



**BOROUGH OF DOWNINGTOWN
DOWNINGTOWN, PENNSYLVANIA**

**BASIC FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2022

BOROUGH OF DOWNINGTOWN

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INDEPENDENT AUDITOR'S REPORT

July 24, 2023

To the Members of Council
Borough of Downingtown
Downingtown, Pennsylvania

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Borough of Downingtown, Downingtown, Pennsylvania, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Borough of Downingtown's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditor, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Borough of Downingtown as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the general fund 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Downingtown 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.

To the Members of Council
Borough of Downingtown

Responsibilities of Management for the Financial Statements

The Borough of Downingtown'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 the Borough of Downingtown's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

To the Members of Council
Borough of Downingtown

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 a Matter

As discussed in Note 1 to the financial statements, the Borough has adopted the requirements of GASB Statement No. 87, "Leases." The purpose of this statement is to increase the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Borough of Downingtown's 2021 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information in our report dated July 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 and the schedule of changes in the net pension liability, related ratios, and investment returns - police pension plan; schedule of employer contributions - police pension plan; notes to schedule of employer contributions - police pension plan; schedule of changes in the net OPEB liability and related ratios; schedule of employer OPEB contributions; and notes to schedule of employer OPEB contributions on pages 56 through 59 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. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2023 on our consideration of the Borough of Downingtown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and

To the Members of Council
Borough of Downingtown

other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Downingtown's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**BOROUGH OF DOWNINGTOWN
DOWNINGTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
DECEMBER 31, 2022**

The members of Council of the Borough of Downingtown, Downingtown, Pennsylvania, are pleased to present to readers of the financial statements of the Borough of Downingtown (the Borough) this narrative overview and analysis of the financial activities of the Borough for the year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with additional information furnished in the financial statements and notes to the financial statements.

Financial Highlights

Entity-wide

- The assets and deferred outflows of resources of the Borough exceeded its liabilities and deferred inflows of resources at the close of the year by \$22,055,460 (net position), an increase of \$2,498,235 from the previous year.

Fund Level

- As of the close of the year, the Borough reported combined ending fund balances in governmental funds of \$11,845,555, an increase of \$6,093,748 from the previous year. Of the current ending fund balances, \$7,854,433 is reported as unassigned and \$29,159 as assigned or nonspendable in the General Fund; \$3,724,312 as assigned in the Capital Projects Fund; and \$237,651 as assigned or restricted in the nonmajor governmental funds.

Long-term Debt

- At the end of the current calendar year, the Borough had total bonds and loans outstanding in the amount of \$7,810,000, an increase of \$4,775,000 from the previous year. During the year ended December 31, 2022, the Borough issued general obligation bonds in the amount of \$5,345,000. The purpose of the issuance was to finance the construction of a new Borough building, acquire a property located at 260 Norwood Road, and fund the construction of a new public works building. All of the debt is backed by the full faith and credit of the Borough government. Governmental activities report the total amount of the outstanding debt.
- The Borough had \$1,473,471 in lease obligations outstanding at December 31, 2022 versus \$183,602 outstanding at December 31, 2021.
- The Borough maintains an A1 rating from Moody's Investors Service for general obligation debt.
- Additional information on the Borough's long-term debt, including outstanding loans payable and capital leases, can be found in the notes to the financial statements.

Capital Assets — As of December 31, 2022, the Borough has invested \$22,978,772, net of accumulated depreciation/amortization, in a broad range of capital assets. (See table on page 5.) Depreciation/amortization charges for the calendar year 2022 totaled \$1,681,236.

**BOROUGH OF DOWNINGTOWN
DOWNINGTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2022**

**CAPITAL ASSETS
AS OF DECEMBER 31, 2022 AND 2021
(NET OF DEPRECIATION/AMORTIZATION)**

	<u>2022</u>	<u>2021</u>
Land	\$ 786,706	\$ 786,706
Land improvements	458,040	458,040
Building and building improvements	8,144,435	8,135,187
Infrastructure	21,207,434	19,826,995
Construction-in-progress	2,156,893	1,128,662
Machinery and equipment	8,803,257	8,770,168
Right-to-use assets	1,482,099	-
	<u>43,038,864</u>	<u>39,105,758</u>
Less: accumulated depreciation/amortization	<u>(20,060,092)</u>	<u>(18,758,704)</u>
NET CAPITAL ASSETS	<u>\$ 22,978,772</u>	<u>\$ 20,347,054</u>

Overview of the Financial Statements

This discussion and analysis is an introduction to the Borough's basic financial statements. The Borough's basic financial statements are comprised of three components: 1) entity-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Entity-wide Financial Statements – The entity-wide financial statements are designed to provide readers with a broad overview of the Borough's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Borough's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Borough is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future calendar periods (e.g., uncollected taxes and earned but unused vacation or sick leave).

Both of the entity-wide financial statements distinguish functions of the Borough that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

**BOROUGH OF DOWNINGTOWN
DOWNINGTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2022**

- *Governmental Activities* – Most of the Borough's basic services are reported in this category. Taxes and intergovernmental revenues generally support these services. Services provided include general government administration, public safety, public works - highways and streets, and culture and recreation.
- *Business-type Activities* – The Borough charges fees to customers to help it cover all or most of the cost of certain services it provides. The Borough provides sewer and refuse services.

Fund Financial Statements – The fund financial statements provide detailed information about the major individual funds and aggregate information for nonmajor funds. A fund is a self-balancing set of accounts that the Borough uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, statements for nonmajor funds can be found as supplementary statements following the required supplementary information. All of the funds of the Borough can be divided into three categories: governmental, proprietary, and fiduciary.

- **Governmental Funds** – Most of the Borough's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the Borough's general government operations and the basic services provided. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs. Because this information does not encompass the additional long-term focus of the entity-wide statements, reconciliations are provided to reconcile between the governmental funds balance sheet and the statement of net position and between the governmental funds statement of revenues, expenditures, and changes in fund balances and the statement of activities. These funds are reported using modified accrual accounting, which primarily measures cash and other financial assets usable in the short term. Governmental funds include the general, special revenue (parking, highway aid), and capital projects funds.
- **Proprietary Funds** – When the Borough charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds can provide services to third parties (enterprise funds) or internally (internal service funds). Proprietary funds utilize accrual accounting, the same method used by private-sector businesses. The Borough has two enterprise funds who report activities that provide supplies and services to the general public - sewer and refuse services.
- **Fiduciary Funds** – The Borough acts as a fiduciary to account for resources held for the benefit of Borough employees. The pension trust funds account for the activities of the police and non-uniformed pension plans, which accumulate resources for pension benefit payments to qualified employees. These funds are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. These funds are reported using accrual accounting. The entity-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent assets available to the Borough to finance its operations.

**BOROUGH OF DOWNINGTOWN
DOWNINGTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2022**

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Borough's progress in funding its obligation to provide pension and OPEB benefits to its employees. Other information includes combining financial statements for nonmajor governmental funds and fiduciary funds. These funds are added together by fund type and presented in single columns in the basic financial statements but are not reported individually, as with major funds, on the governmental fund financial statements.

Entity-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Borough's financial position. A year-to-year comparison of net position has been presented below.

**Table 1
CONDENSED STATEMENT OF NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current assets	\$12,235,312	\$ 6,672,473	\$ 1,188,172	\$ 643,233	\$13,423,484	\$ 7,315,706
Capital assets	22,703,764	20,017,320	275,008	329,734	22,978,772	20,347,054
TOTAL ASSETS	<u>34,939,076</u>	<u>26,689,793</u>	<u>1,463,180</u>	<u>972,967</u>	<u>36,599,298</u>	<u>27,662,760</u>
DEFERRED OUTFLOWS OF RESOURCES						
	2,324,807	1,263,574	-	-	2,324,807	1,263,574
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$37,263,883</u>	<u>\$27,953,367</u>	<u>\$ 1,463,180</u>	<u>\$ 972,967</u>	<u>\$38,727,063</u>	<u>\$28,926,334</u>
LIABILITIES						
Current liabilities	\$ 1,114,129	\$ 1,560,505	\$ 137,417	\$ 71,954	\$ 1,251,546	\$ 1,632,459
Long-term liabilities	14,076,156	6,661,393	-	-	14,076,156	6,661,393
TOTAL LIABILITIES	<u>15,190,285</u>	<u>8,221,898</u>	<u>137,417</u>	<u>71,954</u>	<u>15,327,702</u>	<u>8,293,852</u>
DEFERRED INFLOWS OF RESOURCES						
	1,343,901	1,075,257	-	-	1,343,901	1,075,257
NET POSITION						
Net investment in capital assets	13,420,293	16,798,718	275,008	329,734	13,695,301	17,128,452
Restricted	210,839	131,295	-	-	210,839	131,295
Unrestricted	7,098,565	1,726,199	1,050,755	571,279	8,149,320	2,297,478
TOTAL NET POSITION	<u>20,729,697</u>	<u>18,656,212</u>	<u>1,325,763</u>	<u>901,013</u>	<u>22,055,460</u>	<u>19,557,225</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$37,263,883</u>	<u>\$27,953,367</u>	<u>\$ 1,463,180</u>	<u>\$ 972,967</u>	<u>\$38,727,063</u>	<u>\$28,926,334</u>

**BOROUGH OF DOWNINGTOWN
DOWNINGTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2022**

The largest components of the Borough's current assets are cash and cash equivalents totaling \$12,368,645 (excluding fiduciary fund cash), none of which are reported as restricted assets in the governmental and business-type activities, respectively. Of the total liabilities, bonds and loans payable, net account for \$7,810,000, as well as net pension and OPEB liabilities which total \$5,546,078.

Analysis of the Borough's Operations

**Table 2
CONDENSED STATEMENT OF ACTIVITIES**

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program Revenues:						
Charges for services	\$ 2,701,518	\$ 1,845,558	\$ 2,398,760	\$ 1,876,252	\$ 5,100,278	\$ 3,721,810
Operating grants and contributions	549,514	553,202	32,516	47,722	582,030	600,924
Capital grants and contributions	492,693	1,070,360	-	-	492,693	1,070,360
General Revenues:						
Real estate taxes	3,361,086	2,793,468	-	-	3,361,086	2,793,468
Real estate transfer taxes	503,130	393,040	-	-	503,130	393,040
Earned income taxes	1,583,038	1,350,536	-	-	1,583,038	1,350,536
Local services	236,373	210,331	-	-	236,373	210,331
Franchise fees	138,980	144,078	-	-	138,980	144,078
Insurance recovery	1,055,698	982,964	123,775	48,937	1,179,473	1,031,901
Interest income	140,229	8,197	1,227	792	141,456	8,989
Grants and contributions not restricted	949,054	470,244	-	-	949,054	470,244
Other revenues	365,528	269,634	-	-	370,390	269,634
TOTAL REVENUES	12,076,841	10,091,612	2,556,278	1,973,703	14,633,119	12,065,315
EXPENSES						
Current:						
General government	1,124,359	649,152	-	-	1,083,076	649,152
Public safety	5,039,594	5,100,766	-	-	4,925,515	5,100,766
Public works - highways and streets	2,203,724	3,630,300	-	-	2,185,452	3,630,300
Other public works	340,371	326,546	-	-	333,403	326,546
Culture and recreation	1,115,437	496,809	-	-	1,103,859	496,809
Economic development	358	9,841	-	-	358	9,841
Interest	179,513	52,721	-	-	179,513	52,721
Refuse	-	-	645,709	696,451	645,709	696,451
Sewer	-	-	1,485,819	1,583,033	1,485,819	1,583,033
TOTAL EXPENSES	10,003,356	10,266,135	2,131,528	2,279,484	12,134,884	12,545,619
Transfers	-	(75,379)	-	75,379	-	-
CHANGE IN NET POSITION	2,073,485	(249,902)	424,750	(230,402)	2,498,235	(480,304)
BEGINNING NET POSITION	18,656,212	18,906,114	901,013	1,131,415	19,557,225	20,037,529
ENDING NET POSITION	\$ 20,729,697	\$ 18,656,212	\$ 1,325,763	\$ 901,013	\$ 22,055,460	\$ 19,557,225

**BOROUGH OF DOWNINGTOWN
DOWNINGTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2022**

The Borough's combined net position increased by \$2,498,235 over the course of this calendar year's operations. The cost of all governmental activities in 2022 was \$10,003,356. The amount that the Borough's various taxpaying groups financed for these activities through Borough property, local services, earned income taxes, and real estate transfer taxes was \$5,683,627. Other costs were paid by those who directly benefited from the programs, \$2,701,518, or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions, \$1,042,207. Business-type activities net position increased by \$424,750 from the prior year.

