other Financing Sources								
391.00	Proceeds of General Fixed Asset Disposition							
392.00	Interfund Operating Transfers	227,872						227,872
393.00	Proceeds of General Long-Term Debt							
394.00	Proceeds of Short Term-Debt							

The accompanying notes are an integral part of these financial statements.

TOPTON BORO, BERKS County
STATEMENT OF REVENUES AND EXPENDITURES

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December 31, 2022

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

Other Financing Sources								
395.00	Refunds of Prior Year Expenditures	61,339						61,339
Total Other Financing Sources		289,211						289,211
TOTAL REVENUES		1,585,749	152,521			1,007,607		2,745,877

EXPENDITURES

General Government								
400.00	Legislative (Governing) Body	7,830						7,830
401.00	Executive (Manager or Mayor)	110,762			33,730			144,492
402.00	Auditing Services / Financial Administration	23,125						23,125
403.00	Tax Collection	14,136						14,136
404.00	Solicitor / Legal Services	21,311						21,311
405.00	Secretary / Clerk							
406.00	Other General Government Administration	89,735			14,947			104,682
407.00	IT-Networking Services-Data Processing							
408.00	Engineering Services	83,126			22,389			105,515
409.00	General Government Buildings and Plant	7,519			5,038			12,557
Total General Government		357,544			76,104			433,648

Public Safety								
410.00	Police	172,220						172,220
411.00	Fire	16,752	56,975					73,727
412.00	Ambulance / Rescue	61,809						61,809
413.00	UCC and Code Enforcement	11,694						11,694

The accompanying notes are an integral part of these financial statements.

TOPTON BORO, BERKS County
STATEMENT OF REVENUES AND EXPENDITURES

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December 31, 2022

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES**Public Safety**

414.00	Planning and Zoning					18		18
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		262,475	56,975			18		319,468

Health and Human Services

420.00-425.00	Health and Human Services							
Total Health and Human Services								

Public Works - Sanitation

426.00	Recycling Collection and Disposal							
427.00	Solid Waste Collection and Disposal (garbage)							
428.00	Weed Control							
429.00	Wastewater / Sewage Treatment and Collection	6,383				402,658		409,041
Total Public Works - Sanitation		6,383				402,658		409,041

Public Works - Highways and Streets

430.00	General Services - Administration	593,960	12,070			70,514		676,544
431.00	Cleaning of Streets and Gutters							
432.00	Winter Maintenance – Snow Removal		14,001					14,001
433.00	Traffic Control Devices	10,328						10,328
434.00	Street Lighting	35,454						35,454

The accompanying notes are an integral part of these financial statements.

TOPTON BORO, BERKS County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2022

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES

Public Works - Highways and Streets								
435.00	Sidewalks and Crosswalks							
436.00	Storm Sewers and Drains							
437.00	Repairs of Tools and Machinery	2,388						2,388
438.00	Maintenance and Repairs of Roads and Bridges							
439.00	Highway Construction and Rebuilding Projects	159,782						159,782
Total Public Works - Highways and Streets		801,912	26,071			70,514		898,497

Other Public Works Enterprises								
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	10,696				202,190		212,886
449.00	Water Transport and Terminals							
Total Other Public Works Enterprises		10,696				202,190		212,886

Culture and Recreation								
451.00	Culture-Recreation Administration							
452.00	Participant Recreation	25,219	3,820					29,039
453.00	Spectator Recreation							
454.00	Parks	53,882						53,882

The accompanying notes are an integral part of these financial statements.

TOPTON BORO, BERKS County
STATEMENT OF REVENUES AND EXPENDITURES

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December 31, 2022

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES

Culture and Recreation								
455.00	Shade Trees							
456.00	Libraries	15,000						15,000
457.00	Civil and Military Celebrations							
458.00	Senior Citizens' Centers							
459.00	All Other Culture and Recreation							
Total Culture and Recreation		94,101	3,820					97,921

Community Development								
461.00	Conservation of Natural Resources							
462.00	Community Development and Housing							
463.00	Economic Development							
464.00	Economic Opportunity							
465-469	All Other Community Development	5,658						5,658
Total Community Development		5,658						5,658

Debt Service								
471.00	Debt Principal (short-term and long-term)	156,158			248,000			404,158
472.00	Debt Interest (short-term and long-term)	12,682			12,162			24,844
475.00	Fiscal Agent Fees							
Total Debt Service		168,840			260,162			429,002

Employer Paid Benefits and Withholding Items								
481.00	Employer Paid Withholding Taxes and Unemployment Compensation	13,848						13,848
482.00	Judgments and Losses							
483.00	Pension / Retirement Fund Contributions	17,191			23,800			40,991

The accompanying notes are an integral part of these financial statements.

