

BOROUGH OF POTTSTOWN

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2021

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

To the Borough Council
Borough of Pottstown
Pottstown, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Borough of Pottstown, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Borough of Pottstown's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Borough of Pottstown, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Borough of Pottstown 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 opinions.

Responsibilities of Management for the Financial Statements

Borough of Pottstown's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Borough of Pottstown's ability to continue as a going concern for one year after the financial statement date.

Auditors' 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 auditors' 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 Borough of Pottstown'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 Borough of Pottstown'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.

Emphasis of Matter

For the year ended December 31, 2021 the Borough has a prior year restatement that impacted the Governmental Activities and the General Fund. See Note S for further information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 20, budgetary comparison information on pages 79 through 83, pension plan information on pages 86 through 92 and postemployment benefits other than pension plans information on pages 93 through 95 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

To the Borough Council
Borough of Pottstown
Pottstown, Pennsylvania

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borough of Pottstown's basic financial statements. The supplementary information as listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2022 on our consideration of Borough of Pottstown'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 Borough of Pottstown's internal control over financial reporting and compliance.



Limerick, Pennsylvania
July 26, 2022

BOROUGH OF POTTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

INTRODUCTION

This section of the annual financial report for the Borough of Pottstown (the "Borough") presents a narrative overview and analysis of the Borough's financial performance for the fiscal year ended December 31, 2021. We recommend that it be read in conjunction with the accompanying basic financial statements and notes to the financial statements in order to obtain a thorough understanding of the Borough's financial condition at December 31, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)
- Required supplementary information
- Other supplementary information

Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the Borough government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided in the Borough's budget to actual figures for the major Governmental Funds. In addition to these required statements, another supplementary section is included with combining statements that provide particulars about nonmajor funds.

The basic financial statements present two different views of the Borough.

- *Government-Wide Financial Statements*, the first two statements, provide information about the Borough's overall financial status as well as the financial status of the Borough's component unit.
- *Fund Financial Statements*, the remaining statements, focus on individual parts of Borough government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
 - *Governmental Funds statements* show how general government services such as public safety were financed in the short term, as well as what remains for future spending.
 - *Proprietary Funds statements* offer short-term and long-term financial information about the activities the Borough operates like a business, such as the Pottstown Borough Sewer Fund.

BOROUGH OF POTTSTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

- o *Fiduciary Funds statements* reflect activities involving resources that are held by the Borough as a trustee or agent for the benefit of others. An example of this is the fund created to account for Developer's Escrow Accounts. Fiduciary Funds are not reflected in the government-wide statements because the resources cannot be used to support the Borough's programs.

Government-Wide Financial Statements

Government-wide financial statements report information about the Borough as a whole using accounting methods similar to those used by private-sector companies.

- The statement of net position includes all of the Borough's assets and liabilities, except Fiduciary Funds, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The statement of activities focuses on how the Borough's net position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to net position are reported using the accrual method of accounting, which requires that revenues be reported when they are earned and expenses be reported when the goods and/or services are received, regardless of when cash is received or paid.

Net position is one way to measure the Borough's financial position. Over time, increases or decreases in the Borough's net position are one indicator of whether the Borough's financial position is improving or deteriorating. However, other nonfinancial factors such as changes in the Borough's real property tax base and general economic conditions must be considered to assess the overall position of the Borough.

The primary government and its component unit are included in the government-wide financial statements. Component units reflect the activities of legally separate government entities over which the Borough can exercise influence and/or be obligated to provide financial support. The Borough has one discretely presented component unit, the Pottstown Borough Authority. Complete and detailed financial statements for the component unit can be obtained from its administrative office.

There are two categories of activities for the primary government.

- *Governmental activities* include the Borough's basic services such as general government, public safety, public works, culture and recreation and conservation and development. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* such as the Borough's Sewer Fund charge a fee to customers to help cover the costs of services.

BOROUGH OF POTTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Net position of the governmental activities differs from the Governmental Funds balances because Governmental Fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

Government-wide statements are reported using an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the statement of net position:

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate the net position balance as follows:
 - The portion of net position's net investment in capital assets.
 - Restricted net position is the portion of net position with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation.
 - Unrestricted net position is the portion of net position that does not meet any of the above restrictions.

Fund Financial Statements

Fund financial statements provide more detailed information on the Borough's most significant funds, not the Borough as a whole. Funds are accounting devices, i.e., a group of related accounts, the Borough uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using current financial resources and modified accrual accounting established by the Government Accounting Standards Board (GASB) for governments.

BOROUGH OF POTTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

The Borough has three kinds of funds:

- *Governmental Funds* include most of the Borough's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting basis, and a current financial resources measurement focus. Consequently, the Governmental Funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the Borough's programs.

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and Governmental Funds is described in a reconciliation that is included in the financial statements.

The Borough adopts an annual budget for the General, Special Revenue and Capital Project Funds, as required by the state law.

- *Proprietary Funds* report business-type programs and activities that charge fees designed to recover the cost of providing services. They report using full accrual accounting
- *Fiduciary Funds* are funds for which the Borough is the trustee or fiduciary. These include certain Custodial Funds, or clearing accounts for assets held by the Borough in its role as custodian until the funds are allocated to the private parties, organizations, or government agencies to which they belong. The Borough is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These funds are excluded from the Borough's government-wide financial statements because the Borough cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

Total assets were \$49.8 million for 2021, which represents an increase of \$.8 million or 1.7% from 2020. Governmental capital assets, net, decreased by \$1.3 million, and other assets increased by \$2.1 million. Capital additions for 2021 totaled \$.5 million and included expenditures to purchase two police vehicles (of which funds were contributed by an outside third party), a fire chief vehicle (which was purchased with grant funds) and expenditures for major grant-supported projects. This increase was offset by the \$1.8 million increase in accumulated depreciation resulting from 2021 depreciation expense. Other Assets of the business-type activities decreased by \$0.1 million or 1.9% in 2021. Cash and cash equivalents increased by \$2.32 million; and accounts receivable and due from other governments decreased by \$0.4 million.

BOROUGH OF POTTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Total liabilities were \$37.1 million and increased by \$1.1 million or 3.2% in 2021. Short-term liabilities increased by \$2.8 million due to a re-classification of account types from 2020 to 2021. Long-term liabilities decreased by \$.6 million, as a result of lower pension and OPEB liability.

GASB 34 requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years. The Borough believes it has included its entire infrastructure in the 2021 financial statements.

Condensed Statements of Net Position

	Governmental Activities		Business-Type Activities		Totals		Variance
	2021	2020	2021	2020	2021	2020	
ASSETS							
Capital assets	\$ 26,833,210	\$ 28,140,810	\$ 726,125	\$ 685,775	\$ 27,559,335	\$ 28,826,585	\$ (1,267,250)
Other assets	14,644,617	12,391,026	7,644,899	7,789,377	22,289,516	20,180,403	2,109,113
TOTAL ASSETS	41,477,827	40,531,836	8,371,024	8,475,152	49,848,851	49,006,988	841,863
DEFERRED OUTFLOWS OF RESOURCES							
Pension activity	4,021,747	1,380,873	239,205	80,597	4,260,952	1,461,470	2,799,482
OPEB activity	3,126,858	3,523,396	21,275	25,216	3,148,133	3,548,612	(400,479)
TOTAL DEFERRED OUTFLOWS	7,148,605	4,904,269	260,480	105,813	7,409,085	5,010,082	2,399,003
LIABILITIES							
Other liabilities	3,419,193	864,837	1,134,451	916,256	4,553,644	1,781,093	2,772,551
Net pension liability	3,110,100	3,474,605	68,636	300,492	3,178,736	3,775,097	(596,361)
Net opeb liability	26,900,697	27,281,726	183,030	195,246	27,083,727	27,476,972	(393,245)
Long-term liabilities	2,156,236	2,769,181	99,905	120,675	2,256,141	2,889,856	(633,715)
TOTAL LIABILITIES	35,586,226	34,390,349	1,486,022	1,532,669	37,072,248	35,923,018	1,149,230
DEFERRED INFLOWS OF RESOURCES							
Pension activity	5,124,290	3,878,972	614,756	478,879	5,739,046	4,357,851	1,381,195
OPEB activity	8,992,100	8,448,840	61,181	60,466	9,053,281	8,509,306	543,975
TOTAL DEFERRED INFLOWS	14,116,390	12,327,812	675,937	539,345	14,792,327	12,867,157	1,925,170
NET POSITION							
Net investment in capital assets	25,185,356	25,830,185	726,125	685,775	25,911,481	26,515,960	(604,479)
Restricted	2,170,212	1,869,995	-	-	2,170,212	1,869,995	300,217
Unrestricted	(28,431,752)	(28,982,236)	5,743,420	5,823,176	(22,688,332)	(23,159,060)	470,728
TOTAL NET POSITION	\$ (1,076,184)	\$ (1,282,056)	\$ 6,469,545	\$ 6,508,951	\$ 5,393,361	\$ 5,226,895	\$ 166,466

Changes in Net Position

The statement of activities represents changes in net position for the year ended December 31, 2021. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole. Reductions in Net Position can reflect additional annual depreciation and/or the elimination of assets during the particular year. Increases in Net Position can reflect the completion of previous works-in-progress and/or the purchase of additional assets. The statement of activities can be found in the accompanying Financial Statements.

BOROUGH OF POTTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Condensed Statements of Activities

	Governmental Activities		Business-Type Activities		Totals		Variance
	2021	2020	2021	2020	2021	2020	
REVENUES							
Program revenues							
Charges for services	\$ 5,018,044	\$ 4,974,102	\$ 9,733,103	\$ 9,484,313	\$ 14,751,147	\$ 14,458,415	\$ 292,732
Operating grants and contributions	4,939,185	4,282,597	-	-	4,939,185	4,282,597	656,588
Capital grants and contributions	44,626	2,091,105	-	-	44,626	2,091,105	(2,046,479)
General revenues							
Real estate taxes	10,396,897	9,866,784	-	-	10,396,897	9,866,784	530,113
Earned income taxes	2,621,468	2,414,776	-	-	2,621,468	2,414,776	206,692
Other taxes	1,119,808	890,074	-	-	1,119,808	890,074	229,734
Unrestricted licenses and fees	492,995	497,837	-	-	492,995	497,837	(4,842)
Gain on sale of capital assets	24,215	43,568	-	-	24,215	43,568	(19,353)
Unrestricted investment earnings	13,546	49,692	5,458	36,627	19,004	86,319	(67,315)
Royalties and rental income	33,370	17,947	-	-	33,370	17,947	15,423
Realized and unrealized gain (loss) on investments	-	-	-	3,906	-	3,906	(3,906)
Reimbursement from Pottstown Borough Authority	200,000	200,000	-	-	200,000	200,000	-
Miscellaneous	182,483	160,666	87,425	94,116	269,908	254,782	15,126
TOTAL REVENUES	25,086,637	25,489,148	9,825,986	9,618,962	34,912,623	35,108,110	(195,487)
EXPENSES							
General government	1,616,205	1,476,676	-	-	1,616,205	1,476,676	139,529
Public safety	11,147,705	11,404,141	-	-	11,147,705	11,404,141	(256,436)
Public works	8,904,677	8,531,575	-	-	8,904,677	8,531,575	373,102
Culture and recreation	1,230,414	1,199,713	-	-	1,230,414	1,199,713	30,701
Conservation and development	1,055,397	709,468	-	-	1,055,397	709,468	345,929
Debt service	57,147	60,677	-	-	57,147	60,677	(3,530)
Contribution to Pottstown Borough Authority	-	-	1,085,855	650,000	1,085,855	650,000	435,855
Sewer services	-	-	8,779,537	8,871,467	8,779,537	8,871,467	(91,930)
TOTAL EXPENSES	24,011,545	23,382,250	9,865,392	9,521,467	33,876,937	32,903,717	973,220
TRANSFERS	-	-	-	-	-	-	-
CHANGE IN NET POSITION	1,075,092	2,106,898	(39,406)	97,495	1,035,686	2,204,393	(1,168,707)
NET POSITION AT BEGINNING OF YEAR, RESTATED	(2,151,276)	(3,388,954)	6,508,951	6,411,456	4,357,675	3,022,502	1,335,173
NET POSITION AT END OF YEAR	\$ (1,076,184)	\$ (1,282,056)	\$ 6,469,545	\$ 6,508,951	\$ 5,393,361	\$ 5,226,895	\$ 166,466

Total net position for 2021 increased by \$1.0 million. Total expenses were \$33.9 million and increased by \$.9 million, or 2.96%, in 2021. Sewer services decreased by \$0.01 million and Public Safety and Public Works increased a total of \$.1 million. The decrease in Public Safety was due to the recording of several personnel vacancies in the Police Department and the underutilization of overtime due to the Covid-19 Pandemic. Borough Authority and Sewer Service increased expense for the year 2020 by approximately \$.4 million. Total revenues for 2021 were \$34.9 million and decreased by \$.2 million or .56% from 2020. Capital grants and contributions decreased \$2.0 million. Charges for Services increased \$.3 million. Business-type activity revenues were slightly higher due to increased bulk sewer revenues received from outside sludge haulers.

BOROUGH OF POTTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2021, general real estate tax revenue was \$10.4 million, which increased \$0.5 million, from 2020, as a result of the increase in the tax millage. The net program expenses for the year ended December 31, 2021, can be found in the accompanying statement of activities.

The real estate tax is based on the assessed value of real property. Changes in the assessed valuation can affect tax revenues. The Borough's assessed valuation of real property was \$761 million for 2021 and was \$1 million lower than 2020.

In December 2020, Borough Council again approved an increase of .486 mills, going from 13.161 to 13.543 for all funds for 2021. The Borough's tax rate is well below the Commonwealth-set cap for operating costs. Maintaining consistent millage rates with minimal annual increases would eliminate a large increase all at once.

Under the terms of a Management Agreement with the Pottstown Borough Authority, the Borough, on behalf of the Authority, is responsible for all day-to-day operations of the water system, including, but not limited to, maintenance and repair and administration (to include the billing and collection of the system receipts). The Authority is responsible for fixing the water rates and charges in an amount sufficient to fund the annual costs of operations, maintenance and administration.

The current Management Agreement's initial term expired August 1, 2010, and has been automatically renewed from year to year thereafter. Either party can terminate the agreement by serving notice by February 1 of the year that they wish to terminate the agreement, in which case the agreement terminates as of August 1st of that year.

The sewer plant is operated by the Borough under an Agreement of Lease dated as of May 1, 1989, as supplemented by subsequent trust indentures. In July 2011, the Borough and the Authority entered into a Sewer System Agreement to provide for the Authority to take a more active role in overseeing the management and operation of the sewer system. The agreement, which expires in 2025, is not intended to relieve the Borough of its duties, powers, rights, or obligation under the Agreement of Lease.

BOROUGH OF POTTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Net Cost of Governmental and Business-Type Activities

<u>Program</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$ 1,616,205	\$ (637,729)
Public safety	11,147,705	(9,654,664)
Public works	8,904,677	(2,167,096)
Culture and recreation	1,230,414	(1,184,623)
Conservation and development	1,055,397	(308,431)
Sewer services	8,779,537	(57,147)
	<u>\$ 32,733,935</u>	<u>\$ (14,009,690)</u>

Total Net Cost of Services is \$2.6 million higher when compared to the prior year primarily due to higher cost of materials. Wages increased collectively by four percent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Borough's capital assets at December 31, 2021, net of accumulated depreciation, were \$27.6 million. Capital assets consist primarily of land, buildings, equipment and infrastructure. The table below is a summary of capital assets at December 31, 2021, and compares 2020 with 2021.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>		<u>Variance</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	
CAPITAL ASSETS							
Land	\$ 2,648,352	\$ 2,648,352	\$ -	\$ -	\$ 2,648,352	\$ 2,648,352	\$ -
Land improvements	12,515,170	12,491,594	-	-	12,515,170	12,491,594	23,576
Buildings and improvements	14,014,535	14,014,535	-	-	14,014,535	14,014,535	-
Machinery and equipment	13,980,387	13,863,165	687,740	585,496	14,668,127	14,448,661	219,466
Infrastructure	7,270,862	7,219,031	5,781,755	5,781,755	13,052,617	13,000,786	51,831
Accumulated depreciation	<u>(23,596,096)</u>	<u>(22,095,867)</u>	<u>(5,743,370)</u>	<u>(5,681,476)</u>	<u>(29,339,466)</u>	<u>(27,777,343)</u>	<u>(1,562,123)</u>
CAPITAL ASSETS, net	<u>\$ 26,833,210</u>	<u>\$ 28,140,810</u>	<u>\$ 726,125</u>	<u>\$ 685,775</u>	<u>\$ 27,559,335</u>	<u>\$ 28,826,585</u>	<u>\$ (1,267,250)</u>

Detailed information about the Borough's capital assets can be found in Note E to the Financial Statements.

BOROUGH OF POTTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Government machinery and equipment increased by \$.2 million due to the purchase of two new police vehicles, a fire chief vehicle and additional public safety equipment.

Infrastructure assets increased by \$.1 million due to new security equipment at the airport and continuation of HVAC project.

Accumulated depreciation increased by \$1.6 million due to the recording of 2021 depreciation.

Debt Administration

Total long-term liabilities were \$32.5 million at December 31, 2021. General Obligation Notes decreased by \$0.2 million due to the principal payment. Capital lease payable decreased by \$0.4 million reflecting the payment of principal in 2021. The pension plan liabilities decreased by \$.4 million in general government and by \$.2 million in business type activities whereas the other post-employment benefit plan liabilities decreased by \$.4 million in general government

Statement of Long-Term Liabilities

	Beginning Balance		Additions		Reduction		Ending Balance
	<u> </u>		<u> </u>		<u> </u>		<u> </u>
GOVERNMENTAL ACTIVITIES							
Bonds and notes	\$ 1,872,134		\$ -		\$ (224,280)		\$ 1,647,854
Capital lease payable	438,491		-		(438,491)		-
OPEB liability	27,281,726		-		(381,029)		26,900,697
Compensated absences	475,690		45,546		-		521,236
Pension liability	<u>3,474,605</u>		<u>-</u>		<u>(364,505)</u>		<u>3,110,100</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 33,542,646</u>		<u>\$ 45,546</u>		<u>\$ (1,408,305)</u>		<u>\$ 32,179,887</u>
BUSINESS-TYPE ACTIVITIES							
Compensated absences	\$ 120,675		\$ -		\$ (20,770)		\$ 99,905
OPEB liability	195,246		-		(12,216)		183,030
Pension liability	<u>300,492</u>		<u>-</u>		<u>(231,856)</u>		<u>68,636</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 616,413</u>		<u>\$ -</u>		<u>\$ (264,842)</u>		<u>\$ 351,571</u>

Detailed information about the Borough's long-term liabilities can be found in Note I to the financial statements.

BOROUGH OF POTTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

GOVERNMENTAL FUNDS

The Borough of Pottstown uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of Governmental Funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Borough's financing requirements. In particular, unreserved/undesignated fund balance may serve as a useful measure of the Borough's net resources available for spending at the end of the year. Therefore, some figures will be different in the fund statements than the government-wide statements.

The Borough's Governmental Funds include the General Fund, Special Revenue Funds and Capital Project Funds. The General Fund is the chief operating fund for the Borough. Special Revenue Funds are restricted to specific legislated use. Capital Project Funds account for the proceeds of bond issues. The major funds are shown on the statement of revenues, expenditures and changes in fund balances in the financial statements.

