

BOROUGH OF SOUDERTON
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

BOROUGH OF SOUDERTON

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1 - 3
Management's Discussion and Analysis	4 - 14
Statement of Net Position	15
Statement of Activities.....	16
Balance Sheet – Governmental Funds	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Activities	19
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	21
Statement of Cash Flows – Proprietary Funds.....	22
Statement of Fiduciary Net Position.....	23
Statement of Changes in Fiduciary Net Position	24
Notes to Financial Statements.....	25 - 59
Supplementary Information:	
Budgetary Comparison Schedule – General Fund.....	60
Note to Budgetary Comparison Schedule.....	61
Schedules of Changes in Net Pension Liability.....	62 - 63
Schedules of Employer Contributions – Pension Plan	64 - 65



INDEPENDENT AUDITORS' REPORT

Borough Council
Borough of Souderton
Souderton, Pennsylvania

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Souderton, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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 Souderton's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 generally accepted 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 Souderton'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 Souderton's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of changes in net pension liability, and schedules of employer contributions – pension plan on pages 4 through 14 and 60 through 65 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.



STYER ASSOCIATES
Certified Public Accountants

Souderton, Pennsylvania
September 22, 2023

**BOROUGH OF SOUDERTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

Management's discussion and analysis is a required element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34. Its purpose is to provide an overview of the financial activities of the Borough based on currently known facts, decisions, and conditions to identify material deviations, fund issues, and concerns that may have an effect on the Borough's financial position in subsequent years.

Financial Highlights

- The assets of the Borough exceeded its liabilities at the close of the year by \$17,150,577 (*net position*).
- The Borough's total net position decreased by \$53,507. Governmental activities accounted for \$123,608 of the decrease and business-type activities accounted for \$(177,115).
- As of the close of the current year, the Borough's governmental funds reported combined ending fund balances of \$1,551,551, an increase of \$95,077 in comparison with the prior year. 22% of this amount is *available for spending* at the Borough's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$358,783, or 8% of general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Borough's basic financial statements. The Borough's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements:

The *government-wide financial statements* are designed to provide the 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 and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the Borough may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the Borough may have used previously accumulated funds.

**BOROUGH OF SOUDERTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

Government-Wide Financial Statements (Continued):

The *statement of activities* presents information showing how the Borough's net position changed during the most recent fiscal 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 only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-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*). The governmental activities of the Borough include general government administration, public safety, and public works. The business-type activities are for sanitary sewer and cemetery operations. The government-wide financial statements can be found on pages 15 and 16 of this report.

Fund Financial Statements:

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Borough, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Borough's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

**BOROUGH OF SOUDERTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

Fund Financial Statements (Continued):

The Borough maintains four governmental fund types. The Borough adopts annual appropriated budgets for its governmental funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 17 through 19 of this report.

Proprietary Funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements to account for the Borough's sanitary sewer and cemetery operations. The basic proprietary fund financial statements can be found on pages 20 through 22 of this report.

Fiduciary Funds are used to report assets held in a trustee or custodial capacity for others. The basic fiduciary fund financial statements can be found on pages 23 through 24 of this report.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 59 of this report.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedules of changes in net pension liability and employer contributions. Required supplementary information can be found on pages 60 through 65 of this report.

The following table summarizes the Borough's Statement of Net Position:

**SUMMARY OF NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 3,108,992	\$ 2,979,822	\$ 2,215,819	\$ 2,217,962	\$ 5,324,811	\$ 5,197,784
Capital assets	<u>12,430,789</u>	<u>11,547,241</u>	<u>3,902,603</u>	<u>4,113,452</u>	<u>16,333,392</u>	<u>15,660,693</u>
Total Assets	<u>15,539,781</u>	<u>14,527,063</u>	<u>6,118,422</u>	<u>6,331,414</u>	<u>21,658,203</u>	<u>20,858,477</u>

**BOROUGH OF SOUDERTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

Other Information (Continued):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Deferred outflows of resources	<u>2,010,219</u>	<u>655,791</u>	<u>444,388</u>	<u>179,332</u>	<u>2,454,607</u>	<u>835,123</u>
Total Assets and Deferred Outflows of Resources	<u>\$17,550,000</u>	<u>\$15,182,854</u>	<u>\$ 6,562,810</u>	<u>\$6,510,746</u>	<u>\$24,112,810</u>	<u>\$21,693,600</u>
Long term liabilities outstanding	\$ 4,782,569	\$ 2,659,951	\$ 432,712	\$ 0	\$ 5,215,281	\$ 2,659,951
Other liabilities	<u>273,273</u>	<u>142,065</u>	<u>67,450</u>	<u>92,423</u>	<u>340,723</u>	<u>234,488</u>
Total Liabilities	<u>5,055,842</u>	<u>2,802,016</u>	<u>500,162</u>	<u>92,423</u>	<u>5,556,004</u>	<u>2,894,439</u>
Deferred inflows of resources	<u>1,406,229</u>	<u>1,440,157</u>	<u>0</u>	<u>178,560</u>	<u>1,406,229</u>	<u>1,618,717</u>
Net Position:						
Invested in capital assets net of related debt	9,594,284	9,104,264	3,902,603	4,113,453	13,496,887	13,217,717
Restricted	651,690	551,437	6,380,927	6,387,270	7,032,617	6,938,707
Unrestricted (deficit)	<u>841,955</u>	<u>1,284,980</u>	<u>(4,220,882)</u>	<u>(4,260,960)</u>	<u>(3,378,927)</u>	<u>(2,975,980)</u>
Total Net Position	<u>11,087,929</u>	<u>10,940,681</u>	<u>6,062,648</u>	<u>6,239,763</u>	<u>17,150,577</u>	<u>17,180,444</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$17,550,000</u>	<u>\$15,182,854</u>	<u>\$6,562,810</u>	<u>\$6,510,746</u>	<u>\$24,112,810</u>	<u>\$21,693,600</u>

At the end of the current year, the Borough is able to report positive balances in net position, both for the Borough as a whole, as well as for its separate governmental and business-type activities. The prior year amounts have not been restated in connection with the adoption of GASBS 87 as of January 1, 2022. See Note 15 for details on the impact of the adoption of GASBS 87 on total net position as of January 1, 2022.