Major revenue factors include:

- Capital grants and contributions decreased by \$577,667 due mainly to the Chestnut Street Bridge Restoration, Penn DOT TAP Trail, and other smaller capital projects that were in production in the prior year.
- Interest income increased by \$132,467 due to higher interest rates from PLGIT and lock box deposits.
- Real estate transfer taxes revenue increased by \$110,090 in 2022.
- Earned income tax and local services revenues increased a combined \$258,544 in 2022.
- Real estate tax revenue increased by \$567,618 in 2022.
- Franchise fee revenue decreased by \$5,098 in 2022.
- Insurance recovery revenue increased by \$147,572 due to flood loss reimbursements.
- Grants and contributions not restricted to specific programs increased by \$478,810 due to remaining American Rescue Plan Act funds received.

Major expense factors include:

- General government expenses increased by \$433,924 mainly due to increase in salaries and benefits.
- Public safety expenses decreased by \$175,251 mainly due to decreases in salaries and benefits in the current year.
- Public works – highways and streets expenses decreased by \$1,444,848 mainly due to prior year expenses relating to the flood that occurred in 2021.
- Culture and recreation expense increased by \$607,850 mainly due to expenses for trail development.

**BOROUGH OF DOWNINGTOWN
DOWNINGTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2022**

- Interest expense increased by \$126,792. This is a result of more debt from the 2022 issuance and other interest on new leases.
- Sewer expenses decreased by \$97,214 mainly due to a decrease in DARA costs.
- Refuse expenses decreased by \$50,742 in 2022.

Financial Analysis of the Borough's Funds

Governmental Funds

General Fund Budgetary Highlights

The Borough adopted its calendar year 2022 budget in December 2021. The Borough's practice is to a) amend budgeted revenue only for grants or new revenue streams; and b) amend budgeted expenditures primarily to approve new spending authority.

The final General Fund budget contained \$8,788,093 of revenues and \$8,885,110 in expenditures. The actual results were revenues \$1,487,993 over budget and expenditures \$220,122 under budget.

Capital Projects Fund – The fund balance increased by \$3,642,427 from the prior year primarily as a result of large capital purchases offset by proceeds from a debt issuance.

Proprietary Funds

- **Sewer Fund** – This fund experienced an increase in net position in the amount of \$213,340 primarily due to an increase in connection fee revenue, along with decreases in sewage treatment operation costs.
- **Refuse Fund** – This fund experienced an increase in net position in the amount of \$211,410 due to an increase in charges for services revenue.

Economic Factors and Next Year's Budget Rates

The Borough, incorporated in 1859, occupies an area of 2.2 square miles and is located in the southeastern section of Chester County (the County). The Borough is approximately 30 miles west of the City of Philadelphia; 20 miles north of Wilmington, Delaware; and 18 miles south of King of Prussia and Valley Forge. The Townships of East Caln, Caln, East Brandywine, and East Bradford surround the Borough.

The County, and therefore the Borough, are part of the Philadelphia Metropolitan Statistical Area (the PMSA), which is composed of the Counties of Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties in Pennsylvania; and Burlington, Camden, Gloucester, and Salem Counties in New Jersey.

**BOROUGH OF DOWNINGTOWN
DOWNINGTOWN, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
DECEMBER 31, 2022**

The Borough's major employers include: Chester County Intermediate Unit – 718 employees; Downingtown Area School District – 495 employees; PWP Industries, Inc. Delaware Co. – 232 employees; Bayada Home Healthcare Inc. – 228 employees; Pepperidge Farm, Inc. – 222 employees; 470 Manor Operating – 214 employees; 21st Century Cyber Charter School – 135 employees; Tri Pac Incorporation – 130 employees; LFS & LPS LTD/ McDonalds of Downingtown – 123 employees; and Craft Revolution LLC – 113 employees. The employee counts fluctuate and include part-time positions.

While the Borough is a built-out community with very little land left for new construction, the community is continuing to experience a renaissance of redevelopment and commercial revitalization.

Requests for Information

This financial report is designed to provide a general overview of the Borough of Downingtown's finances to the citizens of the Borough of Downingtown, Downingtown, Pennsylvania, and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report, and requests for additional financial information should be addressed to Kerry E. Eltman, Director of Finance, 4 West Lancaster Street, Downingtown, PA 19335. The Director of Finance also can be contacted via email at keltman@downingtowntown.org. The Borough's website is www.downingtowntown.org.

BOROUGH OF DOWNINGTOWN
STATEMENT OF NET POSITION
DECEMBER 31, 2022
(With Summarized Comparative Data for December 31, 2021)

	Primary Government		Totals		Component Unit
	Governmental Activities	Business-type Activities	2022	2021	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Cash and cash equivalents	\$ 11,992,996	\$ 375,649	\$ 12,368,645	\$ 6,170,521	\$ 5,081,191
Investments	-	-	-	-	303,130
Accounts and other receivables	150,438	810,348	960,786	923,005	1,569,008
Taxes receivable	74,082	-	74,082	140,879	-
Inventories	-	-	-	-	123,248
Prepaid expenses	17,796	2,175	19,971	81,301	73,292
Noncurrent Assets:					
Depreciable capital assets, net	18,405,552	244,008	18,649,560	18,431,686	9,025,463
Land	755,706	31,000	786,706	786,706	468,785
Construction-in-progress	2,156,893	-	2,156,893	1,128,662	34,457
Right-to-use assets, net	1,385,613	-	1,385,613	-	-
Total Noncurrent Assets	22,703,764	275,008	22,978,772	20,347,054	9,528,705
TOTAL ASSETS	34,939,076	1,463,180	36,402,256	27,662,760	16,678,574
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension expenses	1,767,092	-	1,767,092	600,398	-
Deferred OPEB expense	557,715	-	557,715	663,176	-
	2,324,807	-	2,324,807	1,263,574	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 37,263,883	\$ 1,463,180	\$ 38,727,063	\$ 28,926,334	\$ 16,678,574
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	\$ 72,930	\$ 125,103	\$ 198,033	\$ 448,379	\$ 132,550
Accrued wages and benefits payable	121,095	12,314	133,409	131,608	17,379
Accrued interest payable	37,450	-	37,450	20,931	24,115
Escrow deposits	129,261	-	129,261	93,790	109,344
Unearned revenue	-	-	-	213,286	-
Portion due or payable within one year:					
Bonds, notes and loans payable	580,000	-	580,000	570,000	819,200
Lease obligations	173,393	-	173,393	154,415	23,476
Total Current Liabilities	1,114,129	137,417	1,251,546	1,632,409	1,126,064
Portion due or payable after one year:					
Bonds, notes and loans payable	7,230,000	-	7,230,000	2,465,000	1,799,400
Lease obligations	1,300,078	-	1,300,078	29,187	-
Net OPEB liability	2,350,211	-	2,350,211	3,020,041	-
Net pension liability	3,195,867	-	3,195,867	1,147,215	41,080
Total Noncurrent Liabilities	14,076,156	-	14,076,156	6,661,443	1,840,480
TOTAL LIABILITIES	15,190,285	137,417	15,327,702	8,293,852	2,966,544
DEFERRED INFLOWS OF RESOURCES					
Deferred OPEB expenses	783,553	-	783,553	15,768	-
Deferred pension expenses	560,348	-	560,348	1,059,489	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,343,901	-	1,343,901	1,075,257	-
NET POSITION					
Net investment in capital assets	13,420,293	275,008	13,695,301	17,128,452	6,910,105
Restricted	210,839	-	210,839	131,345	-
Unrestricted	7,098,565	1,050,755	8,149,320	2,297,428	6,801,925
TOTAL NET POSITION	20,729,697	1,325,763	22,055,460	19,557,225	13,712,030
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 37,263,883	\$ 1,463,180	\$ 38,727,063	\$ 28,926,334	\$ 16,678,574

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

BOROUGH OF DOWNINGTOWN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Summarized Comparative Data for the Year Ended December 31, 2021)

	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
		Charges for	Operating	Capital	Primary Government		Totals		Component
	Expenses	Services	Grants and	Grants and	Governmental	Business-type	2022	2021	Unit
			Contributions	Contributions	Activities	Activities			
PRIMARY GOVERNMENT									
GOVERNMENTAL ACTIVITIES:									
General government	\$ 1,124,359	\$ 154,530	\$ 6,848	\$ -	\$ (962,981)	\$ -	\$ (962,981)	\$ (471,329)	\$ -
Public safety	5,039,594	2,541,938	332,749	-	(2,164,907)	-	(2,164,907)	(3,102,204)	-
Public works - highways and streets	2,203,724	1,000	209,917	492,693	(1,500,114)	-	(1,500,114)	(2,340,837)	-
Other public works	340,371	-	-	-	(340,371)	-	(340,371)	(326,546)	-
Culture and recreation	1,115,437	4,050	-	-	(1,111,387)	-	(1,111,387)	(493,537)	-
Economic development	358	-	-	-	(358)	-	(358)	(9,841)	-
Interest expense	179,513	-	-	-	(179,513)	-	(179,513)	(52,721)	-
TOTAL GOVERNMENTAL ACTIVITIES	10,003,356	2,701,518	549,514	492,693	(6,259,631)	-	(6,259,631)	(6,797,015)	-
BUSINESS-TYPE ACTIVITIES:									
Refuse	645,709	730,834	32,516	-	-	117,641	117,641	(48,529)	-
Sewer	1,485,819	1,667,926	-	-	-	182,107	182,107	(306,981)	-
TOTAL BUSINESS-TYPE ACTIVITIES	2,131,528	2,398,760	32,516	-	-	299,748	299,748	(355,510)	-
TOTAL PRIMARY GOVERNMENT	\$ 12,134,884	\$ 5,100,278	\$ 582,030	\$ 492,693	(6,259,631)	299,748	(5,959,883)	(7,152,525)	-
COMPONENT UNIT:									
Water Authority	\$ 3,184,589	\$ 5,044,402	\$ -	\$ -					1,859,813
GENERAL REVENUES AND TRANSFERS									
Taxes:									
Real estate taxes					3,361,086	-	3,361,086	2,793,468	-
Real estate transfer taxes					503,130	-	503,130	393,040	-
Earned income taxes					1,583,038	-	1,583,038	1,350,536	-
Local services tax					236,373	-	236,373	210,331	-
Franchise fees					138,980	-	138,980	144,078	-
Grants and contributions not									
restricted to specific programs					949,054	-	949,054	470,244	-
Insurance recovery					1,055,698	123,775	1,179,473	1,031,901	-
Interest income					140,229	1,227	141,456	8,989	35,622
Other revenues					365,528	-	365,528	269,634	487
TOTAL GENERAL REVENUES AND TRANSFERS					8,333,116	125,002	8,458,118	6,672,221	36,109
CHANGE IN NET POSITION					2,073,485	424,750	2,498,235	(480,304)	1,895,922
NET POSITION, BEGINNING OF YEAR					18,656,212	901,013	19,557,225	20,037,529	11,816,108
NET POSITION, END OF YEAR					\$ 20,729,697	\$ 1,325,763	\$ 22,055,460	\$ 19,557,225	\$ 13,712,030