Governmental Funds Revenues

Governmental Funds revenues by source at December 31, 2021 and 2020, were as follows:

Revenues by Source, Governmental Funds

	<u>2021</u>	<u>2020</u>	<u>Variation</u>
REVENUES			
Taxes	\$ 14,131,878	\$ 13,215,358	\$ 916,520
Intergovernmental	4,982,602	6,375,707	(1,393,105)
Charges for services	4,851,963	4,836,071	15,892
Fees, licenses and permits	492,995	494,417	(1,422)
Court costs and fines	157,319	128,990	28,329
Interest and rents	47,159	64,767	(17,608)
Miscellaneous	198,286	230,245	(31,959)
	<u>\$ 24,862,202</u>	<u>\$ 25,345,555</u>	<u>\$ (483,353)</u>
TOTAL REVENUES			

Governmental Funds revenues totaled \$24.9 million for the year ended December 31, 2021, which was almost \$.5 million lower than 2020. Taxes increased by \$.9 million due to the millage increase from 13.161 to 13.543. Intergovernmental revenues decrease \$1.4 million due to deferrals of several grant projects including 1.15 million for ARPA funds. There was an increase of \$.6 million in charges for services and court costs and fines, which was offset by a slight decrease in building permits issued in 2020. The increase was due to the restart of services that had been suspended temporarily due to the Covid-19 Pandemic.

BOROUGH OF POTTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Governmental Funds Expenditures

Governmental Funds expenditures by source at December 31, 2021 and 2020, were as follows:

Expenditures by Function, Governmental Funds

	<u>2021</u>	<u>2020</u>	<u>Variation</u>
EXPENDITURES			
General government	\$ 1,600,210	\$ 1,546,244	\$ 53,966
Public safety	12,026,448	11,723,413	303,035
Public works	8,038,795	10,120,279	(2,081,484)
Culture and recreation	1,428,077	1,169,334	258,743
Capital projects	1,185	5,451	(4,266)
Conservation and development	726,045	619,628	106,417
Debt service	<u>723,913</u>	<u>366,680</u>	<u>357,233</u>
 TOTAL EXPENDITURES	 <u>\$ 24,544,673</u>	 <u>\$ 25,551,029</u>	 <u>\$ (1,006,356)</u>

Governmental Funds expenditures totaled \$24.5 million for the year ended December 31, 2021, which was \$1.0 million less than the \$25.5 million for 2020. Public works and capital projects reflected fewer projects in 2020, general government, public safety, culture and recreation, and conservation and development all exceeded the previous year's expenses.

BOROUGH OF POTTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Governmental Fund Balances

The ending balances for Governmental Funds and net position for Proprietary Funds at December 31, 2021, were as follows:

Ending Fund Balances, Governmental Funds and Net Position, Proprietary Funds

<u>Fund</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
General Fund	\$ 5,011,651	\$ -
Urban Transit Fund	(13,174)	-
Refuse Fund	2,549,152	-
Borough Grant Fund	(289,043)	-
Liquid Fuels Fund	1,558,761	-
Other Governmental Funds	2,089,324	-
Sewer Fund	-	6,207,889
Sewer Collection Lines Fund	-	261,656
	<u>\$ 10,906,671</u>	<u>\$ 6,469,545</u>

The Borough's Governmental Funds reported a combined fund balance of \$10.9 million at December 31, 2021. Governmental Funds had an unassigned fund balance of \$3.8 million and \$4 million in non-spendable prepaid expenditures. The remaining \$6.7 million is either restricted or assigned and is not available for use in meeting the Borough's current and future needs.

The General Fund is the chief operating fund of the Borough. At December 31, 2021, the total General Fund balance was \$5.0 million. The fund balance at the end of 2020 was \$3.8 million, representing a 30.2% increase.

BUDGETARY HIGHLIGHTS

The Borough Council revises the budget on an as-needed basis. There are two kinds of revisions:

- Allocations are made to specific line items from other line items or from contingency funds established in the budget.
- New appropriations are budgeted when received, and the anticipated related expense is budgeted at the same time.

Because the Borough is on a different fiscal year than the Commonwealth, it is difficult to know what grants will be forthcoming in the Borough's fiscal year. Many revenue variances are due to budgeting for grants not received. Other revenue variances are based on grants received, but not anticipated.

BOROUGH OF POTTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Conditions

The Borough's assessed value increased by .41 million in 2021 breaking the decades long trend of falling real estate values. The primary reason for the increase is the declining number of requests to Montgomery County for property reassessments due to advances in underlying real estate values. The increase was also supported to some extent by the rehabilitation of vacant and underutilized properties. Given that the Borough is an older, densely populated and developed community with aging infrastructure, increased private investments in maintenance, rehabilitation, or reconstruction of underutilized properties has reduced the overall strain to municipal resources in 2021.

The Borough has worked closely with its economic development partner Pottstown Area Economic Development (PAED) to facilitate several important projects. Fairfield Suites by Marriott completed a significant renovation of a 118-room facility to create modern hotel which will help to support the Borough's tourism, travel and recreation industries. Stacked SCM, an ecommerce company, relocated from Colorado to Pottstown bringing 40-50 living wage jobs. Numerous other small food service and personal service businesses opened in the downtown in 2021.

Over many years, the Borough has steadily worked towards creating conditions conducive to outside investment. In support of this effort, 2021 saw considerable investment into infrastructure improvements from both private and public entities. Pottstown Borough Authority completed a \$1.2 million water and sewer main replacement project. 1,600 LF of sewer and water mains were replaced and .5 miles of roadways were paved. A \$3.9 Million PennDOT project to replace the King Street bridge was also completed. The new bridge improved vehicle and pedestrian connections between the downtown and employment centers west of State Route 100. PECO completed a \$2.9 million gas main replacement project which included paving .4 miles of roadways. A separate \$6.1 million PECO project replaced aging underground electric lines on High Street in the Downtown and PECO completed phase 2 of a \$9 million project to upgrade overhead electrical transmission lines in preparation for the shift to green energy sources. An additional 1.2 miles of roadways were paved as part of these projects.

Moving past the Pandemic's varied impact to businesses, commercial investment activity remained resilient with more new businesses opening than closing. This positively impacted the general fund with a 10.13% increase earned income tax revenues. Regional and macro-economic trends continue to benefit the Borough across its industrial, educational and residential sectors in 2021. The residential sector saw a robust 8% annual increase real estate property values and real estate tax revenues increased 4.41% from 2020. Higher than average residential renovation and property transfer activities positively impacted general fund revenues with a 12.49% increase in business licensing/permit revenue and a 51% increase in building permit revenue. The Borough did experience a -56% decline in rental permit revenue, however this is considered temporary due to inspections being deferred in 2021 in light of the Pandemic.

2021 general fund expenses decreased by -1.27% from 2020 however increases in several expense line items are highlighted. Costs for IT services increased by 17.9% as result of several planned server upgrades and due to the Borough-wide transition to more digitized information sources to improve workflow efficiencies. IT equipment purchases also increased to ensure that a larger majority of the workforce is able to function remotely in critical situations. Legal expense line items continued to drag on the Borough's resources increasing expenses by 92%. The increase in legal services is primarily due to one substantial court case which has now been sent to trial.

BOROUGH OF POTTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Market Impact on Investment Income

The Commonwealth restricts Borough investments to government secured funds and deposits with federally insured institutions. Since the governor signed legislation a few years ago which authorized additional financial products to the approved list of approved investments, higher quality money market instruments, including repurchase agreements, commercial paper, negotiable certificates of deposit and bankers' acceptances, are now approved investments. Due to the low interest rate environment that persisted in 2021 interest earnings in the Borough's general fund savings accounts decreased by 60%.

Government Funding

The Borough relies on federal, state and county funding for various purposes including the Urban Transit Program, airport improvements, Parks and Recreation projects and programs, Police Department programs and economic development projects. Funding for these programs varies from year-to-year, and the Borough develops strategies to maximize the impact of these funds.

In 2021 the Borough applied for \$5.5 million in grants from various county, state and federal agencies to sure up aging infrastructure and to provide resources to residents, business and organizations to help bolster economic development. To date, \$2.9 million has been awarded.

Personnel Costs

The Borough has contracts with two unions: The Pottstown Police Officers Association (PPOA) and the American Federation of State County and Municipal Employees (AFSCME). The current AFSCME contract expires on December 31, 2023, and a new contract was implemented in 2022. The PPOA contract is due to expire on December 31, 2024. PPOA and Borough Management personnel wages increased by 4% while AFSCME wages increased by 3%.

CONTACTING THE BOROUGH'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Borough's finances and to demonstrate the Borough's accountability. Questions concerning this financial information or requests for additional information should be directed to:

Borough of Pottstown
Director of Finance
100 East High Street
Pottstown, PA 19464-9525
Phone: 610-970-6534
Fax: 610-970-6595

BOROUGH OF POTTSTOWN
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	
ASSETS				
Cash and cash equivalents				
Unrestricted	\$ 12,283,634	\$ 5,800,814	\$ 18,084,448	\$ 574,681
Restricted	2,870	-	2,870	7,731,225
Accounts receivable, net	989,492	1,728,788	2,718,280	1,214,169
Taxes receivable	409,827	-	409,827	-
Due from other governments	525,417	-	525,417	-
Prepaid expenses	433,377	115,297	548,674	250,973
Capital assets not being depreciated	2,648,352	-	2,648,352	2,480,757
Capital assets being depreciated, net	24,184,858	726,125	24,910,983	55,276,305
TOTAL ASSETS	41,477,827	8,371,024	49,848,851	67,528,110
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding, net of accumulated amortization	-	-	-	260,699
Deferred outflows of resources, pension activity	4,021,747	239,205	4,260,952	354,751
Deferred outflows of resources, OPEB activity	3,126,858	21,275	3,148,133	-
TOTAL OUTFLOWS OF RESOURCES	7,148,605	260,480	7,409,085	615,450
LIABILITIES				
Accounts payable	916,358	232,289	1,148,647	255,139
Accrued liabilities	297,286	52,383	349,669	-
Interest payable	3,271	-	3,271	15,919
Unearned revenue	1,398,230	-	1,398,230	151,699
Due to other governments	791,194	849,779	1,640,973	-
Long-term liabilities				
Due within one year				
Bonds, notes, leases, compensated absences	225,000	-	225,000	2,026,000
Due in more than one year:				
Net pension liability	3,110,100	68,636	3,178,736	101,790
Net OPEB liability	26,900,697	183,030	27,083,727	-
Unamortized bond premiums, net	12,854	-	12,854	409,008
Bonds, notes, leases, compensated absences	1,931,236	99,905	2,031,141	4,397,717
TOTAL LIABILITIES	35,586,226	1,486,022	37,072,248	7,357,272
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources, pension activity	5,124,290	614,756	5,739,046	911,710
Deferred inflows of resources, OPEB activity	8,992,100	61,181	9,053,281	-
TOTAL INFLOWS OF RESOURCES	14,116,390	675,937	14,792,327	911,710
NET POSITION				
Net investment in capital assets	25,185,356	726,125	25,911,481	59,026,978
Restricted for				
Grants	611,451	-	611,451	-
Liquid fuels	1,558,761	-	1,558,761	-
Unrestricted	(28,431,752)	5,743,420	(22,688,332)	847,600
TOTAL NET POSITION	\$ (1,076,184)	\$ 6,469,545	\$ 5,393,361	\$ 59,874,578

See accompanying notes to the basic financial statements.

BOROUGH OF POTTSTOWN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 1,616,205	\$ 773,699	\$ 204,777	\$ -
Public safety				
Police	9,778,291	254,291	1,068,904	-
Fire	1,369,414	32,450	137,396	-
Public works				
Zoning	1,761,197	82,190	-	-
Highways	1,197,261	24,552	620,176	-
Sanitation	3,393,252	2,773,657	77,269	-
Other	2,552,967	1,032,623	2,127,114	-
Culture and recreation				
Recreation	1,057,699	44,582	1,209	-
Library	172,715	-	-	-
Conservation and development	1,055,397	-	702,340	44,626
Interest on long-term debt	57,147	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	24,011,545	5,018,044	4,939,185	44,626
Business-type activities				
Sewer	8,779,537	9,733,103	-	-
TOTAL PRIMARY GOVERNMENT	\$ 32,791,082	\$ 14,751,147	\$ 4,939,185	\$ 44,626
COMPONENT UNIT				
Pottstown Borough Authority - Public Works	\$ 7,902,715	\$ 7,230,741	\$ -	\$ 248,820
GENERAL REVENUES				
Taxes				
Real estate				
Per capita				
Transfer				
Earned income				
LST				
Investment earnings				
Royalties and rental income				
Licenses and fees				
Gain on sale of capital assets				
Miscellaneous				
CONTRIBUTION TO POTTSTOWN BOROUGH AUTHORITY				
REIMBURSEMENT FROM POTTSTOWN BOROUGH AUTHORITY				
TOTAL GENERAL REVENUES, CONTRIBUTIONS, REIMBURSEMENTS AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR, RESTATED*				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	Component Unit
\$ (637,729)	\$ -	\$ (637,729)	
(8,455,096)	-	(8,455,096)	
(1,199,568)	-	(1,199,568)	
(1,679,007)	-	(1,679,007)	
(552,533)	-	(552,533)	
(542,326)	-	(542,326)	
606,770	-	606,770	
(1,011,908)	-	(1,011,908)	
(172,715)	-	(172,715)	
(308,431)	-	(308,431)	
(57,147)	-	(57,147)	
(14,009,690)	-	(14,009,690)	
-	953,566	953,566	
(14,009,690)	953,566	(13,056,124)	
			\$ (423,154)
10,396,897	-	10,396,897	-
54,498	-	54,498	-
676,336	-	676,336	-
2,621,468	-	2,621,468	-
388,974	-	388,974	-
13,546	5,458	19,004	6,292
33,370	-	33,370	2,911,528
492,995	-	492,995	-
24,215	-	24,215	-
182,483	87,425	269,908	3,683
-	(1,085,855)	(1,085,855)	1,085,855
200,000	-	200,000	(200,000)
15,084,782	(992,972)	14,091,810	3,807,358
1,075,092	(39,406)	1,035,686	3,384,204
(2,151,276) *	6,508,951	4,357,675	56,490,374
\$ (1,076,184)	\$ 6,469,545	\$ 5,393,361	\$ 59,874,578

BOROUGH OF POTTSTOWN

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	<u>General Fund</u>	Urban <u>Transit Fund</u>	<u>Refuse Fund</u>
ASSETS			
Cash and cash equivalents	\$ 5,567,742	\$ -	\$ 1,978,705
Restricted cash and cash equivalents	-	2,870	-
Receivables			
Accounts, net	174,889	-	766,074
Taxes	315,598	-	-
Due from other governments	-	315,990	-
Prepaid expenditures	<u>286,426</u>	<u>-</u>	<u>52,353</u>
TOTAL ASSETS	<u>\$ 6,344,655</u>	<u>\$ 318,860</u>	<u>\$ 2,797,132</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)			
LIABILITIES			
Accounts payable	\$ 194,550	\$ 332,034	\$ 240,242
Accrued liabilities	273,633	-	7,738
Due to other governments	624,005	-	-
Unearned revenue	-	-	-
TOTAL LIABILITIES	<u>1,092,188</u>	<u>332,034</u>	<u>247,980</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue, property taxes	<u>240,816</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT)			
Nonspendable, prepaid expenditures	286,426	-	52,353
Restricted for			
Grants	-	611,451	-
Liquid fuels	-	-	-
Assigned to			
Airport improvement	-	-	-
Capital projects	-	-	-
Parking lot program purposes	-	-	-
Recreation	-	-	-
Street lighting	-	-	-
Fire services	-	-	-
Library	-	-	-
Refuse	-	-	2,496,799
Unassigned	<u>4,725,225</u>	<u>(624,625)</u>	<u>-</u>
TOTAL FUND BALANCES (DEFICIT)	<u>5,011,651</u>	<u>(13,174)</u>	<u>2,549,152</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)	<u>\$ 6,344,655</u>	<u>\$ 318,860</u>	<u>\$ 2,797,132</u>

See accompanying notes to the basic financial statements.

<u>Borough Grant Fund</u>	<u>Liquid Fuels Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,055,840	\$ 1,558,761	\$ 2,122,586	\$ 12,283,634
-	-	-	2,870
-	-	7,479	948,442
-	-	94,229	409,827
209,427	-	41,050	566,467
-	-	94,598	433,377
<u>\$ 1,265,267</u>	<u>\$ 1,558,761</u>	<u>\$ 2,359,942</u>	<u>\$ 14,644,617</u>
\$ 192,284	\$ -	\$ 124,437	\$ 1,083,547
-	-	15,915	297,286
-	-	-	624,005
<u>1,362,026</u>	<u>-</u>	<u>36,204</u>	<u>1,398,230</u>
<u>1,554,310</u>	<u>-</u>	<u>176,556</u>	<u>3,403,068</u>
<u>-</u>	<u>-</u>	<u>94,062</u>	<u>334,878</u>
-	-	94,598	433,377
-	-	-	611,451
-	1,558,761	-	1,558,761
-	-	319,048	319,048
-	-	1,022,390	1,022,390
-	-	67,494	67,494
-	-	161,753	161,753
-	-	124,901	124,901
-	-	316,967	316,967
-	-	22,667	22,667
-	-	-	2,496,799
<u>(289,043)</u>	<u>-</u>	<u>(40,494)</u>	<u>3,771,063</u>
<u>(289,043)</u>	<u>1,558,761</u>	<u>2,089,324</u>	<u>10,906,671</u>
<u>\$ 1,265,267</u>	<u>\$ 1,558,761</u>	<u>\$ 2,359,942</u>	<u>\$ 14,644,617</u>

BOROUGH OF POTTSTOWN

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2021

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 10,906,671
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Cost of capital assets	50,429,306
Accumulated depreciation	(23,596,096)
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	(1,102,543)
<p>Deferred inflows and outflows of resources related to other postemployment benefit activities are not financial resources and therefore not reported in the governmental funds.</p>	
	(5,865,242)
<p>Long-term liabilities applicable to the Borough's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.</p>	
Interest payable	(3,271)
Compensated absences	(521,236)
Bonds payable	(1,635,000)
Net OPEB liability	(26,900,697)
Net pension liability	(3,110,100)
<p>Bond premiums are not recorded as liabilities in the Governmental Funds; however, these items are capitalized and amortized in the government-wide financial statements.</p>	
	(12,854)
<p>Some of the Borough's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	
	<u>334,878</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,076,184)</u>

See accompanying notes to the basic financial statements.

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BOROUGH OF POTTSTOWN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	<u>General Fund</u>	<u>Urban Transit Fund</u>	<u>Refuse Fund</u>
REVENUES			
Taxes	\$ 11,211,240	\$ -	\$ -
Intergovernmental	1,244,470	2,127,114	77,269
Charges for services	1,676,495	119,476	2,770,630
Fees, licenses and permits	471,983	-	21,012
Court costs and fines	157,319	-	-
Interest and rents	8,903	42	1,664
Miscellaneous	102,645	-	8,859
TOTAL REVENUES	<u>14,873,055</u>	<u>2,246,632</u>	<u>2,879,434</u>
EXPENDITURES			
General government	1,598,427	-	-
Public safety			
Police department	10,431,992	-	-
Fire department	-	-	-
Public works			
Zoning	793,586	-	-
Highways	503,357	-	-
Sanitation	-	-	3,448,225
Other public works	-	2,373,828	-
Culture and recreation			
Recreation	75,000	-	-
Library	-	-	-
Capital projects	-	-	-
Conservation and development	131,617	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	<u>13,533,979</u>	<u>2,373,828</u>	<u>3,448,225</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,339,076</u>	<u>(127,196)</u>	<u>(568,791)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	34,520	1,836	-
Transfers in	-	-	-
Transfers out	(210,000)	-	-
Contribution from Pottstown Borough Authority	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(175,480)</u>	<u>1,836</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,163,596	(125,360)	(568,791)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR, RESTATED*	<u>3,848,055</u>	<u>112,186</u>	<u>3,117,943</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 5,011,651</u>	<u>\$ (13,174)</u>	<u>\$ 2,549,152</u>

See accompanying notes to the basic financial statements.