Changes in net position are best presented in the Statement of Activities found on page 16 of this report. This financial statement is a presentation of net program expenses and revenues for governmental and business type activities and the resulting change in net position. This presentation provides a picture of the actual net cost of each program or function during the fiscal year and the resulting expense that must be absorbed by taxes, investment earnings, and other general revenue. Information from this statement is summarized and compared to the prior year in the following table:

**BOROUGH OF SOUDERTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

Other Information (Continued):

**CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Primary</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>Government</u>	<u>2021</u>
<u>Revenues:</u>						
Program revenues:						
Charges for services	\$ 1,753,980	\$ 1,312,079	\$1,686,467	\$1,686,878	\$3,440,447	\$ 2,998,957
Grants and contributions	894,041	478,969	68,411	14,092	962,452	493,061
General revenues:						
Property taxes	1,836,782	1,691,307			1,836,782	1,691,307
Other taxes	1,629,450	1,474,343			1,629,450	1,474,343
Other general revenues	74,408	49,277	9,235	(2,245)	83,643	47,032
Transfers	<u>67,365</u>	<u>67,365</u>	<u>(67,365)</u>	<u>(67,365)</u>	<u> </u>	<u> </u>
Total Revenues	<u>6,256,026</u>	<u>5,073,340</u>	<u>1,696,748</u>	<u>1,631,360</u>	<u>7,952,774</u>	<u>6,704,700</u>
<u>Expenses:</u>						
General government	765,096	639,390			765,096	639,390
Public safety	1,592,118	1,423,296			1,592,118	1,423,296
Refuse collection	878,248	492,856			878,248	492,856
Public works	1,351,305	1,243,694			1,351,305	1,243,694
Recreation and community development	874,316	856,320			874,316	856,320
Other expenses	671,335	82,068			671,335	82,068
Sewer fund			1,866,335	1,760,241	1,866,335	1,760,241
Cemetery fund			<u>7,528</u>	<u>7,034</u>	<u>7,528</u>	<u>7,034</u>
Total Expenses	<u>6,132,418</u>	<u>4,737,624</u>	<u>1,873,863</u>	<u>1,767,275</u>	<u>8,006,281</u>	<u>6,504,899</u>
Increase (decrease) in net position	123,608	335,716	(177,115)	(135,915)	(53,507)	199,801
NET POSITION-BEGINNING	<u>10,964,321</u>	<u>10,604,965</u>	<u>6,239,763</u>	<u>6,375,678</u>	<u>17,204,084</u>	<u>16,980,643</u>
NET POSITION – ENDING	<u>\$11,087,929</u>	<u>\$10,940,681</u>	<u>\$6,062,648</u>	<u>\$6,239,763</u>	<u>\$17,150,577</u>	<u>\$17,180,444</u>

The prior year amounts have not been restated due to the adoption of GASBS 87. See Note 15 for details on the impact of the adoption of GASBS 87 on total net position as of January 1, 2022.

**BOROUGH OF SOUDERTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS

As noted earlier, the Borough uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds:

The focus of the Borough's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Borough's financing requirements. In particular *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

This category is a grouping of all functions and programs other than the sewer and cemetery operations. This will include fund types such as the General Fund, Capital Reserve, Special Revenue Funds, and Debt Service Fund. The largest individual fund in this category is the Souderton Borough General Fund, which will be the concentration of discussion. Total governmental funds had an ending fund balance of \$1,551,551.

Proprietary Funds:

The Borough's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the sewer and cemetery funds at the end of the year totaled a negative \$(4,220,882). The total decrease in net position was \$177,115.

GENERAL FUND BUDGETARY HIGHLIGHTS

Taxes, Penalties and Interest:

Real Estate Tax revenue ended just shy of budget projections. Total assessed valuation of the Borough ended slightly below initial estimates due to a few successful assessment appeals. There is an expectation of nominal growth in total assessed valuation as new developments move forward. An active real estate market provided increased revenue from Real Estate Transfer taxes, which exceeded budget projections by \$49,094. Residential mortgage rates are increasing which is expected to slow the real estate market through 2023. Earned Income Tax and Local Services Tax revenue both exceeded budget projections. The overall strong performance of these taxes yielded a positive \$244,919 variance in tax revenue.

Franchise Taxes:

This category of revenue reflects Cable Television Franchise fees. Following a recent historical trend, Comcast and Verizon franchise fees again ended below budget projections by \$5,122, which is somewhat improved from 2021. Revenue from cable franchise fees is expected to continue a slow, steady decline. Technology advances in social media are providing additional options to users outside of traditional cable services. The negative budget variance will continue to require more conservative budgeting in future years.

**BOROUGH OF SOUDERTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

Permits, Fines and Licenses:

This category of funds primarily includes various fines collected through the budget year from District Court offices and Pennsylvania State Police. Revenue slightly exceeded budget projections.

Interest and Rents:

The Borough continues to diversify its cash holdings between Univest Bank and Trust Company and the Pennsylvania Local Government Investment Trust (PLGIT). The diversity of investments yielded greater interest return in 2022, primarily due to the performance of the PLGIT investment accounts, which ended nearly \$7,000 over budget estimates.

This category also includes rental income from the train station leases. Both the train station restaurant and wait station nail salon met their rental obligations through 2022. The Borough executed a lease agreement in 2022 for the freight building; however, this will require increased capital expenditures to complete the building improvements to implement the lease. Overall lease income exceeded estimates by over \$8,700.

Intergovernmental Revenue:

Intergovernmental revenue comes from a variety of federal, state, county, and local sources, typically in the form of grants to subsidize operational expenses or a specific capital project. For the 2022 calendar year this revenue category reflects a positive budget variance of \$191,245. Act 205 Pension Funding Assistance is deposited into the Borough's General Fund but must be transferred to the respective pension plans within 30 calendar days of receipt. The 2022 budget reflects actual pension expenses net of the State funding assistance which in large part resulted in the reported positive variance.

Intergovernmental revenue also includes State Operating Grants including recycling performance grants received through the Northern Recycling Commission, annual winter maintenance funding from PennDOT and an unexpected state grant for police equipment. Recycling and winter maintenance funds expected in 2021 were delayed into the 2022 calendar year. The Borough also received its anticipated funding assistance for the 2022 calendar year. The result provided nearly \$45,775 in state grant funds over budget estimates. State grant funding will drop to more historic levels in 2023.