TOPTON BORO, BERKS County
STATEMENT OF REVENUES AND EXPENDITURES

13

December 31, 2022

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES

Employer Paid Benefits and Withholding Items								
484.00	Worker Compensation Insurance	2,381						2,381
487.00	Other Group Insurance Benefits							
Total Employer Paid Benefits and Withholding Items		33,420			23,800			57,220

Insurance								
486.00	Insurance, Casualty, and Surety	1,593			10,462			12,055
Total Insurance		1,593			10,462			12,055

Unclassified Operating Expenditures								
488.00	Fiduciary Fund Benefits and Refunds Paid							
489.00	All Other Unclassified Expenditures	465	9		880			1,354
Total Unclassified Operating Expenditures		465	9		880			1,354

Other Financing Uses								
491.00	Refund of Prior Year Revenues							
492.00	Interfund Operating Transfers		38,123		189,749			227,872
493.00	All Other Financing Uses							
Total Other Financing Uses			38,123		189,749			227,872

TOTAL EXPENDITURES	1,743,087	124,998			1,236,537			3,104,622
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EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	-157,338	27,523			-228,930			-358,745
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The accompanying notes are an integral part of these financial statements.

TOPTON BORO
December 31, 2022

DEBT STATEMENT

OUTSTANDING BONDS AND NOTES

Listed below are all currently outstanding bond and note issues according to our files, excluding bond issues redeemed or refunded and defeased. Please show the principal payments and make any other necessary corrections and additions.

Purpose	Bond (B) Capital Lease (C) Lease Rental (L) Note (N)	Issue Year (yyyy)	Maturity Year (yyyy)	Original Amount of Issue	Outstanding Beginning of Year (1)	Principal Incurred This Year	Principal Paid This Year	Current Year Accretion on Compound Interest Bonds	Outstanding at Year End (1)	Plus (less) Unamortized Premium (Discount)	Total Balance
General Obligation Bonds and Notes											
General Obligation Note	Note	2020	2023	125,000	63,295		41,783		21,512		21,512
Truck Loan	Note	2020	2024	80,473	28,750		9,375		19,375		19,375
General Obligation Note	Note	2021	2029	1,291,000	1,146,000		105,000		1,041,000		1,041,000
General Obligation Note	Note	2021	2029	931,000	881,000		248,000		633,000		633,000
Revenue Bonds and Notes											
Lease Rental Debt											
Other											

(1) - excludes unamortized premium/discount

Total bonds and notes outstanding	1,714,887
Capitalized lease obligations	0
Net debt	1,714,887

TOPTON BORO, BERKS County
STATEMENT OF CAPITAL EXPENDITURES

December 31, 2022

Category	Capital Purchases	Capital Construction	Total
Community Development			
Electric			
Fire			
Gas System			
General Government			
Health			
Housing			
Libraries			
Mass Transit			
Parks			
Police			
Recreation			
Sewer			
Solid Waste			
Streets / Highways	201,209	159,782	360,991
Water	4,228	57,231	61,459
Other: _____			
TOTAL CAPITAL EXPENDITURES	205,437	217,013	422,450

EMPLOYEE COMPENSATION

Total salaries, wages, commissions, etc. paid this year (including all employees and elected officials)

513,157

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF TOPTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 NATURE OF ACTIVITY

The Borough of Tipton (the “Borough”), Berks County, Pennsylvania, was incorporated in 1876 and has an approximate population of 2,041, based on a 2020 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 TOPTON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022**

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.

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.

**BOROUGH OF TOPTON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (Continued)

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, an 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.