Borough Grant Fund	Liquid Fuels Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,920,638	\$ 14,131,878
818,769	579,126	135,854	4,982,602
-	-	285,362	4,851,963
-	-	-	492,995
-	-	-	157,319
243	805	35,502	47,159
-	-	86,782	198,286
<u>819,012</u>	<u>579,931</u>	<u>3,464,138</u>	<u>24,862,202</u>
-	-	1,783	1,600,210
150,183	-	-	10,582,175
-	-	1,444,273	1,444,273
-	-	-	793,586
44,626	279,717	374,048	1,201,748
-	-	-	3,448,225
-	-	221,408	2,595,236
265,240	-	915,081	1,255,321
-	-	172,756	172,756
-	-	1,185	1,185
594,428	-	-	726,045
-	-	658,490	658,490
-	-	65,423	65,423
<u>1,054,477</u>	<u>279,717</u>	<u>3,854,447</u>	<u>24,544,673</u>
<u>(235,465)</u>	<u>300,214</u>	<u>(390,309)</u>	<u>317,529</u>
-	-	-	36,356
-	-	768,000	768,000
-	-	(558,000)	(768,000)
-	-	200,000	200,000
<u>-</u>	<u>-</u>	<u>410,000</u>	<u>236,356</u>
(235,465)	300,214	19,691	553,885
<u>(53,578)</u>	<u>1,258,547</u>	<u>2,069,633</u>	<u>10,352,786</u>
<u>\$ (289,043)</u>	<u>\$ 1,558,761</u>	<u>\$ 2,089,324</u>	<u>\$ 10,906,671</u>

BOROUGH OF POTTSTOWN

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 553,885

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$1,701,385) exceeds capital outlays (\$405,926) in the current period. (1,295,459)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position. (12,141)

Because some property taxes will not be collected for several months after the Borough's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues increased by this amount this year. 6,295

Long-term debt proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the statement of net position.

Repayments
 Capital leases 438,491
 General obligation debt 220,000
 Amortization of bond premiums 4,280

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

 Compensated absences (45,546)
 OPEB plan expense (558,769)
 Pension plan expense 1,760,061

Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 3,995

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,075,092

See accompanying notes to the basic financial statements.

BOROUGH OF POTTSTOWN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	<u>Sewer Fund</u>	<u>Sewer Collection Lines Fund</u>	<u>Total Proprietary Funds</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and cash equivalents	\$ 5,428,336	\$ 372,478	\$ 5,800,814
Receivables, net	1,728,788	-	1,728,788
Prepaid expenses	94,565	20,732	115,297
TOTAL CURRENT ASSETS	<u>7,251,689</u>	<u>393,210</u>	<u>7,644,899</u>
CAPITAL ASSETS			
Capital assets being depreciated	6,469,495	-	6,469,495
Accumulated depreciation	(5,743,370)	-	(5,743,370)
TOTAL CAPITAL ASSETS	<u>726,125</u>	<u>-</u>	<u>726,125</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, OPEB activity	17,332	3,943	21,275
Deferred outflows of resources, pension activity	207,703	31,502	239,205
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>225,035</u>	<u>35,445</u>	<u>260,480</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 8,202,849</u>	<u>\$ 428,655</u>	<u>\$ 8,631,504</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 227,891	\$ 4,398	\$ 232,289
Accrued liabilities	44,983	7,400	52,383
Due to other governments	849,779	-	849,779
TOTAL CURRENT LIABILITIES	<u>1,122,653</u>	<u>11,798</u>	<u>1,134,451</u>
LONG-TERM LIABILITIES			
Compensated absences	79,961	19,944	99,905
Net OPEB liability	149,110	33,920	183,030
Net pension liability	59,597	9,039	68,636
TOTAL LONG-TERM LIABILITIES	<u>288,668</u>	<u>62,903</u>	<u>351,571</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, OPEB activity	49,843	11,338	61,181
Deferred inflows of resources, pension activity	533,796	80,960	614,756
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>583,639</u>	<u>92,298</u>	<u>675,937</u>
NET POSITION			
Net investment in capital assets	726,125	-	726,125
Unrestricted	5,481,764	261,656	5,743,420
TOTAL NET POSITION	<u>6,207,889</u>	<u>261,656</u>	<u>6,469,545</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 8,202,849</u>	<u>\$ 428,655</u>	<u>\$ 8,631,504</u>

See accompanying notes to the basic financial statements.

BOROUGH OF POTTSTOWN
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	<u>Sewer Fund</u>	<u>Sewer Collection Lines Fund</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES			
Charges for services	\$ 9,733,103	\$ -	\$ 9,733,103
OPERATING EXPENSES			
Sewage disposal	4,075,918	-	4,075,918
Public works, general service	400,552	-	400,552
Sewer lines	-	375,488	375,488
General expenses	175,068	-	175,068
Insurance	77,356	-	77,356
Employee benefits	428,118	-	428,118
General government	8,943	-	8,943
Executive	70,381	-	70,381
Financial administration	210,493	-	210,493
Personnel administration	177,485	-	177,485
Building maintenance	57,377	-	57,377
Depreciation	61,895	-	61,895
Lease payments	2,660,463	-	2,660,463
TOTAL OPERATING EXPENSES	<u>8,404,049</u>	<u>375,488</u>	<u>8,779,537</u>
OPERATING INCOME (LOSS)	<u>1,329,054</u>	<u>(375,488)</u>	<u>953,566</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	5,039	419	5,458
Miscellaneous revenue	60,212	2,810	63,022
Cell tower revenues	24,403	-	24,403
Contribution to Pottstown Borough Authority	(1,085,855)	-	(1,085,855)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(996,201)</u>	<u>3,229</u>	<u>(992,972)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>332,853</u>	<u>(372,259)</u>	<u>(39,406)</u>
TRANSFERS			
Transfers in (out)	<u>(150,000)</u>	<u>150,000</u>	<u>-</u>
CHANGE IN NET POSITION	<u>182,853</u>	<u>(222,259)</u>	<u>(39,406)</u>
NET POSITION AT BEGINNING OF YEAR	<u>6,025,036</u>	<u>483,915</u>	<u>6,508,951</u>
NET POSITION AT END OF YEAR	<u>\$ 6,207,889</u>	<u>\$ 261,656</u>	<u>\$ 6,469,545</u>

See accompanying notes to the basic financial statements.

BOROUGH OF POTTSTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	<u>Sewer Fund</u>	<u>Sewer Collection Lines Fund</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from charges for services	\$ 10,249,409	\$ -	\$ 10,249,409
Payment to employees	(1,903,030)	(202,023)	(2,105,053)
Payment to suppliers	(3,705,075)	(305,834)	(4,010,909)
Lease payments	(2,660,463)	-	(2,660,463)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,980,841</u>	<u>(507,857)</u>	<u>1,472,984</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	<u>(102,244)</u>	<u>-</u>	<u>(102,244)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	(150,000)	150,000	-
Contribution to Pottstown Borough Authority	(1,085,855)	-	(1,085,855)
Cell tower revenues	24,403	-	24,403
Miscellaneous revenue	60,212	2,810	63,022
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,151,240)</u>	<u>152,810</u>	<u>(998,430)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	<u>5,039</u>	<u>419</u>	<u>5,458</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	732,396	(354,628)	377,768
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	<u>4,695,940</u>	<u>727,106</u>	<u>5,423,046</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,428,336</u>	<u>\$ 372,478</u>	<u>\$ 5,800,814</u>

See accompanying notes to the basic financial statements.

BOROUGH OF POTTSTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	<u>Sewer Fund</u>	<u>Sewer Collection Lines Fund</u>	<u>Total Proprietary Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,329,054	\$ (375,488)	\$ 953,566
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	61,895	-	61,895
Pension expense	(221,060)	(33,528)	(254,588)
OPEB expense	(6,158)	(1,402)	(7,560)
(Increase) decrease in			
Receivables	249,739	-	249,739
Due from other governments	313,466	-	313,466
Prepaid expenses	(35,472)	(5,487)	(40,959)
Increase (decrease) in			
Accounts payable	34,794	(96,571)	(61,777)
Accrued liabilities	11,740	1,664	13,404
Due to other governments	266,568	-	266,568
Compensated absences	(23,725)	2,955	(20,770)
	<u>1,980,841</u>	<u>(507,857)</u>	<u>1,472,984</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>1,980,841</u>	\$ <u>(507,857)</u>	\$ <u>1,472,984</u>

See accompanying notes to the basic financial statements.

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BOROUGH OF POTTSTOWN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

	Pension Trust Funds	
	Police Pension	Non-Uniformed Employees' Pension
ASSETS		
Cash and cash equivalents	\$ 395,956	\$ 271,102
Investments	34,102,935	24,977,784
Receivables	-	-
TOTAL ASSETS	34,498,891	25,248,886
LIABILITIES		
Accounts payable	-	5,928
NET POSITION		
Restricted for		
Developer escrows	-	-
Restricted and held in trust for		
Pension benefits	34,498,891	25,242,958
Postemployment benefits	-	-
TOTAL NET POSITION	\$ 34,498,891	\$ 25,242,958

See accompanying notes to the basic financial statements.

Post Employment Trust Funds

<u>OPEB</u>	<u>Police Retirement</u>	<u>Custodial Fund</u>
\$ 5,375	\$ 17,645	\$ 565,196
2,867,918	871,100	-
-	-	12,725
<u>2,873,293</u>	<u>888,745</u>	<u>577,921</u>
-	-	-
-	-	577,921
-	-	-
<u>2,873,293</u>	<u>888,745</u>	<u>-</u>
<u>\$ 2,873,293</u>	<u>\$ 888,745</u>	<u>\$ 577,921</u>

BOROUGH OF POTTSTOWN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2021

	Pension Trust Funds	
	Police Pension	Non-Uniformed Employees' Pension
ADDITIONS		
Contributions		
Member contributions	\$ 254,454	\$ 283,064
Borough contribution	1,832,337	1,332,470
TOTAL CONTRIBUTIONS	<u>2,086,791</u>	<u>1,615,534</u>
Developer escrow receipts	<u>-</u>	<u>-</u>
Investment earnings		
Net appreciation in fair value of investments	3,358,450	2,439,558
Interest and dividend income	536,421	398,340
TOTAL INVESTMENT EARNINGS	<u>3,894,871</u>	<u>2,837,898</u>
Investment expense	(66,650)	(48,821)
INVESTMENT EARNINGS, net	<u>3,828,221</u>	<u>2,789,077</u>
TOTAL ADDITIONS	<u>5,915,012</u>	<u>4,404,611</u>
DEDUCTIONS		
Benefits	1,463,681	1,104,810
Advisor fees	11,675	-
Developer escrow payments	-	-
TOTAL DEDUCTIONS	<u>1,475,356</u>	<u>1,104,810</u>
CHANGE IN NET POSITION	4,439,656	3,299,801
NET POSITION AT BEGINNING OF YEAR	<u>30,059,235</u>	<u>21,943,157</u>
NET POSITION AT END OF YEAR	<u>\$ 34,498,891</u>	<u>\$ 25,242,958</u>

See accompanying notes to the basic financial statements.

Post Employment Trust Funds

<u>OPEB</u>	<u>Police Retirement</u>	<u>Custodial Fund</u>
\$ - 250,000 <hr/> 250,000 <hr/> -	\$ 77,672 - <hr/> 77,672 <hr/> -	\$ - - <hr/> - <hr/> 432,721
191,675 59,782 <hr/> 251,457 (25) <hr/> 251,432	61,565 19,791 <hr/> 81,356 - <hr/> 81,356	- 391 <hr/> 391 - <hr/> 391
501,432 <hr/> - 4,912 - <hr/> 4,912	159,028 <hr/> - 1,570 - <hr/> 1,570	433,112 <hr/> - - 219,810 <hr/> 219,810
496,520 <hr/> 2,376,773	157,458 <hr/> 731,287	213,302 <hr/> 364,619
\$ <u><u>2,873,293</u></u>	\$ <u><u>888,745</u></u>	\$ <u><u>577,921</u></u>

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Borough of Pottstown (the "Borough"), located in Montgomery County, Pennsylvania, was organized in 1752. The Borough operates under the Borough Code under the laws of the Commonwealth of Pennsylvania and provides the following services: general administrative services, tax collection, public improvements, public safety, conservation and development, culture and recreation and maintenance and repairs of highway and street programs.

The basic financial statements of the Borough have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The operations of the Borough are vested in a mayor and a seven-member council. As required by GAAP, the Borough, for financial reporting purposes, includes all funds relevant to the operations of the Borough. Management, in determining what potential component units should be included for financial reporting purposes, considers financial accountability and the nature and significance of the relationship. Fiscal accountability, the most significant of all criteria, refers to conditions of financial interdependency between two units, including budgetary adoption, taxing authority, responsibility for debt and control over or responsibility for financial management.

The Borough is governed by a 7-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Fiduciary component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, fiduciary component units are appropriately presented as funds of the primary government.

Fiduciary Component Units - The Borough's fiduciary component units are the Pottstown Borough Police Pension Fund (the "Police Pension Fund"), the Borough of Pottstown Non-Uniform Pension Fund (the "Non-Uniform Employees' Pension Fund"), the Other Post Employment Benefits Fund (the "OPEB Fund") and Police Retirement Fund (the "Police Retirement Fund"). Although, the pension and other post-employment benefit plans are separate legal entities, they are reported as if they are part of the government as they are governed by boards comprised of members appointed by the Borough Council and the Borough is responsible for funding the plans. The plans are reported as fiduciary funds and do not issue separate financial statements.

Pottstown Borough Authority - The Authority has been reported as a discretely presented component unit in a separate column in the financial statements to emphasize that it is legally separate from the Borough. The Authority is a separate legal entity created to issue bonds to finance the construction and expansion of the sewer system and finance the construction, expansion and operation of a water system. The Borough appoints the Authority Board Members, and the Authority has the potential to provide specific financial benefits or impose specific financial burdens on the Borough.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority is governed by a five-member board appointed by the Borough Council. The Authority's governing board is responsible for decisions made in the operation of the Authority. The Borough, however, is responsible for funding any deficit which may arise in the operation of the Authority. The Borough also is required to review and approve the Authority's annual operating budget and any amendment thereto. The Borough has guaranteed the debt issued by the Authority in the event the Authority would not be able to meet its obligations to service the debt.

The Authority is presented as a Proprietary Fund Type, and its financial statements have been prepared on the accrual basis of accounting. Separately issued financial statements of the Authority may be obtained at the Borough's administrative office.

Police Pension Fund – The Police Pension Plan is a single employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. Although the plan is a separate legal entity it is reported as if it is part of the government as it is governed by a board comprised of members appointed by the Board of supervisors of the Borough and the Borough is responsible for funding the plan. The plan is reported as a fiduciary fund and does not issue separate financial statements.

Non-Uniformed Employees' Pension Fund – The Non-Uniformed Pension Plan is a single employer defined contribution pension plan that provides pension benefits for its full-time, non-uniform employees and its part-time, non-uniform employees working initially at least 1,000 hours per year. Although the plan is a separate legal entity it is reported as if it is part of the government as it is governed by a board comprised of members appointed by the Board of supervisors of the Borough and the Borough is responsible for funding the plan. The plan is reported as a fiduciary fund and does not issue separate financial statements.

OPEB Fund – The OPEB Fund is a single employer postemployment benefit plan that provides for the security and welfare of its employees, their spouses, and eligible dependents by funding one or more post-retirement welfare benefit plans, programs, arrangements, collective bargaining agreements, resolutions, or arbitration awards to provide for medical or other similar benefits through insurance and self-funded reimbursement plans.

Police Retirement Fund – The Police Retirement Fund is a single employer postemployment benefit plan that provides for the security and welfare of its employees, their spouses, and eligible dependents by funding one or more post-retirement welfare benefit plans, programs, arrangements, collective bargaining agreements, resolutions, or arbitration awards to provide for medical or other similar benefits through insurance and self-funded reimbursement plans.

Fund Accounting

The Borough uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Borough functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Borough are grouped into the categories governmental, proprietary and fiduciary.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Borough reports the following major Governmental Funds:

General Fund - The General Fund is the general operating fund of the Borough. It is used to account for all financial resources except those required to be accounted for in another fund.

Urban Transit Fund - The Urban Transit Fund is used to account for the proceeds of specific revenue sources related to the provision of public transportation that are restricted to expenditures for those specified purposes.

Refuse Fund - The Refuse Fund is used to account for revenues and expenditures related to the collection of refuse for Borough residents.

Borough Grant Fund - The Borough Grant Fund is used to account for grant revenues and expenditures related to the specific purposes of the awarded grants.

Borough Liquid Fuels Fund - The Borough Liquid Fuels Fund is used to account for revenue allocated by the Commonwealth of Pennsylvania, grants awarded to the Borough by other governmental units, or transfers from the Borough's General Fund for the purpose of construction, reconstruction, maintenance and repair of the Borough's roads and bridges.

The Borough reports the following Proprietary Funds:

Sewer Fund and Sewer Collection Lines Fund - The Sewer Fund and the Sewer Collection Lines Fund are used to account for the operations of the Borough's Sewer System that is financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.

Additionally, the Borough reports the following fund types:

Other Governmental Fund Types

Special Revenue Funds - Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Borough's Special Revenue Funds include the Airport Fund, Street Lighting Fund, Recreation Fund, Fire Services Fund, Library Fund and Parking Lot Fund.

Capital Operating Fund - Capital Operating Funds are used to account for capital project expenditures related to the acquisition, construction and renovation of Borough facilities.

Debt Service Fund - Debt Service Fund is used to account for the accumulation of resources for and payment of general long-term debt principal, interest and related costs.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Types

Pension Trust Funds - Funds are used to account for financial resources restricted solely for Police and Non-Uniformed Employees' Pension Plans.

Post Employment Trust Funds - Funds are used to account for financial resources restricted solely for the OPEB Trust and Police Retirement Trust.

Custodial Fund - The Borough's custodial funds consists of developer escrow deposits held by the Borough.

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds and Custodial Funds. The statements distinguish between those activities of the Borough that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each discretely presented component unit of the Borough and for each function or program of the Borough's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Borough.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - Fund financial statements report detailed information about the Borough. The focus of Governmental Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor Governmental Funds are aggregated and presented in a single column (Other Governmental Funds). Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Borough finances and meets the cash flow needs of its proprietary activities.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' ongoing operations. The principal operating revenues of the Borough's Proprietary Funds are sewer rents. Operating expenses of the Borough's Proprietary Funds include supplies, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Borough's Pension Trust Funds, Post Employment Trust Funds, discretely presented component unit and the Custodial Fund are presented on the accrual basis of accounting, whereby revenues are recognized in the period earned, and expenses are recognized when incurred.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The cash of individual funds and the component unit is combined to form a pool of cash and cash equivalents. Each fund type's portion of the pool is included on the balance sheet or statement of net position as "cash and cash equivalents" under each fund type's caption. The deposits and investments of the Pension Trust Funds and the Post Employment Trust Funds are held separately from those of other Borough funds.

