

BOROUGH OF TOPTON
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

BOROUGH OF TOPTON
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Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of Council
Borough of Tipton
Berks County, Pennsylvania
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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 Tipton ("the Borough"), as of and for the year ended December 31, 2023, 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, 2023, 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) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. 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.



Zelenkofske Axelrod LLC

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



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To the Honorable Mayor and Members of Council
Borough of Tipton
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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 to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2024 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD, LLC

Harrisburg, Pennsylvania
September 10, 2024



BALANCE SHEET

DCED-CLGS-30 (09-09)

TOPTON BORO, BERKS County
BALANCE SHEET
 December 31, 2023

		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	661,398	280,277			336,335					1,278,010
140-144	Tax Receivable										
121-129, 145-149	Accounts Receivable (excluding taxes)										
130.00	Due From Other Funds	90,542									90,542
131-139, 150-159	Other Current Assets										
160-169	Fixed Assets										
180-189	Other Debits										
Total Assets and Other Debits		751,940	280,277			336,335					1,368,552

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					90,542					90,542

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

TOPTON BORO, BERKS County

BALANCE SHEET

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December 31, 2023

		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						90,542					90,542
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	751,940	280,277			245,793					1,278,010
291-299	Other Equity										
Total Fund and Account Group Equity		751,940	280,277			245,793					1,278,010
TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY											1,368,552

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

STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2023

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	490,264	86,953					577,217
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	6,645						6,645
310.10	Real Estate Transfer Taxes	27,097						27,097
310.20	Earned Income Taxes / Wage Taxes	338,997						338,997
310.30	Business Gross Receipts Taxes							
310.40	Occupation Taxes (levied under Act 511)							
310.50	Local Services Tax **	57,576						57,576
310.60	Amusement / Admission Taxes							
310.70	Mechanical Device Taxes							
310.90	Other: _____							
	Other: _____							
Total Taxes		920,579	86,953					1,007,532

Licenses and Permits

320-322	All Other Licenses and Permits	22,991						22,991
321.80	Cable Television Franchise Fees	20,005						20,005
Total Licenses and Permits		42,996						42,996

Fines and Forfeits

330-332	Fines and Forfeits	3,900						3,900
Total Fines and Forfeits		3,900						3,900

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, 2023

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	6,324	2,058			2,285		10,667
342.00	Rents and Royalties	970						970
Total Interest, Rents and Royalties		7,294	2,058			2,285		11,637

Federal								
351.03	Highways and Streets	1,222,187						1,222,187
351.09	Community Development							
351.00	All Other Federal Capital and Operating Grants							
352.01	National Forest							
352.00	All Other Federal Shared Revenue and Entitlements							
353.00	Federal Payments in Lieu of Taxes							
Total Federal		1,222,187						1,222,187

State								
354.03	Highways and Streets							
354.09	Community Development	195,489						195,489
354.15	Recycling / Act 101	5,110						5,110
354.00	All Other State Capital and Operating Grants							
355.01	Public Utility Realty Tax (PURTA)	887						887
355.02-355.03	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback		66,487					66,487
355.04	Alcoholic Beverage Licenses	600						600
355.05	General Municipal Pension System State Aid	33,794						33,794
355.07	Foreign Fire Insurance Tax Distribution	11,603						11,603
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, 2023

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		247,483	66,487					313,970

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	12,615						12,615
362.00	Public Safety							
363.20	Parking							
363.00	All Other Charges for Highway & Street Services	1,914						1,914
364.10	Wastewater / Sewage (including connection / tapping fees, sewer usage charges, reserve capacity fee, etc.)				739,957			739,957
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							

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, 2023

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				333,343			333,343
379.00	All Other Charges for Service							
Total Charges for Service		14,529			1,073,300			1,087,829

Unclassified Operating Revenues								
383.00	Special Assessments							
386.00	Escheats (sale of personal property)							
387.00	Contributions and Donations from Private Sectors	41,371						41,371
388.00	Fiduciary Fund Pension Contributions							
389.00	All Other Unclassified Operating Revenues	1,270						1,270
Total Unclassified Operating Revenues		42,641						42,641