Charges for Municipal Services:

This category of revenue includes building and zoning permit fees and trash collection service fees. Pool membership sales and other pool revenue is also included in this revenue category. Permit fees in 2022 followed budget projections, with increased revenue from the School District for their share of crossing guard salaries given the recent addition of posted crossing guards. Waste collection fees dramatically increased to cover the expenses of the new collection contract. Waste collection fees ended nearly \$20,000 better than budget estimates.

Pool membership sales exceeded budget projections in 2022 by slightly over \$30,000; however, fees from daily admissions, swim lessons and party rental fees all fell short of budget projections. Consideration must be given to better programming initiatives for the pool and other recreational facilities. Overall, this category had a positive budget variance of \$65,863.

**BOROUGH OF SOUDERTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

Miscellaneous Revenue:

Miscellaneous revenue had a positive variance of \$11,087 in 2022. Miscellaneous categories can be expected to vary from year to year and as such must be conservatively estimated.

Overall, the Borough realized \$219,065 in excess of revenues over expenditures in the 2022 Budget. This enabled a heavier transfer of funds to support capital projects. The increased fund transfers resulted in a \$19,065 net change in fund balance.

General Government Expenditures:

This grouping of expenditures includes all administrative, data processing, building maintenance, legal, financial and engineering expenses. Expenditures exceeded budget estimates by \$53,818, mostly related to general building and property maintenance by contracted services. Other administrative, finance and engineering expenses were nominally higher than budget estimates.

Public Safety Expenditures:

This grouping of expenses primarily includes the operations of the Police Department, which ended just slightly above budget projections. The Police Department has added additional personnel which will result in increased salary and benefit expenditures in future budgets.

This expenditure group also includes expenses relating to the volunteer emergency service organizations, code enforcement, planning and zoning activities. Workers Compensation expenses for the volunteer fire company are increasing due to a line of duty death and other market conditions. Overall public safety expenditures had a negative variance of \$31,169.

Refuse Collection:

Contracted service costs dramatically increased under the new contract which had been reflected in the 2022 Budget projections. Trash fees were increased by nearly 65% at the beginning of 2022 to cover the increased disposal costs. Increased fuel, energy, vehicle and labor expenses are major factors in the increasing costs. Overall, there was a nominal negative variance of \$11,388 for refuse collection services.

Public Works Expenditures:

This grouping covers the operations of the highway department and maintenance and repair of various public works facilities. Material costs and unplanned maintenance will certainly effect budget expectations. In 2022 the Borough expended \$13,000 more for salt and expended \$14,000 more in traffic signal maintenance than anticipated. The Borough salt supply is very good going into 2023 after a relatively mild winter. Vehicle maintenance will also be an expenditure to carefully watch as the fleet of vehicles age.

Recreation and Community Development:

Expenses for recreation and community development had a negative budget variance of \$40,445 primarily reflecting swimming pool operations and certain park and playground improvements. As previously mentioned, the Borough will need to evaluate ways to improve swimming pool operations and programs to yield revenue growth to offset operational expenditures.

**BOROUGH OF SOUDERTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

Capital Expenditures, Interfund Operating Transfers:

Interfund operating transfers to the Capital Reserve Fund exceeded initial budget projections by \$200,000. The additional interfund transfers were made possible through available excess cash reserves to satisfy some outstanding fund obligations and to further support planned capital projects.

Insurance and Employee Benefits:

The financial statement indicates a negative variance of \$123,705. Original budget projections include net expenses to fund the required Minimum Municipal Obligations to the police and non-uniformed pension plans in conjunction with the anticipated Act 205 State Pension Assistance which is passed through the General Fund. The actual pension expense is shown in this comparison, offset by the State Pension Assistance which is included under intergovernmental revenue. Actual net expenses are comparable to budget projections.

The financial statements reflect and discuss a significant negative effect of the declining investment markets on the Borough pension plans. The Borough, along with other municipal plans, lost significant investment income through the 2022 calendar year. The markets continue to be volatile and concerning. The Borough is at a historic low point in overall pension plan funding. The plan fiduciary net position as a percentage of total pension liability fell to 78.8% for the Non-Uniformed Pension Plan, compared to 106.3% in 2021, and the Police Pension Plan fell to 86.6%, which was at 114.5% in 2021. We expect that over time this loss will be recovered, but this poor performance is likely to affect pension expenses in future budgets.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets:

At the end of 2022, the Borough has \$16,333,392 net of depreciation invested in a broad range of capital assets, including equipment, buildings, park facilities, roads, bridges, sewer lines, and plant. This amount represents a net increase (including additions and deductions) of \$675,699.

**BOROUGH OF SOUDERTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

**CAPITAL ASSETS AT YEAR END
(NET OF DEPRECIATION)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 2,996,046	\$ 2,996,046	\$	\$	\$ 2,996,046	\$ 2,996,046
Construction in progress	241,357	96,130			241,357	96,130
Buildings	907,614	926,233			907,614	926,233
Right-to-Use Asset – Building	105,618	110,688			105,618	110,688
Equipment and vehicles	3,681,100	2,716,554	100,961	60,733	3,782,061	2,777,287
Infrastructure	<u>4,502,054</u>	<u>4,809,278</u>	<u>3,801,642</u>	<u>4,052,719</u>	<u>8,303,696</u>	<u>8,861,997</u>
Totals	<u>\$12,433,789</u>	<u>\$11,654,929</u>	<u>\$3,902,603</u>	<u>\$4,113,452</u>	<u>\$16,336,392</u>	<u>\$ 15,768,381</u>

Additional information on the Borough's capital assets can be found in note 6 on pages 37 through 39 of this report.

Long Term Liabilities:

At the end of the current year, the Borough had total outstanding long-term liabilities of \$4,782,569 and details are summarized in the following table:

OUTSTANDING LIABILITIES AT YEAR END

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Notes payable	\$2,709,220	\$2,442,977	\$	\$	\$2,709,220	\$2,442,977
Right-to-Use lease	127,286	128,538			127,286	128,538
Net pension liability	1,661,040				1,661,040	
Compensated absences	<u>285,023</u>	<u>216,974</u>			<u>285,023</u>	<u>216,974</u>
	<u>\$4,782,569</u>	<u>\$2,788,489</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$4,782,569</u>	<u>\$2,788,489</u>

Additional information on the Borough's long-term liabilities and compliance can be found in note 9 on pages 40 through 43.