Cash and cash equivalents include cash on hand and in banks and investments in short-term highly liquid investments with original maturities of less than 90 days.

Investments

The Borough follows the provisions of GASB Statement No. 31, *Accounting Financial Reporting for Certain Investments and for External Investment Pools*, GASB Statement No., 72, *Fair Value Measurement and Application* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. In accordance with these statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in certificates of deposit are reported at amortized cost.

Receivables

Interfund Receivables and Payables - Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Sewer Revenues and Accounts Receivable - Charges for services are recognized when earned. All residential and commercial customers are billed quarterly based on usage. An estimated amount has been recorded for services rendered but not yet billed as of the close of the fiscal year.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental activities, business-type activities, or discretely presented component unit columns in the government-wide financial statements. The Borough defines capital assets as assets with an initial, individual cost equal to or greater than \$5,000. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant, equipment and infrastructure assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	50
Buildings and building improvements	40-50
Machinery and equipment	5-10
Infrastructure	40-50

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Borough only has three items that qualifies for reporting in this category:

1. The first is the deferred loss on refunding reported by the Pottstown Borough Authority (Component Unit) in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
2. The second item is the deferred outflow of resources related to pensions is reported in the government-wide statement of net position and the proprietary funds statement of net position. The deferred outflows of resources related to pension activity is the result of the differences between expected and actual experience of the pension plan and changes in plan assumptions.
3. The third item is the deferred outflow of resources related to other postemployment benefit which is reported in the government-wide statement of net position and the proprietary funds statement of net position. The deferred outflows of resources related to other postemployment benefit activity is the result of the changes in plan assumptions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has three items that qualify for reporting in this category:

1. Unavailable revenues, which arise only under a modified accrual basis of accounting, are reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. The second item is the deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of the net difference between projected and actual earnings on plan investments, differences between expected and actual experience of the plan and changes in plan assumptions.
3. The third item is the deferred inflow of resources related to other postemployment benefit which is reported in the government-wide statement of net position and the proprietary funds statement of net position. The deferred outflows of resources related to other postemployment benefit activity is the result of the net difference between projected and actual earnings on plan investments, differences between expected and actual experience of the plan and changes in plan assumptions.

Compensated Absences

The Borough follows the provisions of currently effective applicable GASB pronouncements in recording its liability for accrued vacation and sick pay in the respective funds of the Borough. Upon retirement or departure, unused accrued vacation pay will be paid to employees. Vacation is not cumulative from year-to-year. If an exception request approved by Department Head and Manager is granted, no more than two years' worth of vacation leave can accumulate at any one time. Otherwise, annual vacation benefits lapse at the subsequent year's employment anniversary date for non-uniformed employees. Uniformed employees are paid any remaining time on the employment anniversary date.

All full-time employees earn one sick day per month. Upon retirement or departure, if vested, uniformed and non-uniformed employees are paid \$2.00 per hour for unused sick days up to a maximum of 150 days, or 1,200 hours.

Long-Term Obligations

In the government-wide financial statements and Proprietary Fund Types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balances

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets** - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- **Restricted** - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** - This category represents net position of the Borough not restricted for any project or other purpose.

The Borough implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Borough's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** - Amounts that are not in spendable form (such as prepaid expenses) or are required to be maintained intact.
- **Restricted Fund Balance** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- **Committed Fund Balance** - Amounts constrained to specific purposes by the Borough itself, using its highest level of decision-making authority (the Borough Council). To be reported as committed, amounts cannot be used for any other purpose unless the Borough takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance** - Amounts the Borough intends to use for a specific purpose. Intent can be expressed by Borough Council or by an official or body to which the Borough Council delegates the authority. The Borough Council has delegated the authority to management to assign fund balance.
- **Unassigned Fund Balance** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

Borough Council establishes (and modifies or rescinds) fund balance commitments by passage of a motion. Assigned fund balance is intended to be used by the Borough for specific purposes but does not meet the criteria to be classified as restricted or committed.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Borough will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Transactions

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 fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents of \$2,870 at December 31, 2021, represent cash restricted for the acquisition/construction of urban transit capital projects.

Component Unit - Pottstown Borough Authority

Basis of Accounting - The Pottstown Borough Authority's (the "Authority") financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows.

All activities of the Authority are accounted for within two Proprietary (Enterprise) Funds. Proprietary Funds are used to account for operations that are (1) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (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 (2) 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.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into "net investment in capital assets" and "unrestricted" components. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net position.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources and then unrestricted resources as they are needed for their intended purposes.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Capital Assets - Capital assets, which include property, plant and equipment and infrastructure, are reported in the financial statements at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Property, plant and equipment and infrastructure of the Authority are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Infrastructure	20-50
Buildings	50
Machinery and equipment	5-30

Cash and Investments Held by Trustee, Restricted - Restricted cash and investments of \$7,731,225 represents assets established for specific purposes and uses under the Trust Indentures, including debt service, maintenance, capital expenditures and trust administrative expenses.

Investments - The Authority follows the provisions of GASB Statement No. 31, *Accounting Financial Reporting for Certain Investments and for External Investment Pools*, GASB Statement No., 72, *Fair Value Measurement and Application* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. In accordance with these statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in certificates of deposit are reported at amortized cost.

Revenues and Receivables - Charges for services are recognized when earned. All residential and commercial customers are billed quarterly based on usage. An estimated amount has been recorded for services rendered but not yet billed as of the close of the fiscal year.

BOROUGH OF POTTSTOWN
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations - Long-term debt and other long-term obligations are reported as liabilities in the applicable Proprietary Fund Type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Loss on Refunding - The deferred loss on refunding reported by the Pottstown Borough Authority. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Net Position - Net position is categorized as net investment in capital assets, restricted and unrestricted as follows:

- **Net Investment in Capital Assets** - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- **Restricted** - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** - This category represents net position of the Authority not restricted for any project or other purpose.

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

As of December 31, 2021, \$17,269,521 of the Borough's total bank balance of \$17,769,521 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging bank's trust department not held in the Borough's name	\$ 16,829,443
Uninsured	<u>440,078</u>
	<u>\$ 17,269,521</u>

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Investments

Fair Value Measurement - The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At December 31, 2021, the Borough's pension and other post-employment benefit plans held \$62,819,737 in various investments, all of which are considered Level 1 investments.

The Borough's governmental and proprietary funds did not hold any investments as of December 31, 2021. The following table reflects investments held by the pension and other post-employment benefit trust funds as of December 31, 2021:

Investment Type	Fair Value	Investment Maturities		
		0-5 Years	5-10 Years	More than 10 Years
US equities	\$ 32,944,337	\$ 32,944,337	\$ -	\$ -
International equities	7,578,881	7,578,881	-	-
Taxable fixed income	22,018,343	22,018,343	-	-
Mutual funds	278,176	278,176	-	-
	<u>\$ 62,819,737</u>	<u>\$ 62,819,737</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Borough has a policy regarding interest rate risk.

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Borough has an investment policy that would limit its investment choices to certain credit ratings.

Custodial Credit Risk - For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Borough will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The retirement account is secured by SIPC insurance.

Concentration of Credit Risk - For the year ended December 31, 2021, one individual investment made up approximately 10.8% of the Borough's pension and other post-employment benefit plans total investments.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Component Unit - Pottstown Borough Authority

Interest Rate Risk - The Authority does not have a formal investment policy which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Authority does not have a formal investment policy that would limit its investment choices to certain credit ratings.

Custodial Credit Risk - The Authority does not have a formal policy to limit its exposure to custodial credit risk. For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2021, \$7,556,861 of the Authority's bank balance was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging bank's trust department not held in the Authority's name	\$ <u>7,556,861</u>
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Concentration of Credit Risk - The Authority places no limit on the amount the Authority may invest in any one issuer.

NOTE C - REAL ESTATE TAXES

Real estate taxes attach as an enforceable lien on property on May 1. Taxes are billed on March 1, payable under the following terms: 2% discount, March 1 through May 1; face amount, May 2 through July 1; and 10% penalty after July 1. The County bills these taxes which are collected by an independent tax collector. Real estate tax revenues are recognized in the period in which they become susceptible to accrual, that is, when they become both measurable and available. Assessed values of real property are generally 100% of the market value as determined by the Montgomery County Board of Assessment.

The rate of real estate taxation in 2021 was 9.739 mills for general purposes, 1.150 mills for recreation purposes, .056 mills for debt purposes, .337 mills for street light purposes, 2.031 mills for fire services purposes and .230 mills for library purposes, on a total County assessed valuation of \$761,470,629.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE D - RECEIVABLES

Receivables and the related allowance for doubtful accounts as of December 31, 2021, are as follows:

	<u>Gross Outstanding</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net</u>
GOVERNMENTAL ACTIVITIES			
Accounts receivable	\$ 1,098,395	\$ 108,903	\$ 989,492
Taxes receivable	409,827	-	409,827
Due from other governments	525,417	-	525,417
GOVERNMENTAL FUNDS			
Accounts receivable	\$ 1,057,345	\$ 108,903	\$ 948,442
Taxes receivable	409,827	-	409,827
Due from other governments	566,467	-	566,467
BUSINESS-TYPE ACTIVITIES/ PROPRIETARY FUNDS			
Accounts receivable	\$ 1,970,917	\$ 242,129	\$ 1,728,788
DISCRETELY PRESENTED COMPONENT UNIT			
Accounts receivable	\$ 1,456,561	\$ 242,392	\$ 1,214,169

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE E - CAPITAL ASSETS

Primary Government

A summary of changes in capital assets is as follows:

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 2,648,352	\$ -	\$ -	\$ 2,648,352
Construction in progress	-	-	-	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	2,648,352	-	-	2,648,352
Capital assets being depreciated				
Land improvements	12,491,594	23,576	-	12,515,170
Buildings and building improvements	14,014,535	-	-	14,014,535
Machinery and equipment	13,863,165	330,519	(213,297)	13,980,387
Infrastructure	7,219,031	51,831	-	7,270,862
TOTAL CAPITAL ASSETS BEING DEPRECIATED	47,588,325	405,926	(213,297)	47,780,954
Accumulated depreciation				
Land improvements	(6,564,854)	(522,599)	-	(7,087,453)
Buildings and building improvements	(4,624,144)	(282,635)	-	(4,906,779)
Machinery and equipment	(9,765,663)	(712,383)	201,156	(10,276,890)
Infrastructure	(1,141,206)	(183,768)	-	(1,324,974)
TOTAL ACCUMULATED DEPRECIATION	(22,095,867)	(1,701,385)	201,156	(23,596,096)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	25,492,458	(1,295,459)	(12,141)	24,184,858
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 28,140,810	\$ (1,295,459)	\$ (12,141)	\$ 26,833,210
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Machinery and equipment	\$ 585,496	\$ 102,244	\$ -	\$ 687,740
Infrastructure	5,781,755	-	-	5,781,755
TOTAL CAPITAL ASSETS BEING DEPRECIATED	6,367,251	102,244	-	6,469,495
Accumulated depreciation				
Machinery and equipment	(491,938)	(30,976)	-	(522,914)
Infrastructure	(5,189,538)	(30,918)	-	(5,220,456)
TOTAL ACCUMULATED DEPRECIATION	(5,681,476)	(61,894)	-	(5,743,370)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	685,775	40,350	-	726,125
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 685,775	\$ 40,350	\$ -	\$ 726,125

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE E - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES			
General government		\$	389,025
Public safety			177,891
Public works			967,611
Culture and recreation			166,858
			<u>166,858</u>
	TOTAL GOVERNMENTAL ACTIVITIES	\$	<u><u>1,701,385</u></u>
BUSINESS-TYPE ACTIVITIES			
Public works, sewer services		\$	<u><u>61,894</u></u>

Component Unit - Pottstown Borough Authority

A summary of changes in capital assets is as follows:

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
SEWER FUND				
Capital assets not being depreciated				
Land	\$ 36,650	\$ -	\$ -	\$ 36,650
Construction in progress	4,848,592	666,861	(4,988,592)	526,861
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>4,885,242</u>	<u>666,861</u>	<u>(4,988,592)</u>	<u>563,511</u>
Capital assets being depreciated				
Buildings and building improvements	34,933,517	4,988,592	-	39,922,109
Machinery and equipment	1,480,096	-	-	1,480,096
Infrastructure	13,515,561	-	-	13,515,561
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>49,929,174</u>	<u>4,988,592</u>	<u>-</u>	<u>54,917,766</u>
Accumulated depreciation				
Buildings and building improvements	(20,100,385)	(849,243)	-	(20,949,628)
Machinery and equipment	(1,031,810)	(45,463)	-	(1,077,273)
Infrastructure	(3,210,482)	(255,565)	-	(3,466,047)
TOTAL ACCUMULATED DEPRECIATION	<u>(24,342,677)</u>	<u>(1,150,271)</u>	<u>-</u>	<u>(25,492,948)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>25,586,497</u>	<u>3,838,321</u>	<u>-</u>	<u>29,424,818</u>
SEWER FUND CAPITAL ASSETS, net	<u>\$ 30,471,739</u>	<u>\$ 4,505,182</u>	<u>\$ (4,988,592)</u>	<u>\$ 29,988,329</u>

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE E - CAPITAL ASSETS (Continued)

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
WATER FUND				
Capital assets not being depreciated				
Land	\$ 330,179	\$ -	\$ -	\$ 330,179
Construction in progress	774,614	812,453	-	1,587,067
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	1,104,793	812,453	-	1,917,246
Capital assets being depreciated				
Machinery and equipment	1,213,621	-	-	1,213,621
Infrastructure	43,131,774	-	-	43,131,774
TOTAL CAPITAL ASSETS BEING DEPRECIATED	44,345,395	-	-	44,345,395
Accumulated depreciation				
Machinery and equipment	(1,056,057)	(27,100)	-	(1,083,157)
Infrastructure	(16,284,150)	(1,126,601)	-	(17,410,751)
TOTAL ACCUMULATED DEPRECIATION	(17,340,207)	(1,153,701)	-	(18,493,908)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	27,005,188	(1,153,701)	-	25,851,487
 WATER FUND CAPITAL ASSETS, net	 \$ 28,109,981	 \$ (341,248)	 \$ -	 \$ 27,768,733

Depreciation expense was \$1,150,271 in the Sewer Fund and \$1,153,701 in the Water Fund for the year ended December 31, 2021.

NOTE F - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Summary of Significant Accounting Policies

Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Borough's Police Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due as required by the Act For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Plan Description

Plan Administration - The Borough administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. The plan is part of the Borough's financial reporting entity and is included in the Borough's financial statements as a Pension Trust Fund.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE F - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Management of the plan is vested in the Pottstown Police Pension/Investment Board, which consists of up to seven members--three active police officers elected by the Pottstown Police Officers Association, the Mayor, one council person selected by the Borough Council, the Borough Manager and the Borough Finance Director. The Pottstown Police Pension/Investment Board is responsible for advising, reviewing, monitoring and making recommendations to the Borough Council as to the administrative, operation and investment of the plan.

Plan Membership - At December 31, 2021, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits ¹	47 ¹
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>42</u>
	<u><u>90</u></u>

¹Includes two members in the DROP.

Benefits Provided - The plan provides retirement benefits, as well as death and disability benefits. Employees who retire at or after age 50 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final average compensation. Final average compensation is the employee's total compensation over the last 36 months of credited service. The service increment benefit is \$100 per month after 26 years of service, increases to \$200 per month after 28 years of service, increases to \$300 per month after 30 years of service, increases to \$400 per month after 32 years of service and increases to \$500 per month in excess of 34 years of service. Early retirement may be taken after 20 years of service. Participants are 100% vested after 12 years of service.

In the event of the death of a member after normal retirement date, the surviving spouse (or the surviving minor children in the absence of a surviving spouse) shall receive at least 50% of the monthly benefit the deceased member had been receiving or was eligible to receive. If the benefit is higher than 50%, it is reduced to 50% of the monthly benefit as of the first day of the month in which the surviving spouse is remarried.

If a member should die without a spouse, each dependent child of the member under the age of 18 (or 24 if attending college) shall receive a proportional share of the 50% monthly benefit. In the event of the death of a member prior to normal retirement date, the surviving spouse (or the surviving minor children in the absence of a surviving spouse) shall receive 100% of compensation payable the year of death including base wages, longevity, college incentive and residency bonuses if killed or dying in the line of service.

Disability benefits are 75% of the compensation earned in the 365 days preceding the incident that caused the disability, including all earned paid leave which can be cashed in. Upon the member's death, 100% of the pension he/she had been receiving will be continued to the surviving spouse (or minor children).

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE F - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Contributions - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Borough was required to contribute \$1,832,337 to the plan for the year ended December 31, 2021.

As a condition of participation, participants are required to make contributions to the plan. The amount of the contribution is equal to 5% of the participant's pay.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pottstown Police Pension/Investment Board. It is the policy of the Pottstown Police Pension/Investment Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The following was the Board's adopted asset allocation policy as of December 31, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	50%
Fixed income	50%
	<u>100%</u>

Concentrations - For the year ended December 31, 2021, one individual investment made up approximately 10.8% of the Plan's total investments.

Rate of Return - For the year ended December 31, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 13.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE F - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Net Pension Liability of the Borough

The components of the net pension liability of the Borough at December 31, 2021, were as follows:

Total pension liability	\$ 37,463,843
Plan fiduciary net position	<u>(34,498,891)</u>
NET PENSION LIABILITY	<u>\$ 2,964,952</u>

Plan fiduciary net position as a percentage of the total pension liability	<u>92.09%</u>
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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	4.00% (average, including inflation)
Investment rate of return	7.00%
Postretirement cost-of-living increase	2.00%

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

Due to the size of the plan, there has been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2021 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.50% - 7.50%
Fixed income	1.00% - 3.00%

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE F - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 6.5%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
	<u> </u>	<u> </u>	<u> </u>
Balances at December 31, 2020	\$ 32,898,369	\$ 30,059,235	\$ 2,839,134
Changes for the year			
Service costs	901,720	-	901,720
Interest costs	2,317,696	-	2,317,696
Changes for experience	(273,048)	-	(273,048)
Changes for assumptions	3,082,787	-	3,082,787
Contributions			
Employer	-	1,832,337	(1,832,337)
Member	-	254,454	(254,454)
Net investment income	-	3,828,221	(3,828,221)
Benefit payments	(1,463,681)	(1,463,681)	-
Administrative expenses	-	(11,675)	11,675
Net changes	<u>4,565,474</u>	<u>4,439,656</u>	<u>125,818</u>
Balances at December 31, 2021	<u>\$ 37,463,843</u>	<u>\$ 34,498,891</u>	<u>\$ 2,964,952</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Borough, calculated using the discount rate of 6.5%, as well as what the Borough's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
	<u> </u>	<u> </u>	<u> </u>
Borough's net pension liability	\$ <u>8,179,076</u>	\$ <u>2,964,952</u>	\$ <u>(1,301,742)</u>

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE F - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - For the year ended December 31, 2021, the Borough recognized pension expense, including the MMO, of \$3,054,006. At December 31, 2021, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 661,181	\$ 234,041
Changes in assumptions	2,854,705	102,998
Differences between projected and actual investment earnings	<u>-</u>	<u>3,487,189</u>
	<u>\$ 3,515,886</u>	<u>\$ 3,824,228</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (205,323)
2023	(749,505)
2024	(186,784)
2025	30,491
2026	401,391
Thereafter	401,388

Deferred Retirement Option Program

An active member who has met the eligibility requirements for normal retirement may elect to participate in the Deferred Retirement Option Program (DROP) for a period of not more than 36 months. The member's monthly pension shall be calculated as of their date of participation in the program and shall be distributed in a lump sum at retirement. As of December 31, 2021, two members have elected to participate in the DROP. The total DROP account balance is \$278,176 at December 31, 2021.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION TRUST FUND)

Summary of Significant Accounting Policies

Non-Uniformed Employees' Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Borough's Non-uniformed Employees' Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due as required by the Act For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Plan Description - The Pottstown Borough Non-Uniformed Employees' Pension Plan is a cost sharing defined benefit pension plan controlled by the provisions of Ordinance No. 1470 adopted pursuant to Act 15 of 1974. The plan is governed by the Pension/Investment Board, which is responsible for the management of plan assets. The Pension/Investment Board has delegated the authority to manage certain plan assets to RBC Wealth Management.