Other Financing Sources								
391.00	Proceeds of General Fixed Asset Disposition	31,100						31,100
392.00	Interfund Operating Transfers	63,876	11,695		27,671			103,242
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, 2023

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	83,494						83,494
Total Other Financing Sources		178,470	11,695		27,671			217,836
TOTAL REVENUES		2,680,079	167,193		1,103,256			3,950,528

EXPENDITURES

General Government								
400.00	Legislative (Governing) Body	7,623					1,020	8,643
401.00	Executive (Manager or Mayor)	142,032			47,170			189,202
402.00	Auditing Services / Financial Administration	10,650						10,650
403.00	Tax Collection	13,260						13,260
404.00	Solicitor / Legal Services	18,364						18,364
405.00	Secretary / Clerk							
406.00	Other General Government Administration	60,275			23,052			83,327
407.00	IT-Networking Services-Data Processing							
408.00	Engineering Services	80,474			34,305			114,779
409.00	General Government Buildings and Plant	10,160			5,586			15,746
Total General Government		342,838			110,113		1,020	453,971

Public Safety								
410.00	Police	195,523						195,523
411.00	Fire	17,698	35,000					52,698
412.00	Ambulance / Rescue	26,469						26,469
413.00	UCC and Code Enforcement	10,104						10,104

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, 2023

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	500				37		537
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		250,294	35,000			37		285,331

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	214				368,611		368,825
Total Public Works - Sanitation		214				368,611		368,825

Public Works - Highways and Streets

430.00	General Services - Administration	408,932				68,921		477,853
431.00	Cleaning of Streets and Gutters							
432.00	Winter Maintenance – Snow Removal		4,937					4,937
433.00	Traffic Control Devices	3,191						3,191
434.00	Street Lighting	44,974						44,974

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, 2023

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	7,027						7,027
438.00	Maintenance and Repairs of Roads and Bridges		52,458					52,458
439.00	Highway Construction and Rebuilding Projects	1,222,187						1,222,187
Total Public Works - Highways and Streets		1,686,311	57,395			68,921		1,812,627

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	4,163			231,620			235,783
449.00	Water Transport and Terminals							
Total Other Public Works Enterprises		4,163			231,620			235,783

Culture and Recreation								
451.00	Culture-Recreation Administration							
452.00	Participant Recreation	27,062	800		24			27,886
453.00	Spectator Recreation							
454.00	Parks	20,172						20,172

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, 2023

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		62,234	800			24		63,058

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	17,317						17,317
Total Community Development		17,317						17,317

Debt Service								
471.00	Debt Principal (short-term and long-term)	138,110				251,000		389,110
472.00	Debt Interest (short-term and long-term)	9,475				9,193		18,668
475.00	Fiscal Agent Fees							
Total Debt Service		147,585				260,193		407,778

Employer Paid Benefits and Withholding Items								
481.00	Employer Paid Withholding Taxes and Unemployment Compensation	17,737						17,737
482.00	Judgments and Losses							
483.00	Pension / Retirement Fund Contributions	20,656				15,530		36,186

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, 2023

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	3,148						3,148
487.00	Other Group Insurance Benefits							
Total Employer Paid Benefits and Withholding Items		41,541			15,530			57,071

Insurance								
486.00	Insurance, Casualty, and Surety	2,000			11,367			13,367
Total Insurance		2,000			11,367			13,367

Unclassified Operating Expenditures								
488.00	Fiduciary Fund Benefits and Refunds Paid							
489.00	All Other Unclassified Expenditures	958			542			1,500
Total Unclassified Operating Expenditures		958			542			1,500

Other Financing Uses								
491.00	Refund of Prior Year Revenues							
492.00	Interfund Operating Transfers	11,695	63,876		27,671			103,242
493.00	All Other Financing Uses							
Total Other Financing Uses		11,695	63,876		27,671			103,242

TOTAL EXPENDITURES	2,567,150	157,071			1,094,629		1,020	3,819,870
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EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	112,929	10,122			8,627		-1,020	130,658
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The accompanying notes are an integral part of these financial statements.