**BOROUGH OF SOUDERTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

Summary:

Overall, the total net position of the Borough remained fairly stable through the 2022 calendar year, but experienced a slight decrease of \$53,507. The unassigned fund balance for the general fund at the end of 2022 was \$358,783, representing only 8% of general fund expenditures. At the close of 2020, the unassigned balance represented 12% of general fund expenditures. This continues to be a concern; the ultimate goal is to have an unassigned fund balance approaching 20% of expenditures.

The Borough's net pension assets significantly dropped due to market conditions. While both pension plans continue to be well funded, poor market conditions will make it very difficult for the pension plans to meet actuarial expectations. Depending on future performance in investment markets, pension costs will be a growing concern through 2023 and possibly beyond.

As with the general fund, focus must continue on the growth of cash reserves in the sewer fund, especially with aging equipment and pending revisions in environmental policy that will sharply reduce nutrient loading to the receiving streams. Depending on the severity of these reductions, along with aging equipment, Souderton Borough can be facing some very expensive upgrades at the wastewater treatment plant in the very near future.

Prepared By:

P. Michael Coll
Borough Manager/Secretary

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Borough's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Borough Manager, Souderton Borough, 31 West Summit Street, Souderton, PA 18964.

**BOROUGH OF SOUDERTON
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash.....	\$ 2,163,736	\$ 1,698,181	\$ 3,861,917
Investments		45,869	45,869
Receivables	849,228	424,134	1,273,362
Loan receivable.....	27,395		27,395
Prepaid expenses.....	97,098	19,170	116,268
Internal balances.....	(28,465)	28,465	
Capital Assets:			
Land	2,996,046		2,996,046
Construction in progress	238,357		238,357
Other capital assets, net of depreciation.....	9,196,386	3,902,603	13,098,989
Total Capital Assets.....	<u>12,430,789</u>	<u>3,902,603</u>	<u>16,333,392</u>
Total Assets.....	<u>15,539,781</u>	<u>6,118,422</u>	<u>21,658,203</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	<u>2,010,219</u>	<u>444,388</u>	<u>2,454,607</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	<u>\$ 17,550,000</u>	<u>\$ 6,562,810</u>	<u>\$ 24,112,810</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 193,639	\$ 25,163	\$ 218,802
Accrued expenses.....	79,634	42,287	121,921
Long term liabilities:			
Due within one year.....	243,361		243,361
Due in more than one year.....	4,539,208	432,712	4,971,920
Total Liabilities.....	<u>5,055,842</u>	<u>500,162</u>	<u>5,556,004</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	186,725		186,725
Deferred amounts relating to leases	475,893		475,893
Deferred revenue.....	<u>743,611</u>		<u>743,611</u>
Total Deferred Inflows of Resources	<u>1,406,229</u>	<u>0</u>	<u>1,406,229</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt ..	9,594,284	3,902,603	13,496,887
Restricted for:			
State liquid fuels funds.....	188,342		188,342
Library support.....	734		734
Capital projects		6,360,055	6,360,055
Debt service	44,690		44,690
Perpetual care.....		20,872	20,872
Redevelopment loan funds.....	417,924		417,924
Unrestricted (deficit)	<u>841,955</u>	<u>(4,220,882)</u>	<u>(3,378,927)</u>
Total Net Position.....	<u>11,087,929</u>	<u>6,062,648</u>	<u>17,150,577</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION.....	<u>\$ 17,550,000</u>	<u>\$ 6,562,810</u>	<u>\$ 24,112,810</u>

The notes to the financial statements are an integral part of this statement.

**BOROUGH OF SOUDERTON
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental activities:</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General government.....	\$ 765,096	\$ 3,606	\$	\$ (499,605)	\$	\$ (499,605)
Public safety.....	1,592,118	67,211		(1,331,051)		(1,331,051)
Refuse collection	878,248	26,198		50,515		50,515
Public works	1,351,305	188,788		(1,161,938)		(1,161,938)
Recreation and community development.....	874,316	23,709	475,000	19,488		19,488
Insurance and employee benefits	587,868	109,529		(478,339)		(478,339)
Interest on long term debt	83,467			(83,467)		(83,467)
Total Governmental Activities	<u>6,132,418</u>	<u>419,041</u>	<u>475,000</u>	<u>(3,484,397)</u>		<u>(3,484,397)</u>
Business-type activities:						
Sewer	1,866,335	15,708	52,703		(116,071)	(116,071)
Cemetery.....	7,528	4,614			(2,914)	(2,914)
Total Business-type Activities	<u>1,873,863</u>	<u>15,708</u>	<u>52,703</u>		<u>(118,985)</u>	<u>(118,985)</u>
Total.....	<u>8,006,281</u>	<u>434,749</u>	<u>527,703</u>	<u>(3,484,397)</u>	<u>(118,985)</u>	<u>(3,603,382)</u>
General Revenues						
Taxes:						
Property taxes, levied for general purposes				1,664,577		1,664,577
Property taxes, levied for library services.....				94,713		94,713
Property taxes, levied for fire protection				77,492		77,492
Earned income taxes				1,160,421		1,160,421
Per capita taxes				20,436		20,436
Local services taxes				122,121		122,121
Real estate transfer taxes.....				224,094		224,094
Franchise fees				102,378		102,378
Investment earnings.....					1,235	45,040
Miscellaneous					8,000	23,083
Special item – gain on sale of assets.....					(67,365)	15,520
Transfers					(58,130)	
Total General Revenues				<u>3,608,005</u>		<u>3,549,875</u>
Change in Net Position				123,608	(177,115)	(53,507)
NET POSITION – BEGINNING				<u>10,964,321</u>	<u>6,239,763</u>	<u>17,204,084</u>
NET POSITION – ENDING				<u>\$ 11,087,929</u>	<u>\$ 6,062,648</u>	<u>\$ 17,150,577</u>

The notes to the financial statements are an integral part of this statement.