Plan Membership - At December 31, 2021, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	56
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	<u>72</u>
	<u><u>136</u></u>

Benefit Provisions - The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plan.

Contributions - Act 205 requires that annual contributions be based upon the plan's minimum municipal obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. In accordance with the plan's governing ordinance, members are required to contribute at least 5.75% of compensation to the plan. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. In accordance with Act 205, the Borough was required to contribute \$1,332,470 to the plan for the year ended December 31, 2021.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION TRUST FUND) (Continued)

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Pottstown Non-uniformed Employees' Pension/Investment Board. It is the policy of the Pottstown Non-uniformed Employees' Pension/Investment Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The following was the Board's adopted asset allocation policy as of December 31, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	50%
Fixed income	50%
	<u>100%</u>

Concentrations - For the year ended December 31, 2021, there were no individual investments that exceed 10% of the Borough's total investments.

Rate of Return - For the year ended December 31, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 13.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Borough

The components of the net pension liability of the Borough and the Authority at December 31, 2021, were as follows:

Primary Government - Governmental Activities:

Total pension liability	\$ 11,755,651
Plan fiduciary net position	<u>(11,610,503)</u>
NET PENSION LIABILITY	<u>\$ 145,148</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>98.77%</u>

BOROUGH OF POTTSTOWN
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION TRUST FUND) (Continued)

Primary Government - Business-Type Activities:

Total pension liability	\$ 5,558,855
Plan fiduciary net position	<u>(5,490,219)</u>
NET PENSION LIABILITY	<u>\$ 68,636</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>98.77%</u>

Component Unit - Pottstown Borough Authority:

Total pension liability	\$ 8,244,027
Plan fiduciary net position	<u>(8,142,237)</u>
NET PENSION LIABILITY	<u>\$ 101,790</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>98.77%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	4.00% (average, including inflation)
Investment rate of return	6.50%
Postretirement cost-of-living increase	0.00%

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

Due to the size of the plan, there has been no experience studies used to determine plan assumptions.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION TRUST FUND) (Continued)

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2021 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.50% - 7.50%
Fixed income	1.00% - 3.00%

Discount Rate - The discount rate used to measure the total pension liability was 6.50%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION TRUST FUND) (Continued)

Primary Government - Governmental Activities - Changes in Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2020	\$ 10,728,231	\$ 10,092,760	\$ 635,471
Changes for the year			
Service costs	241,739	-	241,739
Interest costs	732,986	-	732,986
Changes for experience	106,072	-	106,072
Changes for assumptions	454,779	-	454,779
Contributions			
Employer	-	612,870	(612,870)
Member	-	130,195	(130,195)
Net investment income	-	1,282,834	(1,282,834)
Benefit payments	(508,156)	(508,156)	-
Administrative expenses	-	-	-
Net changes	<u>1,027,420</u>	<u>1,517,743</u>	<u>(490,323)</u>
Balances at December 31, 2021	<u>\$ 11,755,651</u>	<u>\$ 11,610,503</u>	<u>\$ 145,148</u>

Primary Government - Business-Type Activities - Changes in Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2020	\$ 5,073,019	\$ 4,772,527	\$ 300,492
Changes for the year			
Service costs	114,311	-	114,311
Interest costs	346,607	-	346,607
Changes for experience	50,158	-	50,158
Changes for assumptions	215,051	-	215,051
Contributions			
Employer	-	289,806	(289,806)
Member	-	61,565	(61,565)
Net investment income	-	606,612	(606,612)
Benefit payments	(240,291)	(240,291)	-
Administrative expenses	-	-	-
Net changes	<u>485,836</u>	<u>717,692</u>	<u>(231,856)</u>
Balances at December 31, 2021	<u>\$ 5,558,855</u>	<u>\$ 5,490,219</u>	<u>\$ 68,636</u>

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION TRUST FUND) (Continued)

Component Unit - Pottstown Borough Authority - Changes in Net Pension Liability:

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a)-(b)</u>
Balances at December 31, 2020	\$ 7,523,513	\$ 7,077,870	\$ 445,643
Changes for the year			
Service costs	169,528	-	169,528
Interest costs	514,032	-	514,032
Changes for experience	74,386	-	74,386
Changes for assumptions	318,930	-	318,930
Contributions			
Employer	-	429,794	(429,794)
Member	-	91,304	(91,304)
Net investment income	-	899,631	(899,631)
Benefit payments	(356,362)	(356,362)	-
Administrative expenses	-	-	-
Net changes	<u>720,514</u>	<u>1,064,367</u>	<u>(343,853)</u>
Balances at December 31, 2021	<u>\$ 8,244,027</u>	<u>\$ 8,142,237</u>	<u>\$ 101,790</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Borough and the Authority, calculated using the discount rate of 6.5%, as well as what the Borough and the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate:

Primary Government - Governmental Activities:

	1% Decrease <u>(5.5%)</u>	Current Discount Rate (6.5%)	1% Increase <u>(7.5%)</u>
Net pension liability	\$ <u>1,352,047</u>	\$ <u>145,148</u>	\$ <u>(873,535)</u>

Primary Government - Business-Type Activities:

	1% Decrease <u>(5.5%)</u>	Current Discount Rate (6.5%)	1% Increase <u>(7.5%)</u>
Net pension liability	\$ <u>639,210</u>	\$ <u>68,636</u>	\$ <u>(412,983)</u>

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION TRUST FUND) (Continued)

Component Unit - Pottstown Borough Authority:

	1% Decrease <u>(5.5%)</u>	Current Discount Rate (6.5%)	1% Increase <u>(7.5%)</u>
Net pension liability	\$ <u>948,301</u>	\$ <u>101,790</u>	\$ <u>(612,682)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - For the year ended December 31, 2021, the Borough recognized pension expense of \$49,675 and the Authority recognized pension expense of \$112,253. At December 31, 2021, the Borough and the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Primary Government - Governmental Activities:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 101,681	\$ 114,950
Changes in assumptions	404,180	-
Differences between projected and actual investment earnings	<u>-</u>	<u>1,185,112</u>
	<u>\$ 505,861</u>	<u>\$ 1,300,062</u>

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED EMPLOYEES' PENSION TRUST FUND) (Continued)

Primary Government - Business-Type Activities:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 48,082	\$ 54,356
Changes in assumptions	191,123	-
Differences between projected and actual investment earnings	<u>-</u>	<u>560,400</u>
	<u>\$ 239,205</u>	<u>\$ 614,756</u>

Component Unit - Pottstown Borough Authority:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 71,307	\$ 80,612
Changes in assumptions	283,444	-
Differences between projected and actual investment earnings	<u>-</u>	<u>831,098</u>
	<u>\$ 354,751</u>	<u>\$ 911,710</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit</u>
2022	\$ (117,081)	\$ (55,364)	\$ (82,107)
2023	(400,440)	(189,355)	(280,821)
2024	(152,846)	(72,276)	(107,188)
2025	(123,834)	(58,557)	(86,842)

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE H - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Borough administers a single-employer postemployment benefit plan that covers health insurance for eligible retirees. In addition, effective January 1, 1999, officers' spouses not covered by other health care benefits are covered 100% by the Borough. The plan is governed by the Collective Bargaining Agreements between the Borough and the Pottstown Borough Police Association and the Collective Bargaining Agreement between the Borough and management. The agreement provides the authority under which benefit provisions for the Plan were established and may be amended. The plan does not issue a publicly available financial report.

Plan Membership

As of the actuarial valuation date of January 1, 2020, plan membership consisted of the following:

Active participants	124
Retired participants	<u>58</u>
	<u>182</u>

Funding Policy

The contribution requirements of the Borough are established and may be amended by the establishment of a new agreement between the Borough and the Pottstown Borough Police Association. The plan requires police officers who retire on/after January 1, 1999, to contribute 2% of base pay while actively working. The Borough funds the plan on a pay-as-you-go basis. For 2021, the members contributed \$77,672 and the Borough contributed \$764,583. The funds are accounted for in two separate trusts established by the Borough Council.

Benefits Provided

The plan provides the following benefits:

Police:

- For officers who retired prior to January 1, 1999, the Borough will contribute the medical and prescription drug premium at retirement until Medicare age. The retiree will be responsible for paying any increases in premium. Upon reaching Medicare age, the retiree receives free coverage.
- Officers who retire on or after January 1, 1999 contribute 2% of base pay while actively working. Upon retirement medical, prescription drug and dental coverage become non-contributory. Retired officers and their spouse are also eligible to receive Medicare Part B premium reimbursement.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE H - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

- Spouses of police officers who retired prior to January 1, 1999 are not eligible to receive coverage. Spouses of police officers who retired on or after January 1, 1999 can continue coverage upon death of the retiree.

Management:

- The Borough will contribute the medical and prescription drug premium at retirement. The retiree will be responsible for paying any increases in premium.

Life Insurance:

- Management and Police who retire on or after January 1, 1999 and AFSCME who retire on or after October 1, 2002 are eligible to receive life insurance coverage in the amount of \$10,000 upon retirement. Members who retired prior to those dates were eligible to receive life insurance for different amounts.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Borough Council. The following was the Borough Council's adopted asset allocation policy as of December 31, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Large cap value	5% - 40%
Small-mid value	5% - 20%
International high dividend	5% - 20%
Fixed income	5% - 40%
MLP	2% - 15%
Money fund	2% - 20%

Rate of Return - For the year ended December 31, 2021, the annual money-weighted rate of return on plan investments, net of plan expenses were 10.23% for the OPEB Trust and 10.42% for the Police Retirement Trust. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

BOROUGH OF POTTSTOWN
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE H - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Net OPEB Liability of the Borough

The components of the net OPEB liability of the Borough at December 31, 2021, were as follows:

Total OPEB liability	\$ 30,845,755
Plan fiduciary net position	<u>(3,762,028)</u>
NET OPEB LIABILITY	<u>\$ 27,083,727</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>12.20%</u>

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	4.00% (average, including inflation)
Investment rate of return	6.50%

The healthcare cost trend rate is 5.5% in 2021, 6.5% in 2022, and 6.0% in 2023. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The discount rate was determined using the procedures of Illustration B2 in the GASB 74 implementation guide. The long-term expected rate of return on OPEB plan investments of 6.50% and the municipal bond rate is 2.25% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021.

Changes in Assumptions - In 2021, the discount rate changed from 3.36% to 3.95%.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE H - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Net OPEB Liability

	Governmental Activities		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at December 31, 2020	\$ 30,368,247	\$ 3,086,521	\$ 27,281,726
Changes for the year			
Service costs	1,290,656	-	1,290,656
Interest costs	1,055,109	-	1,055,109
Changes of benefit terms	-	-	-
Changes for experience	-	-	-
Changes for assumptions	(1,565,886)	-	(1,565,886)
Contributions			
Employer	-	759,667	(759,667)
Member	-	77,173	(77,173)
Net investment income	-	330,532	(330,532)
Benefit payments	(511,274)	(511,274)	-
Administrative expenses	-	(6,464)	6,464
Net changes	<u>268,605</u>	<u>649,634</u>	<u>(381,029)</u>
Balances at December 31, 2021	<u>\$ 30,636,852</u>	<u>\$ 3,736,155</u>	<u>\$ 26,900,697</u>

	Business-Type Activities		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at December 31, 2020	\$ 216,786	\$ 21,540	\$ 195,246
Changes for the year			
Service costs	8,353	-	8,353
Interest costs	6,829	-	6,829
Changes of benefit terms	-	-	-
Changes for experience	-	-	-
Changes for assumptions	(19,756)	-	(19,756)
Contributions			
Employer	-	4,916	(4,916)
Member	-	499	(499)
Net investment income	-	2,270	(2,270)
Benefit payments	(3,309)	(3,309)	-
Administrative expenses	-	(43)	43
Net changes	<u>(7,883)</u>	<u>4,333</u>	<u>(12,216)</u>
Balances at December 31, 2021	<u>\$ 208,903</u>	<u>\$ 25,873</u>	<u>\$ 183,030</u>

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE H - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Borough, as well as what the Borough's net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.95%) or 1% point higher (4.95%) than the current discount rate:

	1% Decrease (2.95%)	Current Discount Rate (3.95%)	1% Increase (4.95%)
Borough's net OPEB liability	\$ <u>33,702,023</u>	\$ <u>27,083,727</u>	\$ <u>22,000,187</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB Liability of the Borough, as well as what the Borough's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% point lower (4.5%) or 1% point higher (6.5%) than the current healthcare cost trend rate:

	1% Decrease (4.5%)	Healthcare Cost Trend Rate (5.5%)	1% Increase (6.5%)
Borough's net OPEB liability	\$ <u>20,915,410</u>	\$ <u>27,083,727</u>	\$ <u>35,475,199</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2021, the Borough recognized OPEB expense of \$551,209. At December 31, 2021, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 5,473,250
Changes in assumptions	3,126,858	3,262,446
Differences between projected and actual investment earnings	<u>-</u>	<u>256,404</u>
	<u>\$ 3,126,858</u>	<u>\$ 8,992,100</u>

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE H - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

	Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 37,240
Changes in assumptions	21,275	22,197
Differences between projected and actual investment earnings	-	1,744
	\$ 21,275	\$ 61,181

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Governmental Activities	Business-Type Activities
2022	\$ (747,434)	\$ (5,085)
2023	(784,682)	(5,339)
2024	(745,074)	(5,069)
2025	(705,469)	(4,800)
2026	(681,564)	(4,637)
Thereafter	(2,201,019)	(14,976)

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE I - LONG-TERM LIABILITIES

Primary Government

A summary of changes in long-term liabilities is as follows:

	Balance Outstanding January 1, 2021	Additions	Deletions	Balance Outstanding December 31, 2021	Due Within One Year
GOVERNMENTAL ACTIVITIES					
BONDS AND NOTES PAYABLE					
Bond premiums	\$ 17,134	\$ -	\$ (4,280)	\$ 12,854	\$ -
General Obligation Bond, Series of 2017	1,855,000	-	(220,000)	1,635,000	225,000
TOTAL BONDS AND NOTES PAYABLE	1,872,134	-	(224,280)	1,647,854	225,000
OTHER LIABILITIES					
Capital leases	438,491	-	(438,491)	-	-
Net OPEB liability	27,281,726	-	(381,029)	26,900,697	-
Compensated absences	475,690	45,546	-	521,236	-
Net Pension liability	3,474,605	-	(364,505)	3,110,100	-
TOTAL OTHER LIABILITIES	3,167,052	45,546	(1,184,025)	30,532,033	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 33,542,646	\$ 45,546	\$ (1,408,305)	\$ 32,179,887	\$ 225,000
BUSINESS-TYPE ACTIVITIES					
Compensated absences	\$ 120,675	\$ -	\$ (20,770)	\$ 99,905	\$ -
Net OPEB liability	195,246	-	(12,216)	183,030	-
Net Pension liability	300,492	-	(231,856)	68,636	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 616,413	\$ -	\$ (264,842)	\$ 351,571	\$ -

For governmental activities, other liabilities are generally liquidated by the General Fund.

General Obligations Bonds, Series of 2017 - The General Obligation Bonds, Series of 2017, were issued January 26, 2017, in the amount of \$2,640,000 to current refund the Borough's General Obligation Bonds, Series of 2012 and pay the costs of issuing the bonds. The refunding resulted in an economic gain of \$112,793, and a decrease in future cash flows of \$56,561. The outstanding bonds are summarized as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 225,000	\$ 37,008	\$ 262,008
2023	230,000	32,285	262,285
2024	235,000	27,110	262,110
2025	240,000	21,528	261,528
2026	245,000	15,524	260,524
2027 to 2028	460,000	11,975	471,975
	<u>\$ 1,635,000</u>	<u>\$ 145,430</u>	<u>\$ 1,780,430</u>

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE I - LONG-TERM LIABILITIES (Continued)

Component Unit - Pottstown Borough Authority

A summary of changes in long-term liabilities is as follows:

	Balance Outstanding January 1, 2021	Additions	Deletions	Balance Outstanding December 31, 2021	Due Within One Year
SEWER FUND					
BONDS AND NOTES PAYABLE					
Bond premiums	\$ 223,348	\$ -	\$ (211,465)	\$ 11,883	\$ -
Bonds payable					
Guaranteed Sewer Bonds, Series of 1991	2,136,156	123,844 (1)	(2,260,000)	-	-
Guaranteed Sewer Revenue Bonds					
Series of 2012	1,860,000	-	(350,000)	1,510,000	360,000
Series of 2016	<u>2,145,000</u>	<u>-</u>	<u>(2,145,000)</u>	<u>-</u>	<u>-</u>
TOTAL SEWER FUND BONDS AND NOTES PAYABLE	<u>\$ 6,364,504</u>	<u>\$ 123,844</u>	<u>\$ (4,966,465)</u>	<u>\$ 1,521,883</u>	<u>\$ 360,000</u>
WATER FUND					
BONDS AND NOTES PAYABLE					
Bond premium	\$ 469,792	\$ -	\$ (72,668)	\$ 397,124	\$ -
Bonds payable					
Guaranteed Water Revenue Bonds					
Series of 2019	5,085,000	-	(1,580,000)	3,505,000	1,665,000
Series of 2020	<u>1,299,000</u>	<u>-</u>	<u>(1,000)</u>	<u>1,298,000</u>	<u>1,000</u>
TOTAL WATER FUND BONDS AND NOTES PAYABLE	<u>6,853,792</u>	<u>-</u>	<u>(1,653,668)</u>	<u>5,200,124</u>	<u>1,666,000</u>
OTHER LIABILITIES					
Compensated absences	102,883	-	(343,853)	(240,970)	-
Net Pension liability	<u>445,643</u>	<u>7,834</u>	<u>-</u>	<u>453,477</u>	<u>-</u>
TOTAL WATER FUND OTHER LIABILITIES	<u>548,526</u>	<u>7,834</u>	<u>(343,853)</u>	<u>212,507</u>	<u>-</u>
TOTAL WATER FUND LONG-TERM LIABILITIES	<u>\$ 7,402,318</u>	<u>\$ 7,834</u>	<u>\$ (1,997,521)</u>	<u>\$ 5,412,631</u>	<u>\$ 1,666,000</u>
TOTALS SEWER AND WATER FUNDS	<u>\$ 13,766,822</u>	<u>\$ 131,678</u>	<u>\$ (6,963,986)</u>	<u>\$ 6,934,514</u>	<u>\$ 2,026,000</u>

(1) Amount represents increase in accreted value of bonds.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE I - LONG-TERM LIABILITIES (Continued)

Guaranteed Sewer Bonds, Series of 1991

On September 15, 1991, the Authority issued approximately \$15.4 million in Guaranteed Sewer Bonds for the purpose of refunding the Authority’s debt service on the Guaranteed Sewer Bonds, Series of 1989, maturing from November 1, 1991 to and including May 1, 1999. The bonds issued are in the form of capital appreciation bonds, which means bonds that bear no periodic, current interest but which accrete in value from the date thereof to the date of maturity thereof at the compounded yield to maturity on the original principal amount, in lieu of such periodic, current interest. The original maturity value of the Series of 1991 Bonds is \$51,085,000. The bonds were paid in full in 2021.