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

**BOROUGH OF DOWNINGTOWN
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2022
(With Summarized Comparative Data for December 31, 2021)**

	General Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Totals	
				2022	2021
ASSETS					
Cash and cash equivalents	\$ 8,005,230	\$ 3,743,352	\$ 244,414	\$11,992,996	\$ 6,038,898
Accounts receivable	150,438	-	-	150,438	442,547
Taxes receivable	74,082	-	-	74,082	140,879
Prepaid expenditures	17,796	-	-	17,796	50,149
TOTAL ASSETS	<u>\$ 8,247,546</u>	<u>\$ 3,743,352</u>	<u>\$ 244,414</u>	<u>\$12,235,312</u>	<u>\$ 6,672,473</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 52,441	\$ 19,040	\$ 1,449	\$ 72,930	\$ 389,694
Accrued wages	115,781	-	5,314	121,095	118,339
Escrow deposits	129,261	-	-	129,261	93,790
Unearned revenue	-	-	-	-	213,286
TOTAL LIABILITIES	<u>297,483</u>	<u>19,040</u>	<u>6,763</u>	<u>323,286</u>	<u>815,109</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	66,471	-	-	66,471	105,557
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>66,471</u>	<u>-</u>	<u>-</u>	<u>66,471</u>	<u>105,557</u>
FUND BALANCES:					
Nonspendable	17,796	-	-	17,796	50,149
Restricted	-	-	210,839	210,839	131,345
Assigned	11,363	3,724,312	26,812	3,762,487	109,469
Unassigned	7,854,433	-	-	7,854,433	5,460,844
TOTAL FUND BALANCES	<u>7,883,592</u>	<u>3,724,312</u>	<u>237,651</u>	<u>11,845,555</u>	<u>5,751,807</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 8,247,546</u>	<u>\$ 3,743,352</u>	<u>\$ 244,414</u>	<u>\$12,235,312</u>	<u>\$ 6,672,473</u>

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

**BOROUGH OF DOWNINGTOWN
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 11,845,555
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets, net of accumulated depreciation/amortization as detailed in the footnotes are included in the statement of net position.	22,703,764
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Some of the Borough's revenues used in the governmental activities will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.

Property taxes	66,471
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Long-term liabilities applicable to the governmental activities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Lease obligations	\$ (1,473,471)	
Accrued interest on long-term payable	(37,450)	
Bonds and loans payable	(7,810,000)	
Net OPEB liability	(2,350,211)	
Net pension liability	<u>(3,195,867)</u>	(14,866,999)

Deferred inflows and outflows related to the Borough's net pension and net OPEB liabilities are based on the differences between actuarially determined actual and expected investment returns, differences between expected and actual experience, and changes in assumptions. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows of resources - pensions	1,767,092	
Deferred outflows of resources - OPEB	557,715	
Deferred inflows of resources - pensions	(560,348)	
Deferred inflows of resources - OPEB	<u>(783,553)</u>	<u>980,906</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 20,729,697</u></u>
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The accompanying notes are an integral part of these financial statements.

BOROUGH OF DOWNINGTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Summarized Comparative Data for the Year Ended December 31, 2021)

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals	
				2022	2021
REVENUES					
Taxes	\$ 5,722,713	\$ -	\$ -	\$ 5,722,713	\$ 4,841,943
Licenses and permits	1,269,490	-	-	1,269,490	374,966
Fines, forfeits, and costs	128,961	-	20,021	148,982	137,938
Interest, dividends, and rents	161,209	40,025	1,641	202,875	79,580
Intergovernmental revenues	1,312,130	492,693	186,438	1,991,261	2,093,806
Charges for services/fees	1,444,316	-	54,411	1,498,727	1,520,968
Miscellaneous/other	237,267	-	11,605	248,872	406,414
TOTAL REVENUES	<u>10,276,086</u>	<u>532,718</u>	<u>274,116</u>	<u>11,082,920</u>	<u>9,455,615</u>
EXPENDITURES					
Current:					
General government	689,419	-	-	689,419	609,129
Public safety	3,476,862	-	-	3,476,862	3,243,608
Public works - highways and streets	1,047,862	-	108,546	1,156,408	2,844,496
Other public works	-	-	205,012	205,012	235,788
Culture and recreation	358,308	-	560	358,868	348,270
Economic development	-	-	358	358	35
Insurance, employee benefits, payroll taxes	2,244,006	-	-	2,244,006	2,143,836
Capital outlays	-	3,815,812	-	3,815,812	1,430,574
Debt service:					
Principal	742,170	-	6,350	748,520	775,348
Interest and other charges	106,361	-	-	106,361	97,025
TOTAL EXPENDITURES	<u>8,664,988</u>	<u>3,815,812</u>	<u>320,826</u>	<u>12,801,626</u>	<u>11,728,109</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,611,098</u>	<u>(3,283,094)</u>	<u>(46,710)</u>	<u>(1,718,706)</u>	<u>(2,272,494)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds of capital asset disposition	-	-	-	-	13,900
Proceeds from debt	-	5,345,000	-	5,345,000	-
Debt issuance costs	-	(70,343)	-	(70,343)	-
Proceeds of extended-term financing	-	1,482,099	-	1,482,099	41,000
Insurance recovery	1,025,957	-	29,741	1,055,698	982,964
Transfers in	77,485	246,250	106,000	429,735	425,825
Transfers out	(352,250)	(77,485)	-	(429,735)	(501,204)
TOTAL OTHER FINANCING SOURCES (USES)	<u>751,192</u>	<u>6,925,521</u>	<u>135,741</u>	<u>7,812,454</u>	<u>962,485</u>
NET CHANGE IN FUND BALANCES	2,362,290	3,642,427	89,031	6,093,748	(1,310,009)
FUND BALANCES, BEGINNING OF YEAR	<u>5,521,302</u>	<u>81,885</u>	<u>148,620</u>	<u>5,751,807</u>	<u>7,061,816</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,883,592</u>	<u>\$ 3,724,312</u>	<u>\$ 237,651</u>	<u>\$ 11,845,555</u>	<u>\$ 5,751,807</u>

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

BOROUGH OF DOWNINGTOWN
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 6,093,748

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which additions exceeded depreciation/amortization and writeoffs. 2,686,444

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The following are the net changes in these noncurrent resources.

Property taxes (39,086)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. (6,064,869)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due rather than as it accrues.

Net OPEB liability	\$	(203,416)	
Accrued interest payable		(16,519)	
Net pension liability		(382,817)	(602,752)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,073,485

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

BOROUGH OF DOWNINGTOWN
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 4,909,349	\$ 4,909,349	\$ 5,722,713	\$ 813,364
Licenses and permits	208,034	208,034	1,269,490	1,061,456
Fines and forfeits	81,750	81,750	128,961	47,211
Interest and rents	416,332	416,332	161,209	(255,123)
Intergovernmental revenues	1,077,742	1,077,742	1,312,130	234,388
Charges for services/fees	1,772,204	1,772,204	1,444,316	(327,888)
Miscellaneous/other	322,682	322,682	237,267	(85,415)
TOTAL REVENUES	8,788,093	8,788,093	10,276,086	1,487,993
EXPENDITURES				
Current:				
General government	756,837	756,837	689,419	67,418
Public safety	4,308,598	4,308,598	3,476,862	831,736
Public works - highways and streets	706,073	706,073	1,047,862	(341,789)
Culture and recreation	367,731	367,731	358,308	9,423
Insurance, employee benefits, payroll taxes, etc.	1,715,804	1,715,804	2,244,006	(528,202)
Debt service:				
Principal and interest	1,030,067	1,030,067	848,531	181,536
TOTAL EXPENDITURES	8,885,110	8,885,110	8,664,988	220,122
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(97,017)	(97,017)	1,611,098	1,708,115
OTHER FINANCING SOURCES (USES)				
Insurance recovery	-	-	1,025,957	1,025,957
Proceeds from sale of capital assets	65,000	65,000	-	(65,000)
Transfers in	500,000	500,000	77,485	(422,515)
Transfers out	(500,000)	(500,000)	(352,250)	147,750
TOTAL OTHER FINANCING SOURCES (USES)	65,000	65,000	751,192	686,192
NET CHANGE IN FUND BALANCE	\$ (32,017)	\$ (32,017)	\$ 2,362,290	\$ 2,394,307

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

BOROUGH OF DOWNINGTOWN
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2022
(With Summarized Comparative Data for December 31, 2021)

	Enterprise Funds		Totals	
	Refuse Fund	Sewer Fund	2022	2021
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 99,530	\$ 276,119	\$ 375,649	\$ 131,623
Accounts receivable	286,347	524,001	810,348	480,458
Prepaid expenses	-	2,175	2,175	31,152
Total Current Assets	<u>385,877</u>	<u>802,295</u>	<u>1,188,172</u>	<u>643,233</u>
Noncurrent Assets:				
Land	-	31,000	31,000	31,000
Capital assets, net	-	244,008	244,008	298,734
Total Noncurrent Assets	<u>-</u>	<u>275,008</u>	<u>275,008</u>	<u>329,734</u>
TOTAL ASSETS	<u><u>\$ 385,877</u></u>	<u><u>\$ 1,077,303</u></u>	<u><u>\$ 1,463,180</u></u>	<u><u>\$ 972,967</u></u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 6,639	\$ 118,464	\$ 125,103	\$ 58,685
Accrued wages payable	2,267	10,047	12,314	13,269
TOTAL LIABILITIES	<u>8,906</u>	<u>128,511</u>	<u>137,417</u>	<u>71,954</u>
NET POSITION				
Investment in capital assets	-	275,008	275,008	329,734
Unrestricted	376,971	673,784	1,050,755	571,279
Total Net Position	<u>376,971</u>	<u>948,792</u>	<u>1,325,763</u>	<u>901,013</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 385,877</u></u>	<u><u>\$ 1,077,303</u></u>	<u><u>\$ 1,463,180</u></u>	<u><u>\$ 972,967</u></u>

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

BOROUGH OF DOWNINGTOWN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Summarized Comparative Data for the Year Ended December 31, 2021)