**BOROUGH OF SOUDERTON
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	<u>General</u>	<u>Capital Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash.....	\$ 889,313	\$1,028,484	\$ 245,939	\$ 2,163,736
Receivables:				
Taxes.....	7,658		684	8,342
Other	66,782	7,500		74,282
Loan receivable.....	27,395			27,395
Grants.....		225,000		225,000
Prepaid expenses	97,098			97,098
Due from other funds	<u>25,579</u>	<u>13,352</u>	<u>1</u>	<u>38,932</u>
TOTAL ASSETS	<u>\$1,113,825</u>	<u>\$1,274,336</u>	<u>\$ 246,624</u>	<u>\$ 2,634,785</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 119,635	\$ 56,204	\$ 17,800	\$ 193,639
Accrued expenses.....	78,587			78,587
Due to other funds.....	41,799	8,000	17,598	67,397
Total Liabilities.....	<u>240,021</u>	<u>64,204</u>	<u>35,398</u>	<u>339,623</u>
<u>Deferred Inflows of Resources:</u>				
Deferred revenue.....		<u>743,611</u>		<u>743,611</u>
<u>Fund Balances:</u>				
Nonspendable.....	97,098			97,098
Restricted for:				
State liquid fuels funds.....			188,342	188,342
Library support.....			734	734
Debt service			44,690	44,690
Redevelopment loan funds.....	417,923			417,923
Assigned for:				
Capital expenditures.....		466,521		466,521
Unassigned	<u>358,783</u>		<u>(22,540)</u>	<u>336,243</u>
Total Fund Balances	<u>873,804</u>	<u>466,521</u>	<u>211,226</u>	<u>1,551,551</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,113,825</u>	<u>\$1,274,336</u>	<u>\$ 246,624</u>	

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.	12,430,789
Other long-term assets are not available to pay current period expenses	2,551,823
Deferred inflows of resources related to pensions and leases are not reported in the governmental funds.	(662,618)
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(4,783,616)</u>

Net Position of Governmental Activities \$ 11,087,929

The notes to the financial statements are an integral part of this statement.

**BOROUGH OF SOUDERTON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	<u>General</u>	<u>Capital Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>				
Taxes, penalties, and interest.....	\$3,191,649	\$	\$ 172,205	\$ 3,363,854
Franchise taxes	102,378			102,378
Permits, fines, and licenses	18,879			18,879
Interest and rents	70,998	16,120	3,408	90,526
Intergovernmental revenues	216,590	225,000	178,742	620,332
Charges for service.....	1,652,638	579		1,653,217
Special assessments.....		15,000		15,000
Miscellaneous revenues.....	<u>52,187</u>	<u>252,125</u>		<u>304,312</u>
Total Revenues	<u>5,305,319</u>	<u>508,824</u>	<u>354,355</u>	<u>6,168,498</u>
<u>Expenditures:</u>				
General government	703,359			703,359
Public safety	1,450,881		86,782	1,537,663
Refuse collection.....	878,248			878,248
Public works.....	755,273		91,153	846,426
Recreation and community development	498,640		94,565	593,205
Debt service - principal			233,757	233,757
- interest	1,483		75,416	76,899
Capital outlays.....	52,113	1,565,706		1,617,819
Insurance and employee benefits	<u>153,410</u>			<u>153,410</u>
Total Expenditures.....	<u>4,493,407</u>	<u>1,565,706</u>	<u>581,673</u>	<u>6,640,786</u>
Excess (Deficiency) Of Revenues Over Expenditures.....	<u>811,912</u>	<u>(1,056,882)</u>	<u>(227,318)</u>	<u>(472,288)</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds of general long-term debt.....		500,000		500,000
Operating transfers in		540,000	317,365	857,365
Operating transfers out	<u>(790,000)</u>			<u>(790,000)</u>
Total Other Financing Sources (Uses)....	<u>(790,000)</u>	<u>1,040,000</u>	<u>317,365</u>	<u>567,365</u>
Net Change in Fund Balances	21,912	(16,882)	90,047	95,077
FUND BALANCES-BEGINNING.....	<u>851,892</u>	<u>483,403</u>	<u>121,179</u>	<u>1,456,474</u>
FUND BALANCES-ENDING	<u>\$ 873,804</u>	<u>\$ 466,521</u>	<u>\$ 211,226</u>	<u>\$ 1,551,551</u>

The notes to the financial statements are an integral part of this statement.

**BOROUGH OF SOUDERTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net change in fund balances – total governmental funds \$ 95,077

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 and reported as depreciation expense. This is the amount by which capital outlays (\$1,583,302) exceeded depreciation (\$802,372) in the current period. 780,930

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 governmental funds. (486,156)

Proceeds from general obligation debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. (500,000)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 233,757

Change in net position of governmental activities \$ 123,608

The notes to the financial statements are an integral part of this statement.

**BOROUGH OF SOUDERTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022**

	Enterprise Funds		
	Sewer	Cemetery	Totals
<u>ASSETS</u>			
Current Assets:			
Cash.....	\$ 1,689,269	\$ 8,912	\$ 1,698,181
Investments		45,869	45,869
Receivables:			
Sewer billings	81,947		81,947
Unbilled sewer charges.....	342,187		342,187
Prepaid expenses.....	19,170		19,170
Due from other funds.....	36,445		36,445
Total Current Assets.....	2,169,018	54,781	2,223,799
Non Current Assets:			
Capital assets:			
Sewer system	15,236,386		15,236,386
Vehicles	273,292		273,292
Cemetery equipment.....		89,652	89,652
Less accumulated depreciation.....	(11,659,542)	(37,185)	(11,696,727)
Total Non Current Assets.....	3,850,136	52,467	3,902,603
Total Assets	6,019,154	107,248	6,126,402
<u>Deferred Outflows of Resources:</u>			
Deferred amounts relating to pensions.....	444,388		444,388
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 6,463,542	\$ 107,248	\$ 6,570,790
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	\$ 25,163	\$	\$ 25,163
Accrued expenses.....	42,287		42,287
Due to other funds.....	7,980		7,980
Total Current Liabilities.....	75,430	0	75,430
Noncurrent Liabilities:			
Net pension liability.....	432,712		432,712
Total Liabilities	508,142	0	508,142
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	3,850,136	52,467	3,902,603
Restricted for capital projects.....	6,360,055		6,360,055
Restricted for perpetual care		20,872	20,872
Unrestricted	(4,254,791)	33,909	(4,220,882)
Total Net Position	5,955,400	107,248	6,062,648
TOTAL LIABILITIES AND NET POSITION	\$ 6,463,542	\$ 107,248	\$ 6,570,790

The notes to the financial statements are an integral part of this statement.