Sewer Revenue Bonds of 2012

In 2012, the Authority issued Sewer Revenue Bonds of 2012, dated April 15, 2012, in the amount of \$4,570,000. The bonds are secured by a Trust Indenture issued by the Authority to the trustee under the Seventh Supplemental Indenture dated April 15, 2012. The bonds are payable out of the receipts and revenues of the sewer system and by certain funds under the Indenture. The Authority entered into a Guaranty Agreement with the Borough and the trustee, whereby the Borough has guaranteed the payment of principal and interest.

The bonds bear an interest rate ranging from 2.00% to 3.25% over the life of the bonds. The bonds will fully mature in November 2025. The bonds were issued to currently refund \$4,390,000 of the outstanding Sewer Revenue Bonds, Series of 2005, and pay the costs in connection with the issuance of the bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$160,621. This amount is being netted against the new debt and amortized over the life of the bonds. The current refunding also resulted in an economic gain of \$271,959 and a reduction of \$290,969 in future debt service payments.

The outstanding bonds are summarized as follows:

<u>Total Bonds Outstanding</u>	<u>Annual Interest</u>	<u>Maturing November 1,</u>	<u>Interest Rate</u>
\$ 360,000	\$ 47,713	2022	3.00%
370,000	36,913	2023	3.13%
385,000	25,350	2024	3.25%
<u>395,000</u>	<u>12,836</u>	2025	3.25%
<u>\$ 1,510,000</u>	<u>\$ 122,812</u>		

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE I - LONG-TERM LIABILITIES (Continued)

Guaranteed Revenue Sewer Bonds, Series of 2016

In 2016, the Authority issued \$11,165,000 in Guaranteed Revenue Sewer Bonds, Series of 2016, dated August 29, 2016. The bonds are secured by a Trust Indenture issued by the Authority to the trustee under the Eighth Supplemental Indenture dated August 29, 2016. The bonds are payable out of the receipts and revenues of the sewer system and by certain funds under the Indenture. The Authority entered into a Guaranty Agreement with the Borough and the trustee, whereby the Borough has guaranteed the payment of principal and interest.

The bonds bear an interest rate ranging from 0.65% to 5.00% over the life of the bonds. The bonds will fully mature in November 2021. The bonds were issued to currently refund \$11,970,000 of the outstanding Sewer Revenue Bonds, Series of 2006, and pay the costs in connection with the issuance of the bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$304,692. This amount is being netted against the new debt and amortized over the life of the bonds. The current refunding also resulted in an economic gain of \$818,797 and a reduction of \$820,652 in future debt service payments.

The bonds were paid in full in 2021.

Water Revenue Bonds of 2019

In 2019, the Authority issued Water Revenue Bonds of 2019, dated October 16, 2019, in the amount of \$6,590,000. The bonds are secured by a Trust Indenture issued by the Authority to the trustee under the Ninth Supplemental Indenture dated November 14, 2019. The bonds are payable out of the receipts and revenues of the water system and by certain funds under the Indenture. The Authority entered into a Guaranty Agreement with the Borough and the trustee, whereby the Borough has guaranteed the payment of principal and interest.

The bonds bear an interest rate ranging from 4.00% to 5.00% over the life of the bonds. The bonds will fully mature in December 2027. The bonds were issued to currently refund the remainder of the outstanding Water Revenue Bonds of 2007 and Water Revenue Bonds of 2012 of \$2,239,255 and \$4,995,000 and pay the costs in connection with the issuance of the bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$22,393. This amount is being netted against the new debt and amortized over the life of the bonds. The current refunding also resulted in an economic gain of \$274,781 and a reduction of \$320,512 in future debt service payments.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE I - LONG-TERM LIABILITIES (Continued)

The outstanding bonds are summarized as follows:

<u>Total Bonds Outstanding</u>	<u>Annual Interest</u>	<u>Maturing December 15,</u>	<u>Interest Rate</u>
\$ 1,665,000	\$ 127,525	2022	5.00%
670,000	69,150	2023	5.00%
275,000	45,525	2024	5.00%
285,000	31,525	2025	5.00%
<u>610,000</u>	<u>24,600</u>	2026	5.00%
<u>\$ 3,505,000</u>	<u>\$ 298,325</u>		

Water Revenue Bonds of 2020

In 2020, the Authority issued Water Revenue Bonds of 2020, dated September 15, 2020, in the amount of \$1,300,000. The bonds are secured by a Trust Indenture issued by the Authority to the trustee under the Tenth Supplemental Indenture dated September 15, 2020. The bonds are payable out of the receipts and revenues of the water system and by certain funds under the Indenture. The Authority entered into a Guaranty Agreement with the Borough and the trustee, whereby the Borough has guaranteed the payment of principal and interest. The bonds bear an interest rate of 1.01% over the life of the bonds. The bonds will fully mature in December 2024.

The outstanding bonds are summarized as follows:

<u>Total Bonds Outstanding</u>	<u>Annual Interest</u>	<u>Maturing December 15,</u>	<u>Interest Rate</u>
\$ 1,000	\$ 13,110	2022	1.01%
1,054,000	13,100	2023	1.01%
<u>243,000</u>	<u>2,454</u>	2024	1.01%
<u>\$ 1,298,000</u>	<u>\$ 28,664</u>		

Bond Covenants

The Authority complied with the bond covenants pertaining to the rate covenant and the debt service reserve funds withdrawals for the Authority's Guaranteed Water Revenue Bonds and Sewer Revenue Bonds.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - CAPITAL LEASE

In 2015, the Borough entered into a capital lease in order to finance the purchase of a custom KME Panther 79' Aerial Fire Truck. Payments on the lease began in October 2015 and will continue through April 2025.

The assets acquired through the capital leases are as follows:

Equipment	\$ 1,930,803
Accumulated depreciation	<u>(1,586,424)</u>
	<u>\$ 344,379</u>

The lease was paid in full in 2021.

NOTE K - INTERFUND BALANCES AND TRANSFERS

The Borough utilizes a pooled cash account to enhance investment return. Therefore, interfund receivables and payables are recorded to recognize amounts held by certain funds in the pooled account on behalf of other funds.

Interfund transfers are executed as a result of the requirement for certain funds to fund a portion of the expenditures of other funds. Interfund operating transfers are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 210,000	\$ -
Parking Lot Fund	-	60,000
Fire Services Fund	143,000	355,000
Recreation Fund	60,000	50,000
Capital Operating Fund	<u>355,000</u>	<u>303,000</u>
TOTAL GOVERNMENTAL FUNDS	<u>768,000</u>	<u>768,000</u>
PROPRIETARY FUNDS		
Sewer Fund	150,000	-
Sewer Collection Lines Fund	-	150,000
TOTAL PROPRIETARY FUNDS	<u>150,000</u>	<u>150,000</u>
TOTAL TRANSFERS	<u>\$ 918,000</u>	<u>\$ 918,000</u>

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE L - RISK MANAGEMENT

The Borough maintains an insurance policy for workers' compensation insurance. Insurance premiums are developed based on employee job descriptions, rate factors and payroll costs for the year. The policy has an audit performed each year, and the Borough may be required to pay an additional premium as a result of the audit, or the Borough may be entitled to a refund as a result of the audit. Such year-end adjustments due to the payroll audit have historically not been significant. In addition, the Borough is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; health care costs; and natural disasters for which the Borough carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year, and settlements have not exceeded insurance coverage for each of the past three years.

NOTE M - MANAGEMENT AGREEMENT

Effective November 15, 1990, and as amended with the First Supplemental Management Agreement dated July 15, 1998, and the Second Supplemental Management Agreement dated August 19, 2007, the Borough entered into a management agreement with the Authority to manage the day-to-day operations of the water system to include repair, maintenance and administration. The management agreement expires in 2025. The management fee to be paid to the Borough will be the greater of \$100,000 or a sum equal to 6.1% of the aggregate of the budgeted annual costs of operating and maintaining the water system and 115% of the average annual debt service requirements on water revenue bonds. Management fee income for the year ended December 31, 2021, was \$460,000.

NOTE N - SEWER AGREEMENTS

The sewer system and related assets are owned by the Authority and leased to the Borough. The Authority leases the operation and maintenance of the sewer system to the Borough under the Agreements of Lease dated May 1, 1989, the First Supplemental Agreement of Lease dated September 15, 1991, the Second Supplemental Agreement of Lease dated January 15, 1994, the Third Supplemental Agreement of Lease dated August 1, 1995, the Fourth Supplemental Agreement of Lease dated December 15, 1996, the Fifth Supplemental Agreement of Lease dated February 1, 2005, the Sixth Supplemental Agreement dated November 15, 2006, the Seventh Supplemental Agreement dated April 15, 2012, and the Eight Supplemental Agreement dated August 29, 2016.

The lease terms stipulate that the Borough is to pay fixed rentals to the Authority, net of interest collected on funds held by the trustee, until sufficient funds become available in the Trust Indenture accounts to meet the full debt service or redemption price of the outstanding revenue bonds secured by the Trust Indentures. The Authority is responsible for all care, maintenance and improvements to the leased property. These rentals are paid in two semiannual installments due on May 1 and November 1 of each lease year in varying amounts through November 1, 2025. Upon expiration of the lease, the leased property reverts to the Authority.

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE N - SEWER AGREEMENTS (Continued)

Future minimum payments under the sewer system lease are as follows:

<u>Year Ending December 31,</u>		
2022	\$	407,713
2023		406,913
2024		410,350
2025		<u>407,838</u>
	\$	<u><u>1,632,814</u></u>

Payments made by the Borough to the Authority in 2021 were \$2,660,463.

NOTE O - GUARANTEES

The Borough is guarantor of the following Sewer Revenue Bonds and the Water Revenue Bonds of the Authority:

	<u>Year of Issue</u>	<u>Outstanding at December 31, 2021</u>
Guaranteed Sewer Revenue Bonds	2012	\$ 1,510,000
Guaranteed Water Revenue Bonds	2019	3,505,000
Guaranteed Water Revenue Bonds	2020	1,298,000

The Borough has not made any payments on the above bond issues as guarantor.

NOTE P - INTERGOVERNMENTAL SEWER CHARGES

The Borough has agreements with Lower Pottsgrove, West Pottsgrove and Upper Pottsgrove Townships to treat sewage flows emanating from these townships. Annual sewer system costs are allocated to each township based on each party's share of the metered flows. Intergovernmental sewer charges for the year ended December 31, 2021, which represent 10% of the total sewer operating revenues, were as follows:

Lower Pottsgrove Township	\$	593,343
Upper Pottsgrove Township		162,303
West Pottsgrove Township		<u>220,528</u>
	\$	<u><u>976,174</u></u>

BOROUGH OF POTTSTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE Q - LEGAL COMPLIANCE

For the year ended December 31, 2021, the Urban Transit Fund had a deficit fund balance of \$13,174, the Borough Grant Fund had a deficit fund balance of \$289,043 and the Borough Debt Service Fund had a deficit fund balance of \$40,494.

NOTE R - SALE OF WATER DISTRIBUTION FACILITY - COMPONENT UNIT - POTTSTOWN BOROUGH AUTHORITY

In April 2002, the Authority sold a portion of its water distribution facility in Chester County to a township. The Authority also entered into a Bulk Water Purchase Agreement with the township for an initial term of five years, which automatically renewed for an additional five years as neither party gave the other party prior written notice of its intention not to renew. Under this agreement, the Authority received \$2.34 per thousand gallons of water delivered for the first three years of the term. After three years, the rate increased to \$3.56 per thousand gallons of water delivered each year of the agreement. Effective, January 1, 2012, the rate increased to \$3.60 per thousand gallons.

The amount recognized as revenue under this agreement in 2021 was \$398,530.

NOTE S - PRIOR PERIOD RESTATEMENT

In the current year, the Borough recorded a prior period adjustment to correct for a 2020 paving project that was not approved by PennDot and had to be reimbursed by the general fund. This prior period adjustment resulted in a prior year restatement of net position for the government-wide governmental activities and general fund.

For the government-wide governmental activities, the Borough has treated the beginning of year net position of \$(2,151,276) as having been recognized in the period incurred. The Borough has adjusted net position for their governmental activities from \$(1,282,056) to \$(2,151,276) to reflect the adjustment.

For the general fund, the Borough has treated beginning of year net position of \$3,848,055 as having been recognized in the period incurred. The Borough adjusted net position for their general fund from \$4,717,275 to \$3,848,055 to reflect the adjustment.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF POTTSTOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 10,299,631	\$ 10,299,631	\$ 11,211,240	\$ 911,609
Intergovernmental	1,550,789	1,550,789	1,244,470	(306,319)
Charges for services	1,408,900	1,408,900	1,676,495	267,595
Fees, licenses and permits	454,980	454,980	471,983	17,003
Court costs and fines	155,000	155,000	157,319	2,319
Interest and rents	61,800	61,800	8,903	(52,897)
Miscellaneous	35,350	35,350	102,645	67,295
TOTAL REVENUES	<u>13,966,450</u>	<u>13,966,450</u>	<u>14,873,055</u>	<u>906,605</u>
EXPENDITURES				
General government	1,640,414	1,653,614	1,598,427	55,187
Public safety, police department	10,448,758	10,463,758	10,431,992	31,766
Public works				
Zoning	770,542	776,542	793,586	(17,044)
Highways	584,344	589,544	503,357	86,187
Conservation and development	322,050	282,650	131,617	151,033
TOTAL EXPENDITURES	<u>13,766,108</u>	<u>13,766,108</u>	<u>13,533,979</u>	<u>232,129</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>200,342</u>	<u>200,342</u>	<u>1,339,076</u>	<u>1,138,734</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	34,520	34,520
Transfer to budgetary reserve	166,122	166,122	-	(166,122)
Transfers out	(160,000)	(160,000)	(210,000)	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,122</u>	<u>6,122</u>	<u>(175,480)</u>	<u>(181,602)</u>
NET CHANGE IN FUND BALANCE				
	206,464	206,464	1,163,596	957,132
FUND BALANCE AT BEGINNING OF YEAR, restated				
	<u>3,848,055</u>	<u>3,848,055</u>	<u>3,848,055</u>	<u>-</u>
FUND BALANCE AT END OF YEAR				
	<u>\$ 4,054,519</u>	<u>\$ 4,054,519</u>	<u>\$ 5,011,651</u>	<u>\$ 957,132</u>

See accompanying notes to the budgetary comparison schedules.

BOROUGH OF POTTSTOWN
BUDGETARY COMPARISON SCHEDULE
URBAN TRANSIT FUND
YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,127,114	\$ 2,127,114	\$ 2,127,114	\$ -
Charges for services	119,476	119,476	119,476	-
Interest and rents	42	42	42	-
TOTAL REVENUES	<u>2,246,632</u>	<u>2,246,632</u>	<u>2,246,632</u>	<u>-</u>
EXPENDITURES				
Public works, other public works	<u>2,373,828</u>	<u>2,373,828</u>	<u>2,373,828</u>	<u>-</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(127,196)</u>	<u>(127,196)</u>	<u>(127,196)</u>	<u>-</u>
OTHER FINANCING SOURCES				
Proceeds from sale of fixed assets	<u>1,836</u>	<u>1,836</u>	<u>1,836</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,836</u>	<u>1,836</u>	<u>1,836</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(125,360)	(125,360)	(125,360)	-
FUND BALANCE AT BEGINNING OF YEAR	<u>112,186</u>	<u>112,186</u>	<u>112,186</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ (13,174)</u>	<u>\$ (13,174)</u>	<u>\$ (13,174)</u>	<u>\$ -</u>

See accompanying notes to the budgetary comparison schedules.

BOROUGH OF POTTSTOWN
BUDGETARY COMPARISON SCHEDULE
REFUSE FUND
YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 77,269	\$ 27,269
Charges for services	2,798,086	2,798,086	2,770,630	(27,456)
Fees, licenses and permits	14,000	14,000	21,012	7,012
Interest and rents	18,000	18,000	1,664	(16,336)
Miscellaneous	5,000	5,000	8,859	3,859
TOTAL REVENUES	<u>2,885,086</u>	<u>2,885,086</u>	<u>2,879,434</u>	<u>(5,652)</u>
EXPENDITURES				
Public works, sanitation	<u>3,388,502</u>	<u>3,388,502</u>	<u>3,448,225</u>	<u>(59,723)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(503,416)</u>	<u>(503,416)</u>	<u>(568,791)</u>	<u>(65,375)</u>
OTHER FINANCING SOURCES (USES)				
Transfer to budgetary reserve	<u>503,416</u>	<u>503,416</u>	<u>-</u>	<u>(503,416)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>503,416</u>	<u>503,416</u>	<u>-</u>	<u>(503,416)</u>
NET CHANGE IN FUND BALANCE	-	-	(568,791)	(568,791)
FUND BALANCE AT BEGINNING OF YEAR	<u>3,117,943</u>	<u>3,117,943</u>	<u>3,117,943</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 3,117,943</u>	<u>\$ 3,117,943</u>	<u>\$ 2,549,152</u>	<u>\$ (568,791)</u>

See accompanying notes to the budgetary comparison schedules.

BOROUGH OF POTTSTOWN
BUDGETARY COMPARISON SCHEDULE
BOROUGH GRANT FUND
YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,080,447	\$ 2,080,447	\$ 818,769	\$ (1,261,678)
Interest and rents	-	-	243	243
TOTAL REVENUES	<u>2,080,447</u>	<u>2,080,447</u>	<u>819,012</u>	<u>(1,261,435)</u>
EXPENDITURES				
Public safety, police	-	-	150,183	(150,183)
Public works, highways	20,000	20,000	44,626	(24,626)
Culture and recreation, recreation	250,000	250,000	265,240	(15,240)
Conservation and development	2,079,000	2,079,000	594,428	1,484,572
TOTAL EXPENDITURES	<u>2,349,000</u>	<u>2,349,000</u>	<u>1,054,477</u>	<u>1,294,523</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>(268,553)</u>	<u>(268,553)</u>	<u>(235,465)</u>	<u>33,088</u>
FUND DEFICIT AT BEGINNING OF YEAR	<u>(53,578)</u>	<u>(53,578)</u>	<u>(53,578)</u>	<u>-</u>
FUND DEFICIT AT END OF YEAR	<u>\$ (322,131)</u>	<u>\$ (322,131)</u>	<u>\$ (289,043)</u>	<u>\$ 33,088</u>

See accompanying notes to the budgetary comparison schedules.