	Enterprise Funds		Totals	
	Refuse Fund	Sewer Fund	2022	2021
OPERATING REVENUES				
Charges for services	\$ 730,834	\$ 1,667,926	\$ 2,398,760	\$ 1,876,252
Intergovernmental revenues	32,516	-	32,516	47,722
TOTAL OPERATING REVENUES	<u>763,350</u>	<u>1,667,926</u>	<u>2,431,276</u>	<u>1,923,974</u>
OPERATING EXPENSES				
Purchase of services	537,785	705,346	1,243,131	1,186,551
Salaries and wages	74,509	299,583	374,092	375,327
Employee benefits	32,189	147,500	179,689	189,415
Supplies	-	19,504	19,504	20,873
Professional services	1,226	8,910	10,136	9,973
Repairs and maintenance	-	45,212	45,212	23,609
Occupancy	-	60,350	60,350	60,331
Other	-	144,688	144,688	351,868
Depreciation	-	54,726	54,726	61,537
TOTAL OPERATING EXPENSES	<u>645,709</u>	<u>1,485,819</u>	<u>2,131,528</u>	<u>2,279,484</u>
OPERATING INCOME (LOSS)	<u>117,641</u>	<u>182,107</u>	<u>299,748</u>	<u>(355,510)</u>
NONOPERATING REVENUES				
Interest income	425	802	1,227	792
Insurance recovery	79,640	44,135	123,775	48,937
TOTAL NONOPERATING REVENUES	<u>80,065</u>	<u>44,937</u>	<u>125,002</u>	<u>49,729</u>
INCOME (LOSS) BEFORE TRANSFERS	197,706	227,044	424,750	(305,781)
Transfers in	13,704	-	13,704	75,379
Transfers out	<u>-</u>	<u>(13,704)</u>	<u>(13,704)</u>	<u>-</u>
CHANGE IN NET POSITION	211,410	213,340	424,750	(230,402)
NET POSITION, BEGINNING OF YEAR	<u>165,561</u>	<u>735,452</u>	<u>901,013</u>	<u>1,131,415</u>
NET POSITION, END OF YEAR	<u>\$ 376,971</u>	<u>\$ 948,792</u>	<u>\$ 1,325,763</u>	<u>\$ 901,013</u>

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

BOROUGH OF DOWNINGTOWN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Summarized Comparative Data for the Year Ended December 31, 2021)

	Enterprise Funds		Totals	
	Refuse Fund	Sewer Fund	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 596,960	\$ 1,471,910	\$ 2,068,870	\$ 1,836,009
Operating grant received	32,516	-	32,516	47,722
Payments to suppliers for goods and services	(532,372)	(895,254)	(1,427,626)	(1,803,112)
Payments to employees for services	(106,807)	(447,929)	(554,736)	(390,711)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(9,703)	128,727	119,024	(310,092)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	13,704	-	13,704	75,379
Transfers out	-	(13,704)	(13,704)	-
Insurance recovery	79,640	44,135	123,775	48,937
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	93,344	30,431	123,775	124,316
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	425	802	1,227	792
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	425	802	1,227	792
NET CHANGE IN CASH AND CASH EQUIVALENTS	84,066	159,960	244,026	(184,984)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,464	116,159	131,623	316,607
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 99,530	\$ 276,119	\$ 375,649	\$ 131,623
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 117,641	\$ 182,107	\$ 299,748	\$ (355,510)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	-	54,726	54,726	61,537
Decrease (Increase) in assets:				
Accounts receivable	(133,874)	(196,016)	(329,890)	(40,243)
Prepaid expenses	-	28,977	28,977	(26,999)
Increase (Decrease) in liabilities:				
Accounts payable	6,639	59,779	66,418	54,948
Accrued wages payable	(109)	(846)	(955)	(3,825)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (9,703)	\$ 128,727	\$ 119,024	\$ (310,092)

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

**BOROUGH OF DOWNINGTOWN
STATEMENTS OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2022 AND 2021**

	Pension Trust Funds	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,096,834	\$ 324,242
Investments, at fair value	11,299,747	13,489,927
Receivables	5,234	17,417
Prepaid accounts	-	1,362
TOTAL ASSETS	<u>\$ 12,401,815</u>	<u>\$ 13,832,948</u>
LIABILITIES AND NET POSITION		
LIABILITIES	\$ -	\$ -
FIDUCIARY NET POSITION		
Assets held in trust for employee pension benefits	<u>12,401,815</u>	<u>13,832,948</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 12,401,815</u>	<u>\$ 13,832,948</u>

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

BOROUGH OF DOWNINGTOWN
STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Pension Trust Funds	
	2022	2021
ADDITIONS		
Contributions:		
State aid	\$ 279,744	\$ 287,837
Employer	344,308	284,160
Employee	51,208	87,736
Total Contributions	<u>675,260</u>	<u>659,733</u>
Investment income (loss) :		
Interest and dividends	378,406	440,483
Net appreciation/(depreciation) in fair value of investments	(1,830,516)	1,236,612
Investment expense	<u>(72,701)</u>	<u>(72,530)</u>
Net Investment Income (Loss)	<u>(1,524,811)</u>	<u>1,604,565</u>
Other income	<u>1,875</u>	<u>-</u>
NET ADDITIONS	<u>(847,676)</u>	<u>2,264,298</u>
DEDUCTIONS		
Benefits paid	560,357	417,213
Refund of members' contributions	-	19,913
Administrative expenses	<u>23,100</u>	<u>29,000</u>
TOTAL DEDUCTIONS	<u>583,457</u>	<u>466,126</u>
CHANGE IN FIDUCIARY NET POSITION	(1,431,133)	1,798,172
FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>13,832,948</u>	<u>12,034,776</u>
FIDUCIARY NET POSITION, END OF YEAR	<u><u>\$ 12,401,815</u></u>	<u><u>\$ 13,832,948</u></u>

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

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Borough of Downingtown (the Borough) conform, in all material respects, to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles, which are set forth primarily in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification). The following summarizes the Borough's significant accounting policies.

Reporting Entity

The Borough used guidance contained in the GASB Codification section on reporting entities to evaluate the possible inclusion of related entities (authorities, boards, councils, etc.) within its reporting entity. The criteria used by the Borough for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, the Borough reviews the applicability of the following criteria. The Borough is financially accountable for:

- Organizations that make up the legal Borough entity.
- Legally separate organizations if Borough officials appoint a voting majority of the organization's governing body and the Borough is able to impose its will on the organization; or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough as defined below.
 - **Impose its will** – If the Borough can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - **Financial benefit or burden** – Exists if the Borough (1) is entitled to the organization's resources; (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization; or (3) is obligated in some manner for the debt of the organization.
- Organizations that are fiscally dependent on the Borough. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the Borough.

Based on the foregoing criteria, the reporting entity has been defined to include all the fund types for which the Borough is financially accountable or for which there is another significant relationship. Specific information on the nature of the various potential component units and a description of how the aforementioned criteria have been considered in determining whether or not to include or exclude such units in the Borough's financial statements are provided in the following paragraphs.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Blended Component Units

Some component units, despite being legally separate from the primary government (Borough), are intertwined with the primary government and are reported as part of the primary government. The Borough has no blended component units.

Discretely Presented Component Units

Component units which are not blended as part of the primary government are discretely presented, which entails reporting component unit financial data in a column separate from the financial data of the primary government. The Borough has one component unit reported in this manner:

Downingtown Municipal Water Authority (the Authority) – The Authority was incorporated in 1987 under the provisions of the municipality authorities' law. The Authority was formed pursuant to an ordinance of the Borough with the purpose being to acquire, hold, construct, improve, maintain, own, and operate a water system for the Borough. The Authority's revenues are comprised of residential and commercial customers in the Downingtown area. The Borough has agreed to guarantee all of the existing revenue bonds of the Authority. A separately published audit report of the Authority is available for public inspection in the Borough offices.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The entity-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on their use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from special revenue and capital funds. Unrestricted net position consists of accumulated resources that do not meet the definition of "net investment in capital assets" or "restricted."

Entity-wide, Proprietary, and Fiduciary Fund Financial Statements

The entity-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The entity-wide, proprietary, and fiduciary fund

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items (nonexchange transactions) are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

With limited exceptions, the effects of interfund activity have been eliminated from the entity-wide financial statements. Exceptions include charges by one government function to another where services have been provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and refuse funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use in certain programs, it is the Borough's policy to apply cost-reimbursement grant resources first to those programs, followed by general revenues as they are needed.

Governmental Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For governmental fund types, the Borough considers all revenues to be available if they are collected within 60 days after fiscal year end. Revenues considered susceptible to accrual include property taxes, income taxes, franchise taxes, licenses, investment income, and grants associated with the current fiscal year. Only the portion of the special assessments receivable due within the current fiscal year is considered to be susceptible to accrual and recognized as revenues in the current fiscal year. All other revenue items are considered measurable and available only when cash is received by the Borough.

Expenditures are recorded when the related fund liability is incurred (upon receipt of goods or services), except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The Borough reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the Borough. It accounts for all financial resources of the Borough except those resources required to be accounted for in another fund. The general tax revenues of the Borough, as well as other resources received and not designated for a specific purpose, are accounted for in the General Fund.

Capital Projects Fund – The Capital Projects Fund is maintained to account for the use of debt proceeds and certain grants dedicated to capital purchases.

The Borough reports the following major enterprise funds:

Sewer Fund – The Sewer Fund accounts for the sewage and wastewater service operations and is intended to be self-supporting through user charges. The sewer fund operates sewage collection and treatment systems.

Refuse Fund – The Refuse Fund accounts for refuse service operations and is intended to be self-supporting through user charges.

Fiduciary Funds

Trust Funds – Trust Funds are used to account for assets held by the Borough in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. These include pension trust funds. Pension trust funds are accounted for in essentially the same manner as proprietary funds since the measurement of the periodic net income and the determination of capital maintenance are critical.

Capital Assets

Capital assets including property, plant, equipment, and infrastructure are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements. Capital assets may be purchased or constructed and are recorded at cost or estimated historical cost. Estimated historical costs are based either on similar assets of the same era or on deflated current values. Donated capital assets are recorded at estimated fair value at the date of donation. Capital assets are defined by the Borough as assets with an initial, individual cost of \$3,000 and an estimated useful life in excess of one year except for land and land improvements which is capitalized regardless of cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capital assets of the Borough and its components are depreciated/amortized using the straight-line method over the following estimated useful lives:

Infrastructure	3 - 40 years
Land improvements	5 - 40 years
Machinery and equipment	5 - 20 years
Building and building improvements	5 - 40 years
Leased assets	Term of Lease

Budgets and Budgetary Accounting

The Borough follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to October 1, the Borough Manager and Finance Director submit to the Borough Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of an ordinance.
- Management is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Borough Council.
- Budgets lapse at year end.

Fund Balances

Fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Committed – amounts that can be used only for specific purposes determined by formal action of the members of Council. The Council is the highest level of decision-making authority for the Borough. Commitments may be established, modified, or rescinded only through resolutions approved by Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Council has designated the Borough Manager the authority to assign amounts for specific purposes.

Unassigned – all other spendable amounts.

Cash and Cash Equivalents

The Borough maintains various cash accounts, including accounts required by contractual obligation. For purposes of the statement of cash flows, the Borough considers all highly liquid debt investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value. In establishing the fair value of investments, the Borough uses the following hierarchy. The lowest level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Compensated Absences

Employees shall receive vacation pay prorated from the date of hire. The Borough's policy concerning vacation pay is that all vacation days earned must be taken by the end of the calendar year. Unused sick leave does not carry over from year to year. Any unused sick time is paid out on the first payday in December each year.

Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. The Borough is permitted to lien the customer's property if the customer does not remit payment for property taxes.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred Inflows and Deferred Outflows 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 has one item that qualifies for reporting in this category on the government-wide statements. Certain changes to the net pension liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows of resources on the entity-wide statement of net position.

In addition to liabilities, the statement of net 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 two items that qualify for reporting in this category on the government-wide statements. Certain changes to the net pension and OPEB liabilities are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred inflows of resources on the entity-wide statement of net position. The governmental funds report unavailable revenues from one source: property taxes. These amounts are reflected as deferred inflows of resources on the general fund balance sheet and recognized as an inflow of resources in the period that the amounts become available.