BOROUGH OF SOUDERTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Enterprise Funds		Totals
	Sewer	Cemetery	
<u>Operating Revenues:</u>			
Charges for services.....	\$ 1,669,204	\$	\$ 1,669,204
Lot sales, marking fees and monument fees		4,614	4,614
Other revenue.....	12,649		12,649
Total Operating Revenues	<u>1,681,853</u>	<u>4,614</u>	<u>1,686,467</u>
<u>Operating Expenses:</u>			
Sewer operations.....	1,262,403		1,262,403
Cemetery operations		5,953	5,953
General and administrative	195,000		195,000
Depreciation.....	408,932	1,575	410,507
Total Operating Expenses.....	<u>1,866,335</u>	<u>7,528</u>	<u>1,873,863</u>
Operating Loss	<u>(184,482)</u>	<u>(2,914)</u>	<u>(187,396)</u>
<u>Nonoperating Revenues:</u>			
Interest income.....	10,910	1,671	12,581
Grant revenue.....	15,708		15,708
Gain on sale of assets.....	8,000		8,000
Realized loss on investments		(6,183)	(6,183)
Unrealized loss on investments.....		(5,163)	(5,163)
Total Nonoperating Revenues.....	<u>34,618</u>	<u>(9,675)</u>	<u>24,943</u>
Loss Before Operating Transfers	<u>(149,864)</u>	<u>(12,589)</u>	<u>(162,453)</u>
<u>Operating Transfers:</u>			
Operating transfers out.....	<u>(67,365)</u>		<u>(67,365)</u>
Loss Before Other Revenues, Expenses, and Gains	<u>(217,229)</u>	<u>(12,589)</u>	<u>(229,818)</u>
Capital Contributions.....	<u>52,703</u>		<u>52,703</u>
Change in Net Position	<u>(164,526)</u>	<u>(12,589)</u>	<u>(177,115)</u>
TOTAL NET POSITION – BEGINNING	<u>6,119,926</u>	<u>119,837</u>	<u>6,239,763</u>
TOTAL NET POSITION – ENDING.....	<u>\$ 5,955,400</u>	<u>\$ 107,248</u>	<u>\$ 6,062,648</u>

The notes to the financial statements are an integral part of this statement.

**BOROUGH OF SOUDERTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022**

	<u>Enterprise Funds</u>		
	<u>Sewer</u>	<u>Cemetery</u>	<u>Totals</u>
<u>Cash Flows From Operating Activities:</u>			
Cash received from customers	\$ 1,638,334	\$ 4,614	\$ 1,642,948
Cash payments to suppliers for goods and services	(1,026,247)	(5,953)	(1,032,200)
Cash payments to employees for services	(340,911)		(340,911)
Other operating revenue.....	<u>12,649</u>		<u>12,649</u>
Net Cash Provided (Used) By Operating Activities	<u>283,825</u>	<u>(1,339)</u>	<u>282,486</u>
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers to other funds	(67,365)		(67,365)
Grant revenue.....	15,708		15,708
Receipts under interfund loans	4,030		4,030
Payments under interfund loans.....	<u>(36,325)</u>		<u>(36,325)</u>
Net Cash Used By Noncapital Financing Activities	<u>(83,952)</u>	<u>0</u>	<u>(83,952)</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Proceeds from capital contributions received	52,703		52,703
Proceeds from the sale of assets.....	8,000		8,000
Payments for purchases of property, plant, and equipment.....	<u>(150,758)</u>	<u>(48,900)</u>	<u>(199,658)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(90,055)</u>	<u>(48,900)</u>	<u>(138,955)</u>
<u>Cash Flows From Investment Activities:</u>			
Proceeds from interest revenue.....	10,911	1,670	12,581
Proceeds from sale of investments.....		<u>50,000</u>	<u>50,000</u>
Net Cash Provided By Investment Activities ...	<u>10,911</u>	<u>51,670</u>	<u>62,581</u>
NET INCREASE IN CASH	120,729	1,431	122,160
CASH – BEGINNING	<u>1,568,540</u>	<u>7,481</u>	<u>1,576,021</u>
CASH – ENDING	<u>\$ 1,689,269</u>	<u>\$ 8,912</u>	<u>\$ 1,698,181</u>

The notes to the financial statements are an integral part of this statement.

**BOROUGH OF SOUDERTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022**

Reconciliation of Operating Loss To

Net Cash Provided (Used) By Operating Activities:

Operating loss	\$ (184,482)	\$ (2,914)	\$ (187,396)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expenses	408,932	1,575	410,507
(Increase) decrease in:			
Accounts receivable	(16,986)		(16,986)
Unbilled receivables	(13,884)		(13,884)
Prepaid expenses	(890)		(890)
Net pension asset	127,013		127,013
Deferred outflows of resources	(265,056)		(265,056)
Increase (decrease) in:			
Accounts payable and accrued liabilities	(24,974)		(24,974)
Net pension liability	432,712		432,712
Deferred inflows of resources	(178,560)		(178,560)
Net Cash Provided (Used)By Operating Activities	\$ <u>283,825</u>	\$ <u>(1,339)</u>	\$ <u>282,486</u>

The notes to the financial statements are an integral part of this statement.

**BOROUGH OF SOUDERTON
STATEMENT OF FIDUCIARY NET POSITION
YEAR ENDED DECEMBER, 31, 2022**

	<u>Employee Retirement Plan</u>	<u>Custodial Fund</u>
<u>ASSETS:</u>		
Cash	\$	\$ 10,632
Investments	9,624,765	
Member contribution receivable	969	
Prepaid pension benefits	<u>52,541</u>	<u> </u>
TOTAL ASSETS.....	\$ <u>9,678,275</u>	\$ <u>10,632</u>
<u>NET POSITION:</u>		
Restricted for:		
Pensions	\$ 9,678,275	\$
Developers and individuals.....	<u> </u>	<u>10,632</u>
TOTAL NET POSITION.....	\$ <u>9,678,275</u>	\$ <u>10,632</u>

The notes to the financial statements are an integral part of this statement.