BOROUGH OF POTTSTOWN
BUDGETARY COMPARISON SCHEDULE
LIQUID FUELS FUND
YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 622,000	\$ 622,000	\$ 579,126	\$ (42,874)
Interest and rents	15,000	15,000	805	(14,195)
TOTAL REVENUES	<u>637,000</u>	<u>637,000</u>	<u>579,931</u>	<u>(57,069)</u>
EXPENDITURES				
Public works, highways	<u>1,163,000</u>	<u>1,163,000</u>	<u>279,717</u>	<u>883,283</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(526,000)</u>	<u>(526,000)</u>	<u>300,214</u>	<u>826,214</u>
OTHER FINANCING SOURCES				
Transfer from budgetary reserve	<u>526,000</u>	<u>526,000</u>	<u>-</u>	<u>(526,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>526,000</u>	<u>526,000</u>	<u>-</u>	<u>(526,000)</u>
NET CHANGE IN FUND BALANCE	-	-	300,214	300,214
FUND BALANCE AT BEGINNING OF YEAR	<u>1,258,547</u>	<u>1,258,547</u>	<u>1,258,547</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,258,547</u>	<u>\$ 1,258,547</u>	<u>\$ 1,558,761</u>	<u>\$ 300,214</u>

See accompanying notes to the budgetary comparison schedules.

BOROUGH OF POTTSTOWN
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
YEAR ENDED DECEMBER 31, 2021

NOTE A - BUDGETARY INFORMATION

Commonwealth of Pennsylvania statutes require borough governments establish budgetary systems and adopt annual operating budgets. The Borough's annual budget includes the General Fund, certain Special Revenue Funds, the Debt Service Fund and Capital Projects Funds and is based on estimates of revenues and expenditures approved by Borough Council. The Borough adopts the budget on the same basis of accounting as reported in the fund financial statements. The Borough follows these procedures in establishing the budgetary data reflected in the financial statements:

Borough Budget Process

- Starting in September, the Borough holds public budget hearings for the purpose of receiving oral and written comments from the public in regards to the proposed budget for the following year.
- Public meetings are conducted on the proposed budget. The proposed budget is available for public inspection for 20 days prior to final adoption.
- After the 20-day inspection period but prior to December 31, Borough Council adopts the final budget by enacting an appropriate resolution.
- Formal budgetary process is employed as a planning device. The adopted budget is on the modified accrual basis. Budget amounts are as originally adopted or as amended by Borough Council.

Level of Control

- The Borough maintains budgetary controls at the fund level.

Lapsing of Appropriations

- Unexpended appropriations lapse at year-end.

Management Amendment Authority

During the course of the year, departmental needs may change, emergencies may occur, or additional revenue may arise. As a result, funds are transferred between line items of a department's budget or additional revenue may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line item basis during the year and approved by Borough Council.

BOROUGH OF POTTSTOWN
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
YEAR ENDED DECEMBER 31, 2021

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2021, expenditures exceeded appropriations in the following:

	<u>General Fund</u>	<u>Refuse Fund</u>	<u>Grant Fund</u>
Public safety, Police department	\$ -	\$ -	\$ 150,183
Public works, highways	-	-	24,626
Public works, sanitation	-	59,723	-
Public works, zoning	17,044	-	-
Culture and recreation, recreation	-	-	15,240
	<u>\$ 17,044</u>	<u>\$ 59,723</u>	<u>\$ 190,049</u>

These excess expenditures were funded by available fund balance.

BOROUGH OF POTTSTOWN

SCHEDULE OF CHANGES IN THE NET POLICE PENSION PLAN LIABILITY AND RELATED RATIOS LAST EIGHT YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 901,720	\$ 718,746	\$ 691,102
Interest	2,317,696	2,580,492	2,177,586
Changes for experience	(273,048)	-	501,514
Changes for assumptions	3,082,787	-	-
Benefit payments	<u>(1,463,681)</u>	<u>(2,014,828)</u>	<u>(1,484,004)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	4,565,474	1,284,410	1,886,198
Total pension liability, beginning	<u>32,898,369</u>	<u>31,613,959</u>	<u>29,727,761</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 37,463,843</u>	<u>\$ 32,898,369</u>	<u>\$ 31,613,959</u>
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 1,832,337	\$ 1,784,671	\$ 1,521,616
Member	254,454	267,756	217,416
Net investment income (loss)	3,828,221	4,234,952	4,310,226
Benefit payments, including refunds of member contributions	(1,463,681)	(2,014,828)	(1,484,004)
Administrative expenses	<u>(11,675)</u>	<u>(22,200)</u>	<u>(18,010)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	4,439,656	4,250,351	4,547,244
Plan fiduciary net position, beginning	<u>30,059,235</u>	<u>25,808,884</u>	<u>21,261,640</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 34,498,891</u>	<u>\$ 30,059,235</u>	<u>\$ 25,808,884</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 2,964,952</u>	<u>\$ 2,839,134</u>	<u>\$ 5,805,075</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>92.09%</u>	<u>91.37%</u>	<u>81.64%</u>
COVERED PAYROLL	<u>\$ 4,816,614</u>	<u>\$ 4,541,571</u>	<u>\$ 4,287,824</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>61.56%</u>	<u>62.51%</u>	<u>135.39%</u>

NOTE TO SCHEDULE

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	684,699	\$ 658,364	\$ 659,676	\$ 640,962	\$ 429,517
	1,941,276	1,889,022	1,718,460	1,598,743	1,468,395
	-	911,428	-	549,157	-
	-	566,171	-	(823,998)	-
	<u>(1,402,051)</u>	<u>(1,287,009)</u>	<u>(1,054,439)</u>	<u>(1,123,544)</u>	<u>(916,485)</u>
	1,223,924	2,737,976	1,323,697	841,320	981,427
	<u>28,503,837</u>	<u>25,765,861</u>	<u>24,442,164</u>	<u>23,600,844</u>	<u>22,619,417</u>
\$	<u>29,727,761</u>	<u>28,503,837</u>	<u>25,765,861</u>	<u>24,442,164</u>	<u>23,600,844</u>
\$	1,008,762	\$ 1,049,802	\$ 903,774	\$ 880,611	\$ 865,432
	205,243	230,779	210,020	199,230	190,437
	<u>(1,306,199)</u>	<u>2,363,069</u>	<u>1,062,369</u>	<u>(919,895)</u>	<u>900,202</u>
	(1,402,051)	(1,287,009)	(1,054,439)	(1,123,544)	(916,485)
	<u>(3,950)</u>	<u>(13,280)</u>	<u>(3,600)</u>	<u>(87,748)</u>	<u>-</u>
	(1,498,195)	2,343,361	1,118,124	(1,051,346)	1,039,586
	<u>22,759,835</u>	<u>20,416,474</u>	<u>19,298,350</u>	<u>20,349,696</u>	<u>19,310,110</u>
\$	<u>21,261,640</u>	<u>22,759,835</u>	<u>20,416,474</u>	<u>19,298,350</u>	<u>20,349,696</u>
\$	<u>8,466,121</u>	<u>5,744,002</u>	<u>5,349,387</u>	<u>5,143,814</u>	<u>3,251,148</u>
	<u>71.52%</u>	<u>79.85%</u>	<u>79.24%</u>	<u>78.96%</u>	<u>86.22%</u>
\$	<u>4,058,778</u>	<u>4,108,474</u>	<u>3,794,267</u>	<u>3,726,783</u>	<u>3,784,157</u>
	<u>208.59%</u>	<u>139.81%</u>	<u>140.99%</u>	<u>138.02%</u>	<u>85.91%</u>

BOROUGH OF POTTSTOWN
SCHEDULE OF POLICE PENSION PLAN CONTRIBUTIONS
LAST EIGHT YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 1,832,337	\$ 1,784,671	\$ 1,521,616
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>(1,832,337)</u>	<u>(1,784,671)</u>	<u>(1,521,616)</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
COVERED PAYROLL	\$ <u>4,816,614</u>	\$ <u>4,541,571</u>	\$ <u>4,287,824</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>38.04%</u>	<u>39.30%</u>	<u>35.49%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2019

Actuarially determined contribution rates are calculated by January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	11 years
Asset valuation method	Market value
Inflation	3.00%
Salary increases	4.00%
Investment rate of return	7.00%
Postretirement cost of living increase	2.00%
Retirement age	Normal retirement age
Mortality	IRS 2017 Static Table

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 1,008,762	\$ 1,049,802	\$ 903,774	\$ 880,611	\$ 865,432
<u>(1,008,762)</u>	<u>(1,049,802)</u>	<u>(903,774)</u>	<u>(880,611)</u>	<u>(865,432)</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>4,058,778</u>	\$ <u>4,108,474</u>	\$ <u>3,794,267</u>	\$ <u>3,726,783</u>	\$ <u>3,784,157</u>
<u>24.85%</u>	<u>25.55%</u>	<u>23.82%</u>	<u>23.63%</u>	<u>22.87%</u>

January 1, 2017

January 1, 2015

January 1, 2013

Entry age normal Level dollar, closed 12 years Market value 3.00% 4.00% 7.00% 2.00%	Entry age normal Level dollar, closed 10 years Market value 3.00% 4.00% 7.00% 0.00%	Entry age normal Level dollar, closed 11 years Market value 3.00% 3.50% 6.50% 0.00%
Normal retirement age	Normal retirement age	Normal retirement age
IRS 2017 Static Table	RP 2000 Table	UP1984 Table

BOROUGH OF POTTSTOWN
SCHEDULE OF POLICE PENSION PLAN
INVESTMENT RETURNS
LAST EIGHT YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>13.30%</u>	<u>17.10%</u>	<u>20.53%</u>

NOTE TO SCHEDULE

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>-6.62%</u>	<u>11.54%</u>	<u>5.86%</u>	<u>-4.80%</u>	<u>5.90%</u>

BOROUGH OF POTTSTOWN

SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED EMPLOYEES' PENSION PLAN LIABILITY AND RELATED RATIOS LAST SIX YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 525,578	\$ 507,790	\$ 488,260
Interest	1,593,625	1,458,597	1,399,007
Changes for experience	230,616	-	(624,798)
Changes for assumptions	988,760	-	-
Benefit payments	<u>(1,104,810)</u>	<u>(1,147,589)</u>	<u>(832,452)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	2,233,769	818,798	430,017
Total pension liability, beginning	<u>23,324,763</u>	<u>22,505,965</u>	<u>22,075,948</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 25,558,532</u>	<u>\$ 23,324,763</u>	<u>\$ 22,505,965</u>
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 1,332,470	\$ 1,320,150	\$ 904,870
Member	283,064	275,449	284,317
Net investment income	2,789,077	3,052,908	3,055,888
Benefit payments, including refunds of member contributions	(1,104,810)	(1,147,589)	(832,452)
Administrative expenses	<u>-</u>	<u>-</u>	<u>(19,500)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	3,299,801	3,500,918	3,393,123
Plan fiduciary net position, beginning	<u>21,943,157</u>	<u>18,442,239</u>	<u>15,049,116</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 25,242,958</u>	<u>\$ 21,943,157</u>	<u>\$ 18,442,239</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 315,574</u>	<u>\$ 1,381,606</u>	<u>\$ 4,063,726</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>98.77%</u>	<u>94.08%</u>	<u>81.94%</u>
COVERED PAYROLL	<u>\$ 4,794,429</u>	<u>\$ 4,799,002</u>	<u>\$ 5,046,673</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>6.58%</u>	<u>28.79%</u>	<u>80.52%</u>

NOTE TO SCHEDULE

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 500,349	\$ 481,105	\$ 415,040
1,384,335	1,335,503	1,224,267
-	288,649	-
-	823,062	-
<u>(1,211,709)</u>	<u>(957,464)</u>	<u>(1,254,043)</u>
672,975	1,970,855	385,264
<u>21,402,973</u>	<u>19,432,118</u>	<u>19,046,854</u>
\$ <u>22,075,948</u>	\$ <u>21,402,973</u>	\$ <u>19,432,118</u>
\$ 326,988	\$ 343,074	\$ 295,227
275,632	298,909	315,396
(1,085,041)	923,562	922,590
(1,211,709)	(957,464)	(1,254,043)
<u>(10,760)</u>	<u>(16,970)</u>	<u>(3,848)</u>
(1,704,890)	591,111	275,322
<u>16,754,006</u>	<u>16,162,895</u>	<u>15,887,573</u>
\$ <u>15,049,116</u>	\$ <u>16,754,006</u>	\$ <u>16,162,895</u>
\$ <u>7,026,832</u>	\$ <u>4,648,967</u>	\$ <u>3,269,223</u>
<u>68.17%</u>	<u>78.28%</u>	<u>83.18%</u>
\$ <u>4,633,088</u>	\$ <u>4,914,197</u>	\$ <u>4,612,354</u>
<u>151.67%</u>	<u>94.60%</u>	<u>70.88%</u>

BOROUGH OF POTTSTOWN
SCHEDULE OF NON-UNIFORMED EMPLOYEES' PENSION PLAN
CONTRIBUTIONS
LAST SIX YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 1,332,470	\$ 1,320,150	\$ 904,870	\$ 326,952
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>1,332,470</u>	<u>1,320,150</u>	<u>904,870</u>	<u>326,988</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36)</u>
COVERED PAYROLL	<u>\$ 4,794,429</u>	<u>\$ 4,799,002</u>	<u>\$ 5,046,673</u>	<u>\$ 4,633,088</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>27.79%</u>	<u>27.51%</u>	<u>17.93%</u>	<u>7.06%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2019 January 1, 2017

Actuarially determined contribution rates are calculated by January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	8 years	10 years
Asset valuation method		
Inflation	3.00%	3.00%
Salary increases	4.00%	4.00%
Investment rate of return	6.50%	6.50%
Retirement age	Normal retirement age	Normal retirement age
Mortality	IRS 2017 Static Combined Table	IRS 2017 Static Combined Table

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

<u>2017</u>	<u>2016</u>
\$ 343,074	\$ 295,227
<u>(343,074)</u>	<u>(295,227)</u>
\$ <u> -</u>	\$ <u> -</u>
\$ <u>4,914,197</u>	\$ <u>4,612,354</u>
<u>6.98%</u>	<u>6.40%</u>

January 1, 2015

Entry age normal
Level dollar, closed
9 years
3.00%
4.00%
6.50%
Normal retirement age
RP2000 Table

BOROUGH OF POTTSTOWN

SCHEDULE OF NON-UNIFORMED EMPLOYEES' PENSION PLAN

INVESTMENT RETURNS

LAST SIX YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>13.00%</u>	<u>16.80%</u>	<u>20.19%</u>

NOTE TO SCHEDULE

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<u>2018</u>	<u>2017</u>	<u>2016</u>
<u><u>-6.90%</u></u>	<u><u>5.57%</u></u>	<u><u>5.92%</u></u>

BOROUGH OF POTTSTOWN

SCHEDULE OF THE COMPONENT UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST SIX YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
PROPORTION OF THE NET PENSION LIABILITY	<u>32.26%</u>	<u>32.26%</u>	<u>32.26%</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	\$ <u>101,790</u>	\$ <u>1,381,606</u>	\$ <u>1,310,774</u>
COVERED PAYROLL	\$ <u>1,387,299</u>	\$ <u>1,352,116</u>	\$ <u>1,350,967</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	<u>7.34%</u>	<u>102.18%</u>	<u>97.02%</u>
THE FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>98.77%</u>	<u>94.08%</u>	<u>81.94%</u>

<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>32.26%</u>	<u>32.26%</u>	<u>32.26%</u>
\$ <u>2,266,537</u>	\$ <u>1,499,546</u>	\$ <u>1,054,503</u>
\$ <u>1,144,012</u>	\$ <u>1,585,099</u>	\$ <u>1,487,945</u>
<u>198.12%</u>	<u>94.60%</u>	<u>70.88%</u>
<u>68.17%</u>	<u>78.28%</u>	<u>83.18%</u>

BOROUGH OF POTTSTOWN

SCHEDULE OF CHANGES IN THE NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY AND RELATED RATIOS LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 1,299,009	\$ 1,438,665
Interest	1,061,938	1,278,509
Changes of benefit terms	-	18,132
Differences between expected and actual experience	-	(6,227,664)
Changes of assumptions	(1,585,642)	1,896,331
Benefit payments	<u>(514,583)</u>	<u>(639,254)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	260,722	(2,235,281)
Total OPEB liability, beginning	<u>30,585,033</u>	<u>32,820,314</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u>\$ 30,845,755</u>	<u>\$ 30,585,033</u>
PLAN FIDUCIARY NET POSITION		
Contributions		
Employer	\$ 764,583	\$ 889,254
Member	77,672	76,465
Net investment income	332,802	367,082
Benefit payments	(514,583)	(639,254)
Administrative expense	<u>(6,507)</u>	<u>(4,877)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	653,967	688,670
Plan fiduciary net position, beginning	<u>3,108,061</u>	<u>2,419,391</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 3,762,028</u>	<u>\$ 3,108,061</u>
NET OPEB LIABILITY, ENDING (a)-(b)	<u>\$ 27,083,727</u>	<u>\$ 27,476,972</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u>12.20%</u>	<u>10.16%</u>
COVERED PAYROLL	<u>\$ 8,436,366</u>	<u>\$ 8,436,366</u>
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>321.04%</u>	<u>325.70%</u>

NOTES TO SCHEDULE

Benefit changes - A temporary health reimbursement account was established for certain qualified retirees in 2017.

Benefit changes - A new HRA retirement incentive is offered to employees between October 4, 2019 and April 1, 2020.

Changes of assumptions - In 2019, the discount rate changed from 4.10% to 3.77%. Trend assumption was updated.

Changes of assumptions - In 2020, the discount rate changed from 3.77% to 3.36%. The withdrawal rates for all groups were updated to Table D-1. The percentages of males assumed to cover spouse was lowered from 90% to 80%.