TOPTON BORO
December 31, 2023

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 2020	Note	2020	2023	125,000	21,512		21,512		0		0
General Obligation Note 2021	Note	2021	2029	1,291,000	1,041,000		107,000		934,000		934,000
General Obligation Note 2021	Note	2021	2029	931,000	633,000		251,000		382,000		382,000
Truck Loan	Note	2020	2023	80,473	19,375		9,598		9,777		9,777
Revenue Bonds and Notes											
Lease Rental Debt											
Other											

(1) - excludes unamortized premium/discount

Total bonds and notes outstanding	1,325,777
Capitalized lease obligations	0
Net debt	1,325,777

TOPTON BORO, BERKS County
STATEMENT OF CAPITAL EXPENDITURES

December 31, 2023

Category	Capital Purchases	Capital Construction	Total
Community Development			
Electric			
Fire			
Gas System			
General Government			
Health			
Housing			
Libraries			
Mass Transit			
Parks			
Police			
Recreation		4,600	4,600
Sewer			
Solid Waste			
Streets / Highways	1,285,150		1,285,150
Water	42,184	3,336	45,520
Other: _____			
TOTAL CAPITAL EXPENDITURES	1,327,334	7,936	1,335,270

EMPLOYEE COMPENSATION

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

530,128

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

**BOROUGH OF TOPTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 2023**

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, 2023**

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, 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.

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, 2023**

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, 2023**

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 2023 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 95% 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, 2023**

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 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, 2023, the carrying amount of the Borough's bank deposits was \$1,278,010, and the corresponding bank balances were \$1,315,437, of which \$500,000 was covered by Federal Depository Insurance. The remaining \$815,437 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, 2023:

	<u>Balance Outstanding December 31, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding December 31, 2023</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. The note was issued to refund debt.	\$ 1,674,000	\$ -	\$ (358,000)	\$ 1,316,000	\$ 363,000
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. The note was issued to finance capital projects.	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. The loan was issued to purchase a truck.	19,375	-	(9,598)	9,777	9,777
	<u>\$ 1,714,887</u>	<u>\$ -</u>	<u>\$ (389,110)</u>	<u>\$ 1,325,777</u>	<u>\$ 372,777</u>

**BOROUGH OF TOPTON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 4 LONG-TERM DEBT (CONTINUED)

Aggregate maturities required on long-term debt at December 31, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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
2028	113,000	2,029	115,029
Thereafter	114,000	678	114,678
	<u>\$ 1,325,777</u>	<u>\$ 34,471</u>	<u>\$ 1,360,248</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 2023 were as follows:

	<u>Transfers In/From Other Funds</u>	<u>Transfers Out/To Other Funds</u>
General Fund	\$ 63,876	\$ 11,695
Special Revenue Funds	11,695	63,876
Enterprise Funds	27,671	27,671
Total All Funds	<u>\$ 103,242</u>	<u>\$ 103,242</u>

Individual fund "Due From Other Funds" and "Due To Other Funds" activity for 2023 were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 90,542	\$ -
Enterprise Funds	-	90,542
Total All Funds	<u>\$ 90,542</u>	<u>\$ 90,542</u>

**BOROUGH OF TOPTON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

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 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 January 1, 2023, the date of the most recent actuarial valuation, the following employees were covered by the plan:

Inactive employees of beneficiaries	
currently receiving benefits	4
Inactive employees entitled to, but	
not yet receiving benefits	2
Active employees	8
	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, 2023, the Borough made a contribution to the Plan in the amount of \$36,186.

**BOROUGH OF TOPTON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 7 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 SUBSEQUENT EVENTS

The Borough has evaluated subsequent events through September 10, 2024. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2023 were noted.