**BOROUGH OF SOUDERTON
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2022**

	<u>Employee Retirement Plan</u>	<u>Custodial Fund</u>
<u>ADDITIONS:</u>		
Contributions:		
Intergovernmental revenues.....	\$ 125,237	\$
Employee contributions.....	<u>25,277</u>	<u> </u>
Total Contributions.....	<u>150,514</u>	<u>0</u>
Investment Income:		
Net depreciation in fair value of investments	<u>(2,269,108)</u>	<u> </u>
Total Investment Income	<u>(2,269,108)</u>	<u> </u>
Less investment expense.....	<u>81,548</u>	<u> </u>
Net Investment Income.....	<u>(2,350,656)</u>	<u>0</u>
TOTAL ADDITIONS.....	<u>(2,200,142)</u>	<u>0</u>
<u>DEDUCTIONS:</u>		
Benefits	584,796	
Refunds of terminated members' contributions.....	326	
DROP distribution	160,561	
Professional fees		
Return of contributions	<u> </u>	<u> </u>
TOTAL DEDUCTIONS.....	<u>745,683</u>	<u>0</u>
Change in Net Position	(2,945,825)	0
NET POSITION – BEGINNING	<u>12,624,100</u>	<u>10,632</u>
NET POSITION – ENDING.....	<u>\$ 9,678,275</u>	<u>\$ 10,632</u>

The notes to the financial statements are an integral part of this statement.

BOROUGH OF SOUDERTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 – Summary of Significant Accounting Policies:

The summary of significant accounting policies of the Borough is presented to assist in understanding the Borough's financial statements. The financial statements and notes are representations of the Borough's management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

The Borough of Souderton is a municipal corporation incorporated under Article II of the Commonwealth of Pennsylvania Municipal Code Act of 1966, as amended. The Borough operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of the Borough and its inhabitants.

The Borough's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Borough are discussed below.

Reporting Entity:

The financial statements of the Borough of Souderton include all government activities, organizations and functions for which the Borough exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the Borough's financial statements include the degree of oversight responsibility exercised by the Borough Council over a government organization, activity or function, the Borough's accountability for the activity's fiscal matters, its scope of public service and the nature of any special financing relationships which may exist between the Borough and a given government activity. There are no agencies or organizations that require reporting in the Borough's financial statements.

Therefore, the Borough's municipal services, which include public safety (police and fire), public works, sanitation, health and human services, culture and recreation, public improvements, planning and zoning, and general administrative services are included in the accompanying financial statements. In addition, the Borough owns and operates enterprise activities including sewer service and a cemetery, which are included in the accompanying financial statements.

BOROUGH OF SOUDERTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 – Summary of Significant Accounting Policies (Continued):

Basic Financial Statements – Governmental-Wide Statements:

The Borough's basic financial statements include both government-wide (reporting the Borough as a whole) and fund financial statements (reporting the Borough's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental or business-type. The Borough's police and fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The Borough's sewer services and Hillside Cemetery are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long term debt and obligations. The Borough's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Borough's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (property, earned income taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, earned income taxes, intergovernmental revenues, interest income, etc.).

The Borough does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Borough as an entity and the change in the Borough's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements:

The financial transactions of the Borough are reported in individual fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

BOROUGH OF SOUDERTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 – Summary of Significant Accounting Policies (Continued):

The following fund types are used by the Borough:

1. Governmental Funds – The focus of the governmental funds’ measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Borough:
 - a. **General fund** is the general operating fund of the Borough. It is used to account for all financial resources except those required to be accounted for in another fund.
 - b. **Capital Reserve fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).
 - c. **Special Revenue funds** are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally or administratively restricted to expenditures for specified purposes.
 - d. **Debt Service funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

The special revenue funds and debt service fund of the Borough are not major funds and are reported in the other governmental funds column in the fund financial statements.

2. Proprietary Funds – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Borough:
 - a. **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.
3. Fiduciary Funds – The fiduciary funds are used to report assets held in a trustee or custodial capacity for others and therefore are not available to support Borough programs. The reporting focus is on net position and changes in net position.

BOROUGH OF SOUDERTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 – Summary of Significant Accounting Policies (Continued):

Basic Financial Statements – Fund Financial Statements (Continued):

The Borough’s fiduciary funds are presented in the fiduciary fund statements by type (pension and custodial). Because by definition these assets are being held for the benefit of a third party (pension participants and private parties) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Basis of Accounting:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual – Both governmental and business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.
2. Modified Accrual – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long term debt, if any, is recognized when due.

Cash and Cash Equivalents:

The Borough has defined cash and cash equivalents to include cash on hand, demand deposits, and money market accounts. Additionally, funds pooled in the Pennsylvania Local Government Investment Trust (PLGIT) are treated as a cash equivalent because the Borough can deposit or withdraw cash at any time without prior notice or penalty.

Operating Revenues and Expenses:

The Borough’s proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Borough’s sewer and cemetery funds consist of charges for services and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

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

Note 1 – Summary of Significant Accounting Policies (Continued):

Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Borough of Souderton's Pension plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by Girard Pension Services, LLC. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Developers' Funds:

The Borough requires developers to deposit escrow funds to pay legal and engineering fees incurred by the Borough on their behalf.

Use of Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management Evaluation of Subsequent Events:

Management has evaluated subsequent events through September 22, 2023, the date on which the financial statements were available to be issued.

Budget:

The Borough Council adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. Beginning at least 30 days prior to adoption of the budget, a proposed budget for the ensuing year shall be prepared in a manner designated by Council. The proposed budget shall be kept on file with the borough secretary and made available for public inspection for a period of 10 days.
2. Notice that the proposed budget is available for inspection must be published in a newspaper of general circulation in the Borough and conspicuously posted during the 10-day period noted in item 1.
3. After 10 days, Council shall adopt the budget no later than December 31 and file it with the Pennsylvania Department of Community and Economic Development.

BOROUGH OF SOUDERTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 – Summary of Significant Accounting Policies (Continued):

4. Annual budgets are generally adopted for the general, highway aid and sewer funds.
5. For budgetary purposes, appropriations lapse at the end of each year.
6. The budget is prepared on the modified accrual basis of accounting.
7. The budget was not amended during 2022.

Note 2 – Deposits and Investments:

Pennsylvania statutes provide for investment of Government Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits and certificates of deposit, and qualifying commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocal arrangements. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Government Funds for investment purposes.

The Borough does not have a formal deposit and investment policy but adheres to state statutes and prudent business practice. Governmental Funds' amounts are either maintained in demand deposits, highly liquid money market funds, or pooled for investment purposes in the Pennsylvania Local Governmental Investment Trust (PLGIT) and are captioned as "cash" in the combined statement of net position. These amounts are stated at cost which approximates market. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Borough.