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 reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Long-term Liabilities

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

In the fund financial statements, governmental fund types, the face amount of debt issued is reported as other financing sources.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Borough's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of GASB Statement

During the year ended December 31, 2022, the Borough implemented GASB Statement No. 87, "Leases." The purpose of this statement is to increase the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Borough does not have a policy for custodial credit risk on deposits. The Borough is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

At December 31, 2022, the carrying amount of the Borough's deposits was \$12,368,645, and the bank balance was \$12,742,590 (excluding the pension funds which are disclosed in Notes 9 and 10). Of the bank balance, \$250,000 was covered by federal depository insurance; \$3,172,967 was exposed to custodial credit risk because it was uninsured, and the collateral held by the depository's agent was not in the Borough's name; and \$9,319,623 was with the Pennsylvania Local Government Investment Trust (PLGIT). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the deposits with PLGIT act like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of December 31, 2022, PLGIT had a credit rating of AAAM.

Component Unit

At December 31, 2022, the carrying amount of the Authority's deposits was \$5,081,191, and the bank balance was \$5,094,085. Of the bank balance, \$382,056 was covered by federal depository insurance, and \$4,712,029 was exposed to custodial credit risk because it was uninsured, and the collateral held by the depository's agent was not in the Authority's name.

Investments

Statutes authorize the Borough to invest in obligations of the U.S. Treasury; agencies and instrumentalities; deposits in savings accounts or time deposits; or share amounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation (FSLIC), or the National Credit Union Share Insurance Fund (NCUSIF). The Borough also is authorized to invest in obligations of the United States of America or any of its instrumentalities or agencies backed by the full faith and credit of the United States of America or the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities.

As of December 31, 2022, excluding the pension funds (see Notes 9 and 10), the Borough had no investments.

Component Unit

Statutes authorize the Authority to invest in obligations of the U.S. Treasury; agencies and instrumentalities; deposits in savings accounts or time deposits or share accounts of institutions insured by the FDIC, the FSLIC, or the NCUSIF. The Authority also is authorized to invest in obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, or the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

Investments consist of nonnegotiable certificates of deposit and are recorded at cost, which approximates fair value. Nonnegotiable certificates of deposit are nonparticipating interest earning investment contracts which are exempt from fair value measurement and disclosure requirements.

As of December 31, 2022, the Authority had \$303,130 invested in certificates of deposit due within one year.

Interest Rate Risk

The Authority does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2022, all of the Authority's investments had maturity dates of one year or less.

Custodial Credit Risk

For an investment, 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 security that are in the possession of an outside party. As of December 31, 2022, none of the Authority's investments were subject to custodial credit risk.

Concentration and Credit Risk

The Authority does not have a policy that would limit the amount it may invest in any one issuer. As of December 31, 2022, all of the Authority's investments were in the form of certificates of deposit held by S&T Bank and Citadel Federal Credit Union.

NOTE 3 PROPERTY, PLANT, AND EQUIPMENT

Primary Government

<u>Governmental Activities</u>	<u>Balance 01/01/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/22</u>
Capital assets not being depreciated/amortized:				
Land	\$ 755,706	\$ -	\$ -	\$ 755,706
Construction-in-progress	1,128,662	2,183,170	1,154,939	2,156,893
Total capital assets not being depreciated/amortized	1,884,368	2,183,170	1,154,939	2,912,599

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 3 PROPERTY, PLANT, AND EQUIPMENT (cont'd)

<u>Governmental Activities</u> (cont'd)	<u>Balance</u> <u>01/01/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/22</u>
Capital assets being depreciated/ amortized:				
Land improvements	458,040	-	-	458,040
Infrastructure	18,578,844	1,380,439	-	19,959,283
Building and building improvements	8,135,187	9,248	-	8,144,435
Machinery and equipment	7,597,298	435,628	402,539	7,630,387
Right-to-use assets	-	1,482,099	-	1,482,099
	<u>34,769,369</u>	<u>3,307,414</u>	<u>402,539</u>	<u>37,674,244</u>
Accumulated depreciation/ amortization	<u>16,636,417</u>	<u>1,626,510</u>	<u>379,848</u>	<u>17,883,079</u>
Total capital assets being depreciated/amortized, net	<u>18,132,952</u>	<u>1,680,904</u>	<u>22,691</u>	<u>19,791,165</u>
Governmental Activities, Net	<u>\$20,017,320</u>	<u>\$ 3,864,074</u>	<u>\$ 1,177,630</u>	<u>\$22,703,764</u>

Depreciation/amortization expense was charged to the following functions:

General government	\$ 190,492
Public safety	960,687
Public works - highways and streets	319,526
Other public works	56,647
Culture and recreation	99,158
	<u>\$ 1,626,510</u>

<u>Business-type Activities</u>	<u>Balance</u> <u>01/01/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/22</u>
Capital assets not being depreciated:				
Land	\$ 31,000	\$ -	\$ -	\$ 31,000
Total capital assets not being depreciated	<u>31,000</u>	<u>-</u>	<u>-</u>	<u>31,000</u>
Capital assets being depreciated:				
Infrastructure	1,248,151	-	-	1,248,151
Machinery and equipment	1,172,870	-	-	1,172,870
	<u>2,421,021</u>	<u>-</u>	<u>-</u>	<u>2,421,021</u>
Accumulated depreciation	<u>2,122,287</u>	<u>54,726</u>	<u>-</u>	<u>2,177,013</u>
Total capital assets being depreciated, net	<u>298,734</u>	<u>(54,726)</u>	<u>-</u>	<u>244,008</u>
Business-type activities, Net	<u>\$ 329,734</u>	<u>\$ (54,726)</u>	<u>\$ -</u>	<u>\$ 275,008</u>

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 3 **PROPERTY, PLANT, AND EQUIPMENT** (cont'd)

Depreciation/amortization expense was charged to the sewer function.

Component Unit:

The changes in capital assets for the year ended December 31, 2022 are as follows:

	Beginning Balance 01/01/22	Additions	Deletions	Ending Balance 12/31/22
Capital assets not being depreciated/amortized:				
Land	\$ 468,785	\$ -	\$ -	\$ 468,785
Construction-in-progress	15,614	18,843	-	34,457
Total capital assets not being depreciated/amortized	<u>484,399</u>	<u>18,843</u>	<u>-</u>	<u>503,242</u>
Capital assets being depreciated/ amortized:				
Water plant	13,272,666	31,500	-	13,304,166
Water system	6,594,720	242,172	-	6,836,892
Land improvements	11,536	-	-	11,536
Right-to-use assets	63,765	-	-	63,765
Furniture and equipment	723,775	91,660	-	815,435
Total capital assets being depreciated/amortized	20,666,462	365,332	-	21,031,794
Accumulated depreciation/ amortization	<u>(11,493,919)</u>	<u>(512,412)</u>	<u>-</u>	<u>(12,006,331)</u>
Capital assets being depreciated/ amortized, net	<u>9,172,543</u>	<u>(147,080)</u>	<u>-</u>	<u>9,025,463</u>
CAPITAL ASSETS, NET	<u>\$ 9,656,942</u>	<u>\$ (128,237)</u>	<u>\$ -</u>	<u>\$ 9,528,705</u>

NOTE 4 **RECEIVABLES**

Receivables at December 31, 2022 consist of the following:

	Governmental	Enterprise	Component Unit
Receivables:			
Taxes	\$ 74,082	\$ -	\$ -
Accounts	115,392	810,348	1,569,008
Franchise fees	<u>35,046</u>	<u>-</u>	<u>-</u>
	<u>\$ 224,520</u>	<u>\$ 810,348</u>	<u>\$ 1,569,008</u>

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 5 EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2022, expenditures over appropriations for the General Fund were as follows:

Public works – highway and streets	\$ 341,789
Insurance, employee benefits, payroll taxes	\$ 528,202

The over expenditures were covered by revenues that exceeded budget and other expenditure categories being under budget.

NOTE 6 LONG-TERM DEBT

A schedule of long-term debt is as follows:

	Outstanding 01/01/22	Additions	Retirements	Outstanding 12/31/22	Amounts Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 3,035,000	\$ 5,345,000	\$ 570,000	\$ 7,810,000	\$ 580,000
Net OPEB liability	3,020,041	-	669,830	2,350,211	-
Net pension liability	1,147,215	2,048,652	-	3,195,867	-
Lease obligations	183,602	1,482,099	192,230	1,473,471	173,393
Total Governmental Activities	<u>\$ 7,385,858</u>	<u>\$ 8,875,751</u>	<u>\$ 1,432,060</u>	<u>\$ 14,829,549</u>	<u>\$ 753,393</u>

The governmental activities long-term liabilities are expected to be repaid by the General Fund.

General Obligation Note, Series of 2015, original principal amount of \$6,370,000, maturing December 1, 2015 through June 1, 2028, bearing interest at 2.07%, interest payable semi-annually on June 1 and December 1. The purpose of this issue was to advance refund General Obligation Bonds 2008 and 2011 and to partially refund General Obligation Bond 2010.

\$ 2,465,000

General Obligation Bonds, Series of 2022, original principal amount of \$5,345,000, maturing November 1, 2024 through November 1, 2047, bearing interest at 3.00%-4.00%, interest payable semi-annually on May 1 and November 1. The purpose of this issue was to finance the construction of a new borough building, acquire a property, and construct the new public works building.

\$ 5,345,000

Total

\$ 7,810,000

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

The total principal and interest maturities are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 580,000	\$ 259,181	\$ 839,181
2024	595,000	247,012	842,012
2025	610,000	234,213	844,213
2026	230,000	225,364	455,364
2027	235,000	220,439	455,439
2028 - 2032	1,055,000	1,019,423	2,074,423
2033 - 2037	1,225,000	807,000	2,032,000
2038 - 2042	1,480,000	542,000	2,022,000
2043 - 2047	1,800,000	222,000	2,022,000
TOTALS	<u>\$ 7,810,000</u>	<u>\$ 3,776,632</u>	<u>\$ 11,586,632</u>

Lease Obligations

The Borough has entered into lease agreements as a lessee for police, fire, and maintenance equipment. The leases have been capitalized (see Note 3).

Schedule of changes in leases:

	<u>Governmental Activities</u>
Balance January 1, 2022	\$ 183,602
Additions	1,482,099
Repayments	<u>(192,230)</u>
Balance December 31, 2022	<u>\$ 1,473,471</u>
Due in one year	<u>\$ 173,393</u>

Presented below is a summary of minimum lease payments to maturity by years:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 173,393	\$ 59,379
2024	150,144	52,175
2025	141,410	45,997

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2026	147,065	40,341
2027	129,876	34,458
2028	135,070	29,263
2029	140,473	23,861
2030	146,092	18,242
2031	151,936	12,398
2032	158,012	6,321
Totals	<u>\$ 1,473,471</u>	<u>\$ 322,435</u>

Component Unit

In July 2016, the Authority obtained a \$2,000,000 Promissory Note for the purpose of financing a capital project. The Promissory Note, Series of 2016, with a maximum draw amount of \$2,000,000, calls for quarterly payments of principal and interest at 2.46% and matures July 2023.

In September 2018, the Authority issued \$5,525,000 Guaranteed Water Revenue Note, Series of 2018 to refund the outstanding Series of 2008 bonds. The bonds mature through 2025 with interest of 2.74%.