Investments

The Borough is authorized by statutes to invest its funds as defined in the Borough Code. Authorized types of investments for governmental and proprietary funds include the following:

1. U.S. Treasury bills
2. Short-term obligations of the U.S. Government or its agencies or instrumentalities
3. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations, and credit unions

**BOROUGH OF TOPTON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets and Liabilities (Continued)

Investments (Continued)

4. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision
5. Bills of exchange or time drafts drawn on and accepted by a commercial bank not to exceed 180 days
6. Short-term, unsecured obligations of corporations or other business entities organized in accordance with federal or state law
7. Shares of mutual funds whose investments are restricted to the above categories

When making investments, the Council can combine monies from more than one fund under the Council's control for the purchase of a single investment and join with other political subdivisions in the purchase of a single investment.

Investments are recorded at fair value.

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.

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 restricted fund balance prior to the use of unrestricted fund balance when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available.

Revenues and Expenditures

Revenues

All revenues are recognized when received.

**BOROUGH OF TOPTON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenditures (Continued)

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 2022 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 97% 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.

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.

**BOROUGH OF TOPTON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022**

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 risk for deposits, other than the following provisions for deposits: Pennsylvania Ace 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, 2022, the carrying amount of the Borough's bank deposits was \$1,147,352, and the corresponding bank balances were \$1,182,184, of which \$500,000 was covered by Federal Depository Insurance. The remaining \$682,184 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.

NOTE 4 LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2022:

	<u>Balance Outstanding December 31, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding December 31, 2022</u>	<u>Amount Due Within One Year</u>
General Obligation Note, Series of 2021, maximum draw down of \$2,222,000, due in varying semi-annual payments, including interest at a rate of 1.19% per annum to June 2029	\$ 2,027,000	\$ -	\$ (353,000)	\$ 1,674,000	\$ 358,000
General Obligation Note, Series of 2020, maximum draw down of \$125,000, due in semi-annual payments of \$21,960, including interest at a rate of 4.00% per annum to January 2023	63,295	-	(41,783)	21,512	21,512
Loan Payable, in the amount of \$80,473, due in annual payments of \$10,060, including interest at a rate of 2.35% per annum to December 2024	28,750	-	(9,375)	19,375	9,598
	<u>\$ 2,119,045</u>	<u>\$ -</u>	<u>\$ (404,158)</u>	<u>\$ 1,714,887</u>	<u>\$ 389,110</u>

**BOROUGH OF TOPTON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022**

NOTE 4 LONG-TERM DEBT (CONTINUED)

Aggregate maturities required on long-term debt at December 31, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2023	\$ 389,110	\$ 18,687	\$ 407,797
2024	372,777	13,735	386,512
2025	367,000	9,157	376,157
2026	247,000	5,504	252,504
2027	112,000	3,368	115,368
Thereafter	227,000	2,707	229,707
	<u>\$ 1,714,887</u>	<u>\$ 53,158</u>	<u>\$ 1,768,045</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.

NOTE 5 INTERFUND ACTIVITIES

Individual fund operating transfers for 2022 were as follows:

	<u>Transfers In/From Other Funds</u>	<u>Transfers Out/To Other Funds</u>
General Fund	\$ 227,872	\$ -
Special Revenue Funds	-	38,123
Enterprise Funds	-	189,749
Total All Funds	<u>\$ 227,872</u>	<u>\$ 227,872</u>

Individual fund "Due From Other Funds" and "Due To Other Funds" activity for 2022 were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 116,212	\$ 26,071
Special Revenue Funds	26,071	11,695
Enterprise Funds	-	104,517
Total All Funds	<u>\$ 142,283</u>	<u>\$ 142,283</u>

**BOROUGH OF TOPTON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022**

NOTE 6 BOROUGH OF TOPTON 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 of 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 January 1, 2021, the date of the most recent actuarial valuation, the following employees were covered by the plan:

Inactive employees of beneficiaries	
currently receiving benefits	5
Inactive employees entitled to, but	
not yet receiving benefits	1
Active employees	<u>8</u>
	14

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, 2022, the Borough made a contribution to the Plan in the amount of \$40,991.

**BOROUGH OF TOPTON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022**

NOTE 7 COMMITMENTS AND CONTINGENCY

Commitments

The Borough has commitments to fund various projects and equipment acquisitions approximating \$1,261,707 at December 31, 2022. The commitments will be funded through grants and cash on hand.

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 SUBSEQUENT EVENTS

The Borough has evaluated subsequent events through March 21, 2024. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2022 were noted.