Changes of assumptions - In 2021, the discount rate changed from 3.77% to 3.95%. Trend assumption was updated.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 1,223,656	\$ 1,424,532	\$ 1,364,951
1,212,412	1,107,333	1,037,956
-	71,815	-
-	(691,880)	-
2,280,845	(3,071,918)	-
<u>(532,337)</u>	<u>(519,175)</u>	<u>(458,872)</u>
4,184,576	(1,679,293)	1,944,035
<u>28,635,738</u>	<u>30,315,031</u>	<u>28,370,996</u>
<u>\$ 32,820,314</u>	<u>\$ 28,635,738</u>	<u>\$ 30,315,031</u>
\$ 782,337	\$ 769,175	\$ 708,872
76,393	76,788	75,304
325,048	(77,635)	123,929
(532,337)	(519,175)	(458,872)
<u>(4,108)</u>	<u>(8,294)</u>	<u>(13,370)</u>
647,333	240,859	435,863
<u>1,772,058</u>	<u>1,531,199</u>	<u>1,095,337</u>
<u>\$ 2,419,391</u>	<u>\$ 1,772,058</u>	<u>\$ 1,531,200</u>
<u>\$ 30,400,923</u>	<u>\$ 26,863,680</u>	<u>\$ 28,783,831</u>
<u>7.37%</u>	<u>6.19%</u>	<u>5.05%</u>
<u>\$ 9,316,614</u>	<u>\$ 9,316,614</u>	<u>\$ 8,952,740</u>
<u>326.31%</u>	<u>288.34%</u>	<u>321.51%</u>

BOROUGH OF POTTSTOWN
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT
PLAN CONTRIBUTIONS
LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>
STATUTORILY REQUIRED CONTRIBUTION	\$ 514,583	\$ 639,254
CONTRIBUTIONS IN RELATION TO THE STATUTORILY REQUIRED CONTRIBUTION	<u>514,583</u>	<u>639,254</u>
CONTRIBUTION DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 8,436,366</u>	<u>\$ 8,436,366</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>6.10%</u>	<u>7.58%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	5.25%
Salary increases	4.0%
Investment rate of return	6.50%
Retirement age	Normal
Mortality	retirement age IRS 2017 Static Combined Table for Small Plans

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 532,337	\$ 519,175	\$ 534,176
<u>532,337</u>	<u>519,175</u>	<u>534,176</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>9,316,614</u>	\$ <u>9,316,614</u>	\$ <u>8,952,740</u>
<u>5.71%</u>	<u>5.57%</u>	<u>5.97%</u>

January 1, 2018 January 1, 2016

Entry age normal	Entry age normal
Level dollar, open	Level dollar, open
30 years	30 years
Market value	Market value
5.25%	5.25%
4.0%	4.0%
3.52%	3.52%
Normal	Normal
retirement age	retirement age
IRS 2017 Static	IRS 2017 Static
Combined Table	Combined Table
for Small Plans	for Small Plans

BOROUGH OF POTTSTOWN

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT

PLAN INVESTMENT RETURNS

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE (OPEB TRUST)	<u>10.23%</u>	<u>14.70%</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE (POLICE RETIREMENT TRUST)	<u>10.42%</u>	<u>14.75%</u>

NOTE TO SCHEDULE

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>16.66%</u>	<u>-3.34%</u>	<u>8.71%</u>
<u>16.87%</u>	<u>-3.35%</u>	<u>6.01%</u>

SUPPLEMENTARY INFORMATION SECTION

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BOROUGH OF POTTSTOWN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	Nonmajor Special		
	Airport Fund	Street Lighting Fund	Recreation Fund
ASSETS			
Cash and cash equivalents	\$ 319,885	\$ 165,990	\$ 177,442
Receivables			
Accounts, net	-	206	2,478
Taxes	-	8,348	28,487
Due from other governments	41,050	-	-
Prepaid expenditures	16,478	-	27,569
	<u>377,413</u>	<u>174,544</u>	<u>235,976</u>
TOTAL ASSETS	\$ 377,413	\$ 174,544	\$ 235,976
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 5,321	\$ 41,310	\$ 6,890
Accrued liabilities	362	-	11,328
Unearned revenue	36,204	-	-
	<u>41,887</u>	<u>41,310</u>	<u>18,218</u>
TOTAL LIABILITIES	41,887	41,310	18,218
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue, property taxes	-	8,333	28,436
	<u>-</u>	<u>8,333</u>	<u>28,436</u>
FUND BALANCES			
Nonspendable, prepaid expenditures	16,478	-	27,569
Restricted for			
Assigned to			
Airport improvement	319,048	-	-
Capital projects	-	-	-
Parking lot program purposes	-	-	-
Recreation	-	-	161,753
Street lighting	-	124,901	-
Fire services	-	-	-
Library	-	-	-
Unassigned	-	-	-
	<u>335,526</u>	<u>124,901</u>	<u>189,322</u>
TOTAL FUND BALANCES	335,526	124,901	189,322
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 377,413	\$ 174,544	\$ 235,976

Revenue Funds					
Fire Services Fund	Library Fund	Parking Lot Fund	Capital Operating Fund	Debt Service Fund	Total Other Governmental Funds
\$ 344,172	\$ 22,535	\$ 69,764	\$ 1,022,390	\$ 408	\$ 2,122,586
4,237	141	383	-	34	7,479
50,310	5,697	-	-	1,387	94,229
-	-	-	-	-	41,050
35,924	14,627	-	-	-	94,598
<u>\$ 434,643</u>	<u>\$ 43,000</u>	<u>\$ 70,147</u>	<u>\$ 1,022,390</u>	<u>\$ 1,829</u>	<u>\$ 2,359,942</u>
\$ 28,372	\$ -	\$ 1,606	\$ -	\$ 40,938	\$ 124,437
3,159	19	1,047	-	-	15,915
-	-	-	-	-	36,204
<u>31,531</u>	<u>19</u>	<u>2,653</u>	<u>-</u>	<u>40,938</u>	<u>176,556</u>
50,221	5,687	-	-	1,385	94,062
35,924	14,627	-	-	-	94,598
-	-	-	-	-	319,048
-	-	-	1,022,390	-	1,022,390
-	-	67,494	-	-	67,494
-	-	-	-	-	161,753
-	-	-	-	-	124,901
316,967	-	-	-	-	316,967
-	22,667	-	-	-	22,667
-	-	-	-	(40,494)	(40,494)
<u>352,891</u>	<u>37,294</u>	<u>67,494</u>	<u>1,022,390</u>	<u>(40,494)</u>	<u>2,089,324</u>
<u>\$ 434,643</u>	<u>\$ 43,000</u>	<u>\$ 70,147</u>	<u>\$ 1,022,390</u>	<u>\$ 1,829</u>	<u>\$ 2,359,942</u>

BOROUGH OF POTTSTOWN**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

		Nonmajor Special	
	Airport Fund	Street Lighting Fund	Recreation Fund
REVENUES			
Taxes	\$ -	\$ 264,881	\$ 834,703
Intergovernmental	41,050	-	-
Charges for services	184,232	-	44,582
Interest and rents	282	173	33,609
Miscellaneous	-	-	85,619
TOTAL REVENUES	<u>225,564</u>	<u>265,054</u>	<u>998,513</u>
EXPENDITURES			
General government	-	-	-
Public safety, fire department	-	-	-
Public works			
Highways	-	311,401	-
Other public works	221,408	-	-
Culture and recreation			
Recreation	-	-	915,081
Library	-	-	-
Capital projects	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	<u>221,408</u>	<u>311,401</u>	<u>915,081</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,156	(46,347)	83,432
OTHER FINANCING SOURCES			
Transfers in	-	-	50,000
Transfers out	-	-	(60,000)
Contribution from Pottstown Borough Authority	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>(10,000)</u>
NET CHANGE IN FUND BALANCES	4,156	(46,347)	73,432
FUND BALANCES AT BEGINNING OF YEAR	<u>331,370</u>	<u>171,248</u>	<u>115,890</u>
FUND BALANCES AT END OF YEAR	<u>\$ 335,526</u>	<u>\$ 124,901</u>	<u>\$ 189,322</u>

Revenue Funds					
Fire Services Fund	Library Fund	Parking Lot Fund	Capital Operating Fund	Debt Service Fund	Total Other Governmental Funds
\$ 1,596,518	\$ 181,059	\$ -	\$ -	\$ 43,477	\$ 2,920,638
94,804	-	-	-	-	135,854
32,179	-	24,369	-	-	285,362
461	44	31	902	-	35,502
300	680	183	-	-	86,782
<u>1,724,262</u>	<u>181,783</u>	<u>24,583</u>	<u>902</u>	<u>43,477</u>	<u>3,464,138</u>
-	-	-	-	1,783	1,783
1,444,273	-	-	-	-	1,444,273
-	-	62,647	-	-	374,048
-	-	-	-	-	221,408
-	-	-	-	-	915,081
-	172,756	-	-	-	172,756
-	-	-	1,185	-	1,185
438,491	-	-	-	219,999	658,490
21,765	-	-	-	43,658	65,423
<u>1,904,529</u>	<u>172,756</u>	<u>62,647</u>	<u>1,185</u>	<u>265,440</u>	<u>3,854,447</u>
(180,267)	9,027	(38,064)	(283)	(221,963)	(390,309)
355,000	-	60,000	303,000	-	768,000
(143,000)	-	-	(355,000)	-	(558,000)
-	-	-	-	200,000	200,000
<u>212,000</u>	<u>-</u>	<u>60,000</u>	<u>(52,000)</u>	<u>200,000</u>	<u>410,000</u>
31,733	9,027	21,936	(52,283)	(21,963)	19,691
<u>321,158</u>	<u>28,267</u>	<u>45,558</u>	<u>1,074,673</u>	<u>(18,531)</u>	<u>2,069,633</u>
<u>\$ 352,891</u>	<u>\$ 37,294</u>	<u>\$ 67,494</u>	<u>\$ 1,022,390</u>	<u>\$ (40,494)</u>	<u>\$ 2,089,324</u>

BOROUGH OF POTTSTOWN
SCHEDULE OF WASTEWATER SYSTEM
FINAL RECONCILIATION
YEAR ENDED DECEMBER 31, 2021

	Basis of Allocation	Annual Cost 1/1/2021 - 12/31/2021	Less: Lower Pottsgrove
Annual System Costs			
Wastewater Treatment Administration	A/B	\$ 4,177,160	\$ 1,267,466 (1), (2), (3)
Legislative Body	A/B	8,830	2,769
Executive	A/B	80,609	25,281
Auditing Services/Accounting	A/B	224,909	38,988 (4)
Legal	A/B	99,049	5,440 (6)
Human Resources	A/B	85,629	26,856
IT-Web Network Services	A/B	77,423	21,604 (5)
Engineering	A/B	93,738	12,238 (7)
General Gov. Bldg. and Plant	A/B	64,177	20,128
Public Works	A/B	116,742	36,613
Miscellaneous	A/B	-	-
Pension Expense	A/B	251,704	78,941
Insurance	A/B	47,947	15,038
Employee Benefits	A/B	661	209
		<u>1,151,418</u>	<u>284,105</u>
Sewer Lines			
Porter Road Pump Station	C	-	-
Electric-Pump Stations	B	25,668	-
Maint. and Repairs Sewer Lines	B	50,296	- (8)
Maint. Of Meters	B	-	-
Elec. Flow Meter	B	682	214
Total System Costs		<u>5,405,224</u>	<u>1,551,785</u>
Deductions-Revenue			
Cell Tower Rent	A/B	24,403	7,653
Violations, Inspections, Permits	A/B	3,120	979
Sewer Bulk Collection	A/B	2,885,525	904,978
Waste Mgmt.-Leachate	A/B	121,384	38,069
MIPP	A/B	4,050	1,270
Energy Capacity Payments	A/B	-	-
Scrap Sales	A/B	378	118
Refund-RE Taxes-Cell Tower	A/B	5,933	1,861
Refund - Current Year Expenses	A/B	11,203	3,514
Refund - Acc/Liab. Claim Pymnt	A/B	-	-
Total Deductions-Revenue		<u>3,055,996</u>	<u>958,442</u>
Net System Costs		<u>\$ 2,349,228</u>	<u>593,343</u>
Final Allocation %		100%	25.26%
2021 Estimated Payments			<u>800,244</u>
Due to (from) Borough			<u>\$ (206,901)</u>

FOOTNOTES

- A Metered Flow-Adjusted For Non Metered And Bulk
- B Flows-Pottstown, Upper And West Pottsgroves
- C Porter Road Pump Station-North End EDU's
- (1) Excludes cost associated with the WWTP pumping station - LPT = \$29,774 & WPT = \$29,688
- (2) Excludes cost associated with the Memorial Park pumping station - LPT & UPT = \$23,775
- (3) 100% of cost associated with the Circle of Progress pumping station allocated to PBA = \$4,258
- (4) Excludes \$91,256 related to billing and collections
- (5) Excludes \$8,538 of Dallas Data billing charges
- (6) Excludes \$81,702 of legal expenses which were specific to PBA
- (7) Excludes \$54,715 of engineering expenses which were specific to PBA
- (8) Excludes \$50,296 for Borough sewer lines repairs

<u>Net Cost</u>	<u>Upper Pottsgrove</u>	<u>West Pottsgrove</u>	<u>Pottstown</u>
\$ <u>2,909,694</u>	\$ <u>318,844</u> (2)	\$ <u>410,544</u> (1)	\$ <u>2,180,306</u>
6,061	690	890	4,481
55,328	6,300	8,129	40,899
185,921	21,171	27,317	137,433
93,609	1,356 (6)	1,749 (6)	90,504
58,773	6,693	8,636	43,444
55,819	5,384	6,947	43,488
81,500	3,050 (7)	3,935 (7)	74,515
44,049	5,016	6,472	32,561
80,129	9,124	11,773	59,232
-	-	-	-
172,763	19,672	25,384	127,707
32,909	3,747	4,835	24,327
452	51	68	333
<u>867,313</u>	<u>82,254</u>	<u>106,135</u>	<u>678,924</u>
-	-	-	-
25,668	-	11,938	13,730
50,296	- (8)	- (8)	50,296
-	-	-	-
468	53	100	315
<u>3,853,439</u>	<u>401,151</u>	<u>528,717</u>	<u>2,923,571</u>
16,750	1,907	2,461	12,382
2,141	244	315	1,582
1,980,547	225,523	290,998	1,464,026
83,315	9,487	12,241	61,587
2,780	317	408	2,055
-	-	-	-
260	30	38	192
4,072	464	598	3,010
7,689	876	1,130	5,683
-	-	-	-
<u>2,097,554</u>	<u>238,848</u>	<u>308,189</u>	<u>1,550,517</u>
\$ <u>1,755,885</u>	<u>162,303</u>	<u>220,528</u>	\$ <u>1,373,054</u>
	6.91%	9.39%	58.45%
	<u>176,024</u>	<u>295,668</u>	
	\$ <u>(13,721)</u>	\$ <u>(75,140)</u>	

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Borough Council
Borough of Pottstown
Pottstown, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Borough of Pottstown as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough of Pottstown's basic financial statements, and have issued our report thereon dated July 26, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Pottstown's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Pottstown's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Pottstown's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


To the Borough Council
Borough of Pottstown
Pottstown, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Pottstown's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Limerick, Pennsylvania
July 26, 2022

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance

To the Borough Council
Borough of Pottstown
Pottstown, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Borough of Pottstown's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Borough of Pottstown's major federal programs for the year ended December 31, 2021. The Borough of Pottstown's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Borough of Pottstown complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Borough of Pottstown and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Borough of Pottstown's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Borough of Pottstown's federal programs.

To the Borough Council
Borough of Pottstown
Pottstown, Pennsylvania

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Borough of Pottstown's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Borough of Pottstown's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Borough of Pottstown's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Borough of Pottstown's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Borough of Pottstown's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

To the Borough Council
Borough of Pottstown
Pottstown, Pennsylvania

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Maili UF". The signature is written in a cursive, slightly slanted style.

Limerick, Pennsylvania
July 26, 2022

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

BOROUGH OF POTTSTOWN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number		Pass-through Award Number	Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION					
Federal Transit Formula Grants	20.507	*	PA201901701	\$ 88,491	\$ -
Federal Transit Formula Grants	20.507	*	PA-2020-021-00	707,607	-
Total ALN 20.507 (Federal Transit Cluster)				<u>796,098</u>	<u>-</u>
Passed through the Commonwealth of Pennsylvania					
Airport Improvement Program	20.106		ABG-2021 Boro of Pottstown-00015	13,000	-
Airport Improvement Program	20.106		ABG-2020 Boro of Pottstown-00006	28,050	-
Airport Improvement Program	20.106		ABG-2020 Boro of Pottstown-000055	231,263	-
Total ALN 20.106				<u>272,313</u>	<u>-</u>
Highway Planning and Construction	20.205		PennDOT Traffic Signals	44,626	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION FORWARD				<u>1,113,037</u>	<u>-</u>
U.S. DEPARTMENT OF TREASURY					
Coronavirus State and Local Fiscal Recovery Funds	21.027		2020UMWX0486	29,211	-
U.S. DEPARTMENT OF JUSTICE					
Bulletproof Vest Partnership Program	16.607		n/a	3,178	-
Public Safety Partnership and Community Policing Grants	16.710		n/a	95,168	-
Public Safety Partnership and Community Policing Grants	16.710		n/a	49,902	-
Total ALN 16.710				<u>145,070</u>	<u>-</u>
Passed through the Municipality of Norristown					
Edward Byrne Memorial Justice Assistance Grant	16.738		n/a	15,018	-
Edward Byrne Memorial Justice Assistance Grant	16.738		n/a	14,025	-
Total ALN 16.738				<u>29,043</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF JUSTICE FORWARD				<u>\$ 177,291</u>	<u>\$ -</u>

BOROUGH OF POTTSTOWN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-through Award Number	Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through the County of Montgomery				
Community Development Block Grants/Entitlement Grants	14.218	B-18-03-104	\$ 183,150	\$ -
U.S. DEPARTMENT OF HOMELAND SECURITY				
Disaster Grants - Public Assistance	97.036	145108	81,050	-
U.S. DEPARTMENT OF TRANSPORTATION				
TOTAL U.S. DEPARTMENT OF TRANSPORTATION FORWARDED			1,113,037	-
U.S. DEPARTMENT OF TREASURY				
TOTAL U.S. DEPARTMENT OF TREASURY FORWARDED			29,211	-
U.S. DEPARTMENT OF JUSTICE				
TOTAL U.S. DEPARTMENT OF JUSTICE FORWARDED			177,291	-
TOTAL FEDERAL AWARDS			<u>\$ 1,583,739</u>	<u>\$ -</u>

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*Tested as a major program

See accompanying notes to the schedule of expenditures of federal awards.

BOROUGH OF POTTSTOWN
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

NOTE A - GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Borough of Pottstown. The Borough reporting entity is defined in Note A to the Borough’s basic financial statements. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agencies, is included on the schedule.

NOTE B - BASIS OF PRESENTATION

The accompanying schedules of expenditure of federal awards (the “Schedule”) includes the federal award activity of the Borough of Pottstown under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the Borough of Pottstown, it is not intended to and does not present the financial position, changes in net position or cash flows of the Borough of Pottstown.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB A-87 or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Borough of Pottstown has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D - RISK-BASED AUDIT APPROACH

The 2021 threshold for determining Type A and Type B Programs is \$750,000.

The programs tested as major programs include:

<u>ALN</u>	<u>Program</u>
20.507	Federal Transit Grants

BOROUGH OF POTTSTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? **No**

Significant deficiencies identified not considered to be material weaknesses? **No**

Noncompliance material to financial statements noted? **No**

Federal Awards

Internal control over major programs:

Material weakness(es) identified? **No**

Significant deficiencies identified not considered to be material weaknesses? **No**

Noncompliance material to financial statements noted? **No**

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a) **No**

Identification of major programs:

ALN

Program

20.507

Federal Transit Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? **No**

BOROUGH OF POTTSTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

BOROUGH OF POTTSTOWN
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2021

A. FINDINGS - FINANCIAL STATEMENTS AUDIT

2020-001 Lack of Internal Controls over the Preparation of the Schedule of Expenditures and Federal Awards

Description of Finding: The Borough failed to properly identify all federal grant expenditures and related information required by Uniform Grant Guidance to be reported in the 2020 Schedule of Expenditures of Federal Awards provided during audit fieldwork.

Current Status: Adjustments have been made so that the Borough is able to prepare an accurate and complete Schedule of Expenditures of Federal Awards as required by the Uniform Grant Guidance. Policies and procedures have been updated where necessary and training of staff has occurred. This finding is no longer applicable.

B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2020-002 Standards for Program Financial Management System

Federal Program: Federal Transit Grants - CFDA #20.507

Federal Agency: U.S. Department of Transportation

Description of Finding: The Borough of Pottstown did not have policies and procedures in place to accurately and completely account for federally funded activities separately from non-federally funded activities in their financial management system.

Current Status: The Borough began to maintain separate general ledger accounts for all federal grants in order to account for federally funded activities separately from non-federally funded activities. Policies and procedures have been updated where necessary. This finding is no longer applicable.