The Authority's Guaranteed Water Revenue Note and Promissory Note are secured by all assets of the Authority and the water revenue consumer base.

The schedule of changes in long-term debt is as follows:

Note balance - January 1, 2022	\$ 3,534,499
Reductions	<u>(915,899)</u>
Long-term Debt Balance - December 31, 2022	<u>\$ 2,618,600</u>

A schedule of future maturities is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 819,200	\$ 71,750	\$ 890,950
2024	834,270	49,304	883,574
2025	853,510	26,445	879,955
2026	111,620	3,058	114,678
	<u>\$ 2,618,600</u>	<u>\$ 150,557</u>	<u>\$ 2,769,157</u>

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 7 TAXES

For 2022, the following tax was levied on assessed value of real estate:

Real estate bills: mailed April 1, discount period through May 31, face period through July 31, penalty period subsequent to July 31, lien date January 10.

The taxable assessed valuation of property as of December 31, 2022 is \$406,670,410, and the millage rate was 7.65.

Other taxes levied in 2022:

Real estate transfer - 1/2% of sale price
Earned income tax - 1% of net income

NOTE 8 INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2022 are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 77,485	\$ 352,250
Capital projects fund	246,250	77,485
Refuse fund - proprietary fund	13,704	-
Sewer fund - proprietary fund	-	13,704
Nonmajor funds	<u>106,000</u>	<u>-</u>
Total	<u>\$ 443,439</u>	<u>\$ 443,439</u>

These transfers are initiated in the normal course of operation to address individual fund needs throughout the year.

NOTE 9 POLICE PENSION PLAN

Plan description and provisions:

All of the Borough's full-time police employees participate in the pension plan and trust for the police officers of the Borough, as established by Borough Ordinance No. 89-4, as amended. The payroll for employees covered by the plan for the year ended December 31, 2022 was \$1,915,594; the Borough's total payroll was \$4,194,995.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

Separately issued financial statements are prepared for the Borough of Downingtown Police Pension Plan (the Plan) as of December 31, 2022 and are available through the Borough.

Plan Membership

As of December 31, 2022, membership consisted of:

Active employees	19
Retirees and beneficiaries currently receiving benefits	14
Beneficiaries not yet receiving benefits	<u>1</u>
TOTAL	<u>34</u>

Employees attaining the age of 50 who have completed 25 years of service are entitled to a monthly benefit equal to 50% of average monthly compensation averaged over the last 6 months of employment. An employee with a service-related disability is entitled to 50% of the member's salary offset by social security benefits. An active employee who leaves the employment of the Borough or ceases to be a member, whether by reason of nonactive disability or resignation, may elect to receive a refund of all contributions made by that employee then on deposit in the trust fund plus interest; or may elect to leave all contributions, plus interest in the plan, so as to receive a vested pension benefit to start at normal retirement date.

Spouses receive 50% of the pension which the retired member was receiving if an officer is killed in service. If vested, refund of contributions with interest of 50% of vested benefit payable beginning at officer's superannuation retirement date.

Benefits vest after 12 years of service. This benefit is based on the ratio of service actually completed at date of termination to services that would have been completed at retirement date.

Method Used to Value Investments

In accordance with the GASB Codification section on asset valuation, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

Deposits and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned. At December 31, 2022, the carrying amount of the Plan's deposits was \$673,513. Of this balance, \$34,367 represents bank deposits, while \$639,146 is held in a money market fund by the trustee of the Plan in the Plan's name. Of the bank deposits, \$34,367 was covered by FDIC insurance. The money market fund was subject to custodial credit risk, as outlined in the investments section.

Investments

The investment objective of the Plan is to provide modest capital appreciation and income by balancing reasonable return expectations with appropriate levels of risk. The Plan's portfolio is comprised of equity, fixed income, and cash equivalent securities and, as such, is intended to provide steady growth while limiting fluctuations.

As of December 31, 2022, the Plan had the following investments:

	Fair Value	Level 1	Level 2	Less Than One Year	One to Five Years	Six to Ten Years
Mutual funds:						
Opportunistic income taxable	\$ 1,335,683	\$ 1,335,683	\$ -	\$ -	\$ -	\$ -
Alternative investments	538,966	538,966	-	-	-	-
Stocks:						
High dividend income	2,856,103	2,856,103	-	-	-	-
Equity U.S. core	2,696,820	2,696,820	-	-	-	-
Exchange-traded funds:						
Mid cap Equity	45,170	45,170	-	-	-	-
Small cap Equity	45,417	45,417	-	-	-	-
Opportunistic income taxable	270,580	270,580	-	-	-	-
Corporate bonds	467,321	-	467,321	24,982	300,728	141,611
Municipal bonds	23,115	-	23,115	-	-	23,115
U.S. Government and agency obligation	704,531	704,531	-	105,372	475,940	123,219
	<u>\$ 8,983,706</u>	<u>\$ 8,493,270</u>	<u>\$ 490,436</u>	<u>\$ 130,354</u>	<u>\$ 776,668</u>	<u>\$ 123,219</u>

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

Investments in agencies of the U.S. Government have an implied but not explicit guarantee.

Interest Rate Risk

The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Plan manages its custodial credit risk through requiring that its broker-dealer or custodian shall be a member in good standing of the Securities Investor Protection Corporation, established under the Securities Investor Protection Act of 1970.

Credit Risk

The Plan does not have an investment policy which limits investment choices to those with certain credit ratings. Of the \$467,321 invested in corporate bonds, \$153,515 was rated A by Moody's; \$313,806 was rated BAA by Moody's. The \$23,115 invested in municipal bonds was rated AA by Moody's.

Concentrations

At December 31, 2022, there were no investments in any one organization that represented 5% or more of net position available for benefits.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are charged to the Plan and paid from the pension fund.

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation (MMO). The MMO is based upon the Plan's biennial actuarial valuation. During 2022, the employees contributed \$51,208 to the Plan. The State provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state contribution must be funded by the employer in accordance with Act 205; this amounted to \$174,308 for the year ended December 31, 2022.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

Act 44 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 up to 60 months. The monthly pension shall be calculated as of the date of the participation in the DROP. The DROP plan account balance is distributed to the member in a lump sum at the termination of the DROP.

As of December 31, 2022, there was one member participating in the DROP program. The balance of the amount held by the Plan pursuant to the DROP was \$101,291.

Actuarial Methods and Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liability as of December 31, 2022 was determined as part of the actuarial valuation at January 1, 2021. Update procedures were used to roll forward the January 1, 2021 liability to the Plan's fiscal year ended December 31, 2022. The Plan's actuarial assumptions, asset valuation method, and cost method are as follows:

- Actuarial Valuation Date – January 1, 2021
- Actuarial Cost Method – Entry Age
- Amortization Method – Level Dollar
- Remaining Amortization Period – 12 years
- Asset Valuation Method – Smoothing per section 210(a) of Act 44
- Assumptions:
 - Inflation – 2.25%
 - Salary Increases – 5.00%
 - Investment Rate of Return – 7.75%
 - Retirement Age – 50

Mortality rates were based on the PUBS-2010 Mortality Tables projected 5 years past the valuation date using scale MP-2020.

The Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Borough Council and Pension Board. The objective of the investment strategy is to provide modest capital appreciation and income by balancing reasonable return expectations with appropriate levels of risk. The portfolio is intended to provide steady growth while limiting fluctuation to less than that of the overall stock market. The Plan's formal Investment Policy Statement, which is revised periodically, provides more comprehensive details on investment strategy and authorized investments.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

The Plan's investment policy establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity U.S. Core	47.00%	5.64%
Equity international	13.00%	6.42%
Alternative investments	5.00%	8.00%
Fixed income - opportunistic	20.00%	1.55%
Fixed income	15.00%	<u>1.35%</u>
Total Net Blended Return		<u><u>4.33%*</u></u>

* - Excludes 2.25% inflation assumption

Long-term Expected Rate of Return (Including Inflation) – (10.91%)

The long-term expected rate of return on the Plan's investments was determined using an asset allocation study conducted by the Plan's investment management consultant in December 2022 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were 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 or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2022 are listed in the previous table.

Discount Rate Determination

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. 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. Based upon the Plan's current target investment allocation and the associated long-term expected investment returns for its asset classes, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2021	\$12,050,159	\$10,902,944	\$ 1,147,215
Service cost	439,315	-	439,315
Interest cost	912,809	-	912,809
Contributions – employer	-	174,308	(174,308)
Contributions – state aid	-	279,744	(279,744)
Contributions – member	-	51,208	(51,208)
Net investment income	-	(1,189,660)	1,189,660
Benefit payments	(543,964)	(543,964)	-
Administrative expense	-	(12,200)	12,200
Other changes	-	72	(72)
Net changes	808,160	(1,240,492)	2,048,652
Balances at December 31, 2022	\$12,858,319	\$ 9,662,452	\$ 3,195,867

Net Pension Liability Sensitivity

Following is a sensitivity analysis of the net pension liability to changes in the discount rate. The next table presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability	\$ 4,712,845	\$ 3,195,867	\$ 1,915,057

Money-weighted Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on the police pension plan investments, net of investment expense, was (10.91)%. The money-

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 9 POLICE PENSION PLAN (cont'd)

weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Liability, Expense, Deferred Outflows, and Deferred Inflows of Resources

For the year ended December 31, 2022, the Borough recognized pension expense of \$836,941. At December 31, 2022, the Borough reported deferred outflows and deferred inflows of resources related to the police pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 560,348
Changes in assumptions	497,206	-
Net difference between projected and actual earnings on investments	<u>1,269,886</u>	<u>-</u>
	<u>\$ 1,767,092</u>	<u>\$ 560,348</u>

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

Year Ended December 31,

2023	\$ 148,396
2024	304,987
2025	312,279
2026	422,166
2027	<u>18,916</u>
	<u>\$ 1,206,744</u>

NOTE 10 NON-UNIFORMED PENSION PLAN

Plan description and provisions:

The Borough of Downingtown Non-Uniformed Pension Plan (the Plan) is a single employer defined contribution pension plan controlled by the provisions of Ordinance No. 89-10, adopted pursuant to the Borough Code. The Plan is governed by the Borough Council, which is responsible for the management of plan assets. The Borough Council has delegated the authority to manage certain plan assets to Rochdale Investment Management.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 10 NON-UNIFORMED PENSION PLAN (cont'd)

Separately issued financial statements are prepared for the Plan as of December 31, 2022 and are available through the Borough.

Plan Membership

As of December 31, 2022, membership consisted of:

Active employees	23
Vested terminated members	2
Retirees and beneficiaries currently receiving benefits	<u>-</u>
TOTAL	<u>25</u>

Eligibility Requirements

The eligibility requirements and benefit provisions of the Plan are as follows:

Normal Retirement – Age 65 with 10 years of service

Early Retirement – Age 60

Contributions

The Borough is not currently making contributions to a qualified trust.

Vesting – as follows:

<i>Years of Service</i>	<i>Vesting Percentage</i>
Less than 5	0%
5 or more	100%

Retirement Benefit – The vested value of member's account;

Survivor Benefit – Normal form is joint and 50% survivor benefit unless other option is chosen;

Disability Benefit – Service-related – Member shall be 100% vested and receive member's account value; and

Disability Benefit – Nonservice-related – Same as above.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 10 NON-UNIFORMED PENSION PLAN (cont'd)

Funding Policy

Active members of the Plan are not required to contribute to the pension plan. The municipality is required to contribute 7% of members' compensation.

The pension plan also may be eligible for an annual allocation from the General Municipal Pension System State Aid Program which must be used to reduce or eliminate the required municipal contribution.

Deposits and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. At December 31, 2022, the carrying amount of the Plan's deposits was \$423,322. Of this balance, \$22,538 represents bank deposits, while \$400,784 is held in a money market fund by the trustee of the Plan in the Plan's name. All the bank deposits were covered by FDIC insurance. The money market fund was subject to custodial credit risk, as outlined in the investments section.

Investments

The investment objective of the Plan is to maintain a balanced portfolio comprised of equity, fixed income, and cash equivalent securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios.

As of December 31, 2022, the Plan had the following investments:

	Fair Value	Level 1	Level 2	Less than One Year	One to Five Years	Six to Ten Years
Mutual Funds:						
Opportunistic income	\$ 375,663	\$ 375,663	\$ -	\$ -	\$ -	\$ -
Alternative investments	141,615	141,615	-	-	-	-
Stocks:			-			
Equity income	741,382	741,382	-	-	-	-
Core equity	699,975	699,975	-	-	-	-
Exchange-traded Funds:						
Small cap equity	10,163	10,163	-	-	-	-
Mid cap equity	11,360	11,360	-	-	-	-
U.S. government and agency obligations	43,794	43,794	-	-	43,794	-
Corporate bonds	292,089	-	292,089	24,820	211,639	55,630
	<u>\$2,316,041</u>	<u>\$2,023,952</u>	<u>\$ 292,089</u>	<u>\$ 24,820</u>	<u>\$ 255,433</u>	<u>\$ 55,630</u>

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 10 NON-UNIFORMED PENSION PLAN (cont'd)

Credit Risk

The Plan does not have an investment policy which limits investment choices to those with certain credit ratings. Of the \$292,089 invested in corporate bonds, \$9,614 was rated Aaa by Moody's; \$14,390 was rated Aa2 by Moody's; \$69,206 was rated A1 by Moody's; \$84,313 was rate A2 by Moody's; \$12,473 was rated A3 by Moody's; \$27,304 was rate Baa1 by Moody's; and \$74,789 was rated Baa2 by Moody's.

Interest Rate Risk

The Plan 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.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are charged to the Plan and paid from the Plan.

Concentrations

At December 31, 2022, there were no investments in any one organization that represent 5% or more of net position available for benefits.

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation (MMO). The MMO is based upon the Plan's biennial actuarial valuation. The State provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state contributions must be funded by the employer in accordance with Act 205; this amounted to \$160,477 for the year ended December 31, 2022.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

The Borough of Downingtown's Other Postemployment Benefits (OPEB) offered to police employees and retirees is a single employer defined benefit plan for benefits other than pension which is controlled by the provisions of a collectively bargained agreement between the Borough of Downingtown and Downingtown Police Association effective 2020 through 2023.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Plan Membership

As of December 31, 2022, membership consisted of:

Retirees and beneficiaries currently receiving benefits	6
Other active employees not fully eligible	<u>18</u>
 TOTAL	 <u>24</u>

Actuarial Assumptions and Other Inputs

An actuarial valuation of the total OPEB liability is performed biennially. The total OPEB liability was determined as part of the actuarial valuation at January 1, 2021. Update procedures were used to roll forward January 1, 2021 liabilities to the Plan's fiscal year ended December 31, 2022.

Discount Rate

The discount rate was 4.31% based on the S&P 20-year AA municipal bond rate.

Withdrawal

No withdrawal from the plan was assumed.

Mortality

2010 Public Safety Amount Based Mortality Tables projected to 2026 using Scale MP-2020.

Disability

No disability was assumed.

Retirement

Retirement is assumed to occur at a minimum of age 50 with 25 years of service.

Percent of Eligible Retirees Electing Coverage in Plan

It is assumed that 100% of retirees and spouses who are eligible to receive the monthly stipend are assumed to do so. No retirees or spouses are assumed to participate in Borough-provided health coverage. All retirees are assumed to go elsewhere for coverage.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Percent Married at Retirement

Eighty percent of employees are assumed to be married and have a spouse covered by the plan at retirement.

Spouse Age

Female spouses are assumed to be the same age as male spouses.

Actuarial Value of Assets

There are no invested assets.

Actuarial Cost Method – Entry Age Normal

Under the entry age normal cost method, the normal cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The accrued liability as of the valuation date is the excess of the present value of future benefits over the present value of future normal cost. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets. Actuarial gains and losses serve to reduce or increase the unfunded accrued liability.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 3.31%	Current Discount Rate 4.31%	1% Increase 5.31%
Total OPEB liability	\$ 2,719,986	\$ 2,350,211	\$ 2,052,345
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 2,719,986</u>	<u>\$ 2,350,211</u>	<u>\$ 2,052,345</u>

The following presents the net OPEB liability, calculated using the valuation healthcare trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

one percentage point lower each year or one percentage point higher each year than the current rate.

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,350,211	\$ 2,350,211	\$ 2,350,211
Fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability	<u>\$ 2,350,211</u>	<u>\$ 2,350,211</u>	<u>\$ 2,350,211</u>

Changes in Total OPEB Liability

Total OPEB liability - beginning	\$ 3,020,041
Service cost	166,524
Interest	71,235
Changes of assumptions	(866,202)
Benefit payments	<u>(41,387)</u>
Net change	<u>(669,830)</u>
Total OPEB liability - ending	<u>\$ 2,350,211</u>

OPEB Liability, Expense, and Deferred Inflows of Resources

For the year ended December 31, 2022, the Borough recognized OPEB expense of \$224,803. At December 31, 2022, the Borough reported deferred inflows of resources related to the police OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 13,596
Changes in assumptions	<u>577,715</u>	<u>769,957</u>
	<u>\$ 577,715</u>	<u>\$ 783,553</u>

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

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

Year Ended December 31,

2023	\$ (12,956)
2024	(12,956)
2025	(12,956)
2026	(12,956)
2027	(12,956)
Thereafter	<u>(141,058)</u>
	<u>\$ (205,838)</u>

NOTE 12 FUND BALANCES

As of December 31, 2022, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid expenditures	\$ 17,796	\$ -	\$ -	\$ 17,796
Restricted:				
Highway projects	-	-	210,839	210,839
Assigned:				
Capital improvements	-	3,724,312	26,812	3,751,124
Parks and recreation	11,363	-	-	11,363
Unassigned	<u>7,854,433</u>	<u>-</u>	<u>-</u>	<u>7,854,433</u>
Total Fund Balances	<u>\$ 7,883,592</u>	<u>\$ 3,724,312</u>	<u>\$ 237,651</u>	<u>\$ 11,845,555</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Borough considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Borough considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

BOROUGH OF DOWNINGTOWN
NOTES TO FINANCIAL STATEMENTS

NOTE 13 TAX ABATEMENTS

The Borough abates 100% of real property tax, earned income tax, mercantile, and business privilege taxes within a specific geographic area in the Borough designated as a Keystone Opportunity Expansion Zone or Keystone Opportunity Improvement Zone (KOZ) by the State of Pennsylvania under the Keystone Opportunity Zone Act 92 of 1998, as amended by Act 16 of 2012 in order to foster economic opportunities, stimulate industrial, commercial, and residential improvements, and prevent physical and infrastructure deterioration within areas of the Borough. The Borough contains four parcels within the KOZ. The gross amount of taxes abated for the year ended December 31, 2022 was \$3,184.

NOTE 14 INSURANCE RECOVERY

In September 2021, the Borough sustained significant flood damage as a result of Hurricane Ida. The Borough received \$1,179,473 in insurance recovery payments in 2022. These payments mostly covered the replacement cost of vehicles and equipment lost in the flood. The replacement assets were capitalized in the governmental and business-type activities.

NOTE 15 SUBSEQUENT EVENTS

The Borough has evaluated all subsequent events through July 24, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**BOROUGH OF DOWNINGTOWN
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY, RELATED RATIOS, AND INVESTMENT RETURNS - POLICE PENSION PLAN

<u>TOTAL PENSION LIABILITY</u>	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service cost	\$ 439,315	\$ 388,302	\$ 338,726	\$ 322,596	\$ 268,983	\$ 256,174	\$ 219,941	\$ 209,468	\$ 246,313
Interest cost	912,809	882,437	833,977	775,060	733,635	695,695	704,871	676,414	624,017
Difference between expected and actual experience	-	(544,567)	-	(31,929)	-	(620,840)	-	(25,649)	-
Changes in assumptions	-	691,664	-	-	-	23,730	-	177,573	-
Benefit payments	(543,964)	(437,126)	(378,477)	(376,183)	(636,798)	(344,057)	(613,210)	(468,079)	(192,813)
NET CHANGE IN TOTAL PENSION LIABILITY	808,160	980,710	794,226	689,544	365,820	10,702	311,602	569,727	677,517
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	12,050,159	11,069,449	10,275,223	9,585,679	9,219,859	9,209,157	8,897,555	8,327,828	7,650,311
TOTAL PENSION LIABILITY, END OF YEAR	<u>\$12,858,319</u>	<u>\$12,050,159</u>	<u>\$11,069,449</u>	<u>\$10,275,223</u>	<u>\$ 9,585,679</u>	<u>\$ 9,219,859</u>	<u>\$ 9,209,157</u>	<u>\$ 8,897,555</u>	<u>\$ 8,327,828</u>
<u>PLAN FIDUCIARY NET POSITION</u>									
Contributions:									
Employer	\$ 174,308	\$ 163,008	\$ 156,489	\$ 135,235	\$ 128,618	\$ 48,415	\$ 71,784	\$ 58,910	\$ 48,778
State aid	279,744	287,837	275,735	296,989	257,641	247,766	131,215	98,919	100,690
Member	51,208	87,736	54,278	48,781	66,088	82,147	75,443	36,320	32,682
Net investment income (loss)	(1,189,661)	1,269,197	399,430	1,383,494	(409,528)	966,141	518,188	7,065	499,352
Other income	73	-	15	885	-	-	24,402	5,651	-
Benefit payments	(543,964)	(437,126)	(378,477)	(376,183)	(636,798)	(344,057)	(613,210)	(468,079)	(192,813)
Administrative expenses	(12,200)	(16,300)	(12,900)	(17,400)	(12,850)	(15,700)	(11,400)	(15,450)	(9,900)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(1,240,492)	1,354,352	494,570	1,471,801	(606,829)	984,712	196,422	(276,664)	478,789
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	10,902,944	9,548,592	9,054,022	7,582,221	8,189,050	7,204,338	7,007,916	7,284,580	6,805,791
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ 9,662,452</u>	<u>\$10,902,944</u>	<u>\$ 9,548,592</u>	<u>\$ 9,054,022</u>	<u>\$ 7,582,221</u>	<u>\$ 8,189,050</u>	<u>\$ 7,204,338</u>	<u>\$ 7,007,916</u>	<u>\$ 7,284,580</u>
BOROUGH'S NET PENSION LIABILITY	<u>\$ 3,195,867</u>	<u>\$ 1,147,215</u>	<u>\$ 1,520,857</u>	<u>\$ 1,221,201</u>	<u>\$ 2,003,458</u>	<u>\$ 1,030,809</u>	<u>\$ 2,004,819</u>	<u>\$ 1,889,639</u>	<u>\$ 1,043,248</u>
Plan fiduciary net position as a percentage of total pension liability	75.15%	90.48%	86.26%	88.12%	79.10%	88.82%	78.23%	78.76%	87.47%
Covered employee payroll	\$ 1,915,594	\$ 2,072,552	\$ 1,900,000	\$ 1,818,656	\$ 1,609,014	\$ 1,426,872	\$ 1,420,000	\$ 1,282,876	\$ 1,208,126
Borough's net pension liability as a percentage of covered payroll	166.83%	55.35%	80.05%	67.15%	124.51%	72.24%	141.18%	147.30%	86.35%
Annual money-weighted rate of return, net of investment expense	-10.91%	13.29%	4.41%	18.25%	-5.01%	13.41%	7.39%	0.12%	7.41%

Notes to Schedule

Cumulative Information: The requirement is to show information for 10 years; however, until a full 10-year trend is compiled, the Plan shall present information for the years for which information is available.

Assumption Changes: a) In 2015, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA. b) In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 to the Blue Collar RP-2000 Table projected to 2017 using Scale AA. In 2021, the interest rate assumption was lowered from 8.0% to 7.75% per annum, and the mortality assumption was changed from the BC RP-2000 Table projected to 2017 using Scale AA to the PubS-2010 projected 5 years past the valuation date with Scale MP-2020.

**BOROUGH OF DOWNINGTOWN
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN

<u>Year</u>	<u>Actuarial Determined Contribution</u>	<u>Contributions from Employer</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Payroll</u>
2013	\$ 155,672	\$ 158,895	\$ (3,223)	\$ 1,533,155	10.36%
2014	149,468	149,468	-	1,208,126	12.37%
2015	157,829	157,829	-	1,282,876	12.30%
2016	202,999	202,999	-	1,420,000	14.30%
2017	296,181	296,181	-	1,426,872	20.76%
2018	386,259	386,259	-	1,609,014	24.01%
2019	432,224	432,224	-	1,818,656	23.77%
2020	341,688	432,224	(90,536)	1,900,000	22.75%
2021	365,845	450,845	(85,000)	2,072,552	21.75%
2022	454,052	454,052	-	1,915,594	23.70%

Notes to Schedule of Employer Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of 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
Amortization method	Level dollar
Remaining amortization period	12 years
Asset valuation method	Smoothing per Section 201 (a) of Act 44
Inflation	2.25%
Salary increases	5.00%
Investment rate of return	7.75%
Retirement age	50
Mortality	MP-2020 table - This table is projected to 2026 using Scale AA.

**BOROUGH OF DOWNINGTOWN
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CHANGES IN NET THE OPEB LIABILITY AND RELATED RATIOS

<u>TOTAL OPEB LIABILITY</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 166,524	\$ 158,594	\$ 73,647	\$ 70,140	\$ 62,619	\$ 59,637
Interest cost	71,235	66,911	58,503	54,808	51,912	48,898
Changes in benefit terms	-	490,147	-	-	-	-
Differences between expected and actual experience	-	(6,508)	-	(14,290)	-	-
Changes in assumptions and cost method	(866,202)	748,637	-	-	-	-
Contributions - employer	<u>(41,387)</u>	<u>(41,387)</u>	<u>(29,867)</u>	<u>(29,958)</u>	<u>(31,114)</u>	<u>(31,173)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(669,830)	1,416,394	102,283	80,700	83,417	77,362
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	<u>3,020,041</u>	<u>1,603,647</u>	<u>1,501,364</u>	<u>1,420,664</u>	<u>1,337,247</u>	<u>1,259,885</u>
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 2,350,211</u>	<u>\$ 3,020,041</u>	<u>\$ 1,603,647</u>	<u>\$ 1,501,364</u>	<u>\$ 1,420,664</u>	<u>\$ 1,337,247</u>
<u>PLAN FIDUCIARY NET POSITION</u>						
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOROUGH'S NET OPEB LIABILITY	<u>\$ 2,350,211</u>	<u>\$ 3,020,041</u>	<u>\$ 1,603,647</u>	<u>\$ 1,501,364</u>	<u>\$ 1,420,664</u>	<u>\$ 1,337,247</u>
Plan fiduciary net position as a percentage of total pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 2,372,546	\$ 2,259,568	\$ 2,073,688	\$ 1,974,941	\$ 1,804,750	\$ 1,718,809
Borough's net OPEB liability as a percentage of covered payroll	99.06%	133.66%	77.33%	76.02%	78.72%	77.80%

Note on Cumulative Information:

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Assumption Changes: a) The discount rate changed from 2.25% to 4.31%.

**BOROUGH OF DOWNINGTOWN
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

<u>Year</u>	<u>Actuarial Determined Contribution</u>	<u>Contributions from Employer</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Payroll</u>
2017	\$ -	\$ -	\$ -	\$ 1,718,809	0.00%
2018	-	-	-	1,804,750	0.00%
2019	-	-	-	1,974,941	0.00%
2020	-	-	-	2,073,688	0.00%
2021	-	-	-	2,259,568	0.00%
2022	-	-	-	2,372,546	0.00%

Notes to Schedule of Employer OPEB Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of 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:

Valuation date	January 1, 2021
Actuarial cost method	Entry age
Discount rate	4.31%
Salary increases	5.00%
Retirement age	50 with 25 years of service
Mortality	MP-2020 table. This table is projected to 2026 using Scale AA.

Notes on Cumulative Information:

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SUPPLEMENTARY INFORMATION

**BOROUGH OF DOWNINGTOWN
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	Special Revenue Funds			Capital Projects Funds	
	Parking Fund	Highway Aid Fund	Shade Tree Commission	Loghouse Maintenance Fund	Total
ASSETS					
Cash and cash equivalents	\$ 3,709	\$ 210,349	\$ 490	\$ 29,866	\$ 244,414
TOTAL ASSETS	<u>\$ 3,709</u>	<u>\$ 210,349</u>	<u>\$ 490</u>	<u>\$ 29,866</u>	<u>\$ 244,414</u>
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES:					
Accounts payable	\$ 1,449	\$ -	\$ -	\$ -	\$ 1,449
Accrued wages	5,314	-	-	-	5,314
TOTAL LIABILITIES	<u>6,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,763</u>
FUND BALANCES (DEFICITS):					
Restricted	-	210,349	490	-	210,839
Assigned	(3,054)	-	-	29,866	26,812
TOTAL FUND BALANCES (DEFICITS)	<u>(3,054)</u>	<u>210,349</u>	<u>490</u>	<u>29,866</u>	<u>237,651</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 3,709</u>	<u>\$ 210,349</u>	<u>\$ 490</u>	<u>\$ 29,866</u>	<u>\$ 244,414</u>

BOROUGH OF DOWNINGTOWN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Special Revenue Funds			Capital Projects Funds	
	Parking Fund	Highway Aid Fund	Shade Tree Commission	Loghouse Maintenance Fund	Total
REVENUES					
Fines, forfeits, and costs	\$ 20,021	\$ -	\$ -	\$ -	\$ 20,021
Interest, dividends, and rents	322	1,162	-	157	1,641
Intergovernmental revenues	-	186,438	-	-	186,438
Charges for services/fees	54,411	-	-	-	54,411
Miscellaneous/other	9,635	-	-	1,970	11,605
TOTAL REVENUES	<u>84,389</u>	<u>187,600</u>	<u>-</u>	<u>2,127</u>	<u>274,116</u>
EXPENDITURES					
Current:					
Public works - highways and streets	-	108,546	-	-	108,546
Other public works	205,012	-	-	-	205,012
Culture and recreation	-	-	560	-	560
Economic development	-	-	-	358	358
Debt service:					
Principal	6,350	-	-	-	6,350
TOTAL EXPENDITURES	<u>211,362</u>	<u>108,546</u>	<u>560</u>	<u>358</u>	<u>320,826</u>
OTHER FINANCING USES					
Insurance recovery	19,935	-	-	9,806	29,741
Transfers in	105,000	-	1,000	-	106,000
TOTAL OTHER FINANCING USES	<u>124,935</u>	<u>-</u>	<u>1,000</u>	<u>9,806</u>	<u>135,741</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(2,038)	79,054	440	11,575	89,031
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	<u>(1,016)</u>	<u>131,295</u>	<u>50</u>	<u>18,291</u>	<u>148,620</u>
FUND BALANCES (DEFICITS), END OF YEAR	<u>\$ (3,054)</u>	<u>\$ 210,349</u>	<u>\$ 490</u>	<u>\$ 29,866</u>	<u>\$ 237,651</u>

BOROUGH OF DOWNINGTOWN
COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2022
(With Summarized Comparative Data for December 31, 2021)

	Police Pension Fund	Non-Uniformed Pension Fund	Totals	
			2022	2021
ASSETS				
Cash and cash equivalents	\$ 673,512	\$ 423,322	\$ 1,096,834	\$ 324,242
Investments, at fair value	8,983,706	2,316,041	11,299,747	13,489,927
Receivables	5,234	-	5,234	17,417
Prepaid accounts	-	-	-	1,362
TOTAL ASSETS	<u><u>\$ 9,662,452</u></u>	<u><u>\$ 2,739,363</u></u>	<u><u>\$ 12,401,815</u></u>	<u><u>\$ 13,832,948</u></u>
 LIABILITIES AND NET POSITION				
LIABILITIES	\$ -	\$ -	\$ -	\$ -
 NET POSITION				
Restricted for pensions	<u>9,662,452</u>	<u>2,739,363</u>	<u>12,401,815</u>	<u>13,832,948</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 9,662,452</u></u>	<u><u>\$ 2,739,363</u></u>	<u><u>\$ 12,401,815</u></u>	<u><u>\$ 13,832,948</u></u>

BOROUGH OF DOWNINGTOWN
COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Summarized Comparative Data for the Year Ended December 31, 2021)

	Police Pension Fund	Non-Uniformed Pension Fund	Totals	
			2022	2021
ADDITIONS				
Contributions:				
State aid	\$ 279,744	\$ -	\$ 279,744	\$ 287,837
Employer	174,308	170,000	344,308	284,160
Employee	51,208	-	51,208	87,736
Total Contributions	<u>505,260</u>	<u>170,000</u>	<u>675,260</u>	<u>659,733</u>
Investment income (loss) :				
Interest and dividends	295,422	82,984	378,406	440,483
Net appreciation (depreciation) in fair value of investments	(1,428,195)	(402,321)	(1,830,516)	1,236,612
Investment expense	(56,888)	(15,813)	(72,701)	(72,530)
Net Investment Income (loss)	<u>(1,189,661)</u>	<u>(335,150)</u>	<u>(1,524,811)</u>	<u>1,604,565</u>
Other income	<u>74</u>	<u>1,801</u>	<u>1,875</u>	<u>-</u>
NET ADDITIONS	<u>(684,327)</u>	<u>(163,349)</u>	<u>(847,676)</u>	<u>2,264,298</u>
DEDUCTIONS				
Benefits paid	543,964	16,393	560,357	417,213
Refund of members' contributions	-	-	-	19,913
Administrative expenses	<u>12,200</u>	<u>10,900</u>	<u>23,100</u>	<u>29,000</u>
TOTAL DEDUCTIONS	<u>556,164</u>	<u>27,293</u>	<u>583,457</u>	<u>466,126</u>
CHANGE IN NET POSITION	(1,240,491)	(190,642)	(1,431,133)	1,798,172
NET POSITION, BEGINNING OF YEAR	<u>10,902,943</u>	<u>2,930,005</u>	<u>13,832,948</u>	<u>12,034,776</u>
NET POSITION, END OF YEAR	<u>\$ 9,662,452</u>	<u>\$ 2,739,363</u>	<u>\$ 12,401,815</u>	<u>\$ 13,832,948</u>