Deposits:

Concentration of Credit Risk – As of December 31, 2022, 70% of the balances shown as cash on the Borough's Statement of Net Position were held by Univest Bank and Trust Company and 30% were held by PLGIT.

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

Note 2 – Deposits and Investments (Continued):

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Borough’s deposits may not be returned to it. The Borough follows state statutes as they relate to custodial credit risk. As of December 31, 2022, the Borough’s total bank balances of \$4,157,401 were exposed to custodial credit risk as follows:

Balances subject to FDIC Insurance	\$ 500,000
Balances uninsured and collateralized with securities held by Uninvest and/or its trust department not in the Borough’s name	2,495,413
Balances uninsured and uncollateralized PLGIT and Uninvest funds	<u>1,161,988</u>
TOTAL	<u>\$ 4,175,401</u>

Fair Value Measurements – Generally accepted accounting principles in accordance with GASB Statement No. 72 define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Represented by quoted prices available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities and mutual funds.

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

Note 2 – Deposits and Investments (Continued):

Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states, and political subdivisions and certain corporate, asset backed securities, swap agreements, and life insurance contracts.

Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity’s own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and those with internally developed values.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value on the statement of net position, as well as the general classifications of such instruments pursuant to the valuation hierarchy.

Mutual Funds:

Mutual funds listed on a national market or exchange are purchased by Nationwide and Uninvest on a daily basis. Investors (the Borough) then purchase units of investments through Nationwide and Uninvest. These units are made up of a portion of the pools of mutual funds held by Nationwide and Uninvest. The unit value is determined by the price of the underlying mutual funds and other factors which are recalculated daily. These mutual funds are accounted for at fair value on a recurring basis as of December 31, 2022 at Level 2.

Investments:

Investments are stated at market value and are held in investment accounts with Uninvest Bank’s Trust Department and Nationwide Financial. As of December 31, 2022, the Borough’s investment holdings consisted of the following:

Cemetery Fund

Mutual Government Bond Funds	\$ <u>45,869</u>
------------------------------------	------------------

Fiduciary Fund

Bond Mutual Funds	\$ 3,580,031
Equity Mutual Funds	<u>6,044,734</u>
	<u>\$ 9,624,765</u>

BOROUGH OF SOUDERTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 – Deposits and Investments (Continued):

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough's investment policy does not include formal guidelines that would limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2022, the Borough's investment balance exposed to interest rate risk was as follows:

Average Investment Maturities (in Years)

Cemetery Fund

<u>Investment:</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Federated US Government Security Fund	\$ <u>45,869</u>	\$ <u>0</u>	\$ <u>45,869</u>	\$ <u>0</u>

Fiduciary Fund

<u>Investment:</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Federated Hermes Total Return	\$ 620,477	\$	\$ 620,477	\$
Guggenheim Total Return	619,907			619,907
Janus Henderson Multi-Sector	479,592		479,592	
John Hancock Bond	568,583			568,583
Legg Mason BW Corporate Credit	427,028		427,028	
Principal Short Term Income	288,417		288,417	
Voya Intermediate Bond..	<u>576,027</u>			<u>576,027</u>
	<u>\$3,580,031</u>	<u>\$ 0</u>	<u>\$1,815,514</u>	<u>\$1,764,517</u>

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Borough's investment policy does not include formal guidelines that address credit risk. The credit risk associated with the Borough's investment balances as of December 31, 2022 was as follows:

<u>Cemetery Fund</u>	<u>Fair Value</u>	<u>Credit Quality</u>
Federated US Government Security Fund	\$ <u>45,869</u>	AAA

BOROUGH OF SOUDERTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 – Deposits and Investments (Continued):

Credit Risk (Continued):

	<u>Fair Value</u>	<u>Credit Quality</u>
<u>Fiduciary Fund</u>		
<u>Investment:</u>		
Federated Hermes		
Total Return	\$ 620,477	AA-
Guggenheim Total		
Return	619,907	A
Janus Henderson		
Multi-Sector	479,592	Not Available
John Hancock		
Bond	568,583	A
Legg Mason BW		
Corporate Credit	427,028	B+
Principal Short Term		
Income	288,417	A+
Voya Intermediate		
Bond	<u>576,027</u>	A+
	<u>\$3,580,031</u>	

Disclosure of credit risk information pertaining to obligations of or guaranteed by the U.S. Government is not required.

Custodial Credit Risk:

Custodial credit risk is the risk that, in the event of a failure of the counterparty to the transaction, the Borough will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Borough's investment policy does not include formal guidelines that address custodial credit risk. Investments in open-end mutual funds are not considered to be exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Borough does have a formal investment policy that addresses concentration of credit risk.

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

Note 2 – Deposits and Investments (Continued):

Foreign Currency Risk:

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Borough does not have a formal investment policy that addresses foreign currency risk; however, the Borough held no investments that were exposed to foreign currency risk as of December 31, 2022.

Note 3 – Receivables:

The following is a breakdown of the various receivables of the Borough of Souderton at December 31, 2022:

Taxes Receivable - General fund	\$ 7,658
- Special revenue funds - library	376
- fire protection ...	308
	<u>\$ 8,342</u>
Other Receivables	
- Miscellaneous charges for services and permits.....	\$ 73,697
- Fines.....	585
	<u>\$ 74,282</u>
Grants Receivable	
- Pennsylvania DCNR Grant.....	<u>\$ 225,000</u>
Sewer billings receivable	\$ 81,947
Unbilled sewer charges	342,187
	<u>\$ 424,134</u>

Note 4 – Leases Receivable:

The Borough implemented GASBS No. 87, The Lease Standard, effective as of January 1, 2022. The Borough is reporting leases receivable of \$539,387, and interest receivable on the leases of \$2,217 as of December 31, 2022 in the statement of net position. For the year ending December 31, 2022, the Borough reported lease revenue of \$46,719 and interest revenue of \$25,726 related to lease payments received. The leases are summarized as follows:

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

Note 4 – Leases Receivable:

<u>Lease</u>	<u>Lease Receivable</u>	<u>Interest Receivable</u>	<u>Deferred Inflows</u>	<u>Lease Revenue</u>	<u>Interest Revenue</u>
<u>Governmental Activities</u>					
Northbound Restaurant	\$ 503,854	\$ 2,071	\$ 443,085	\$ 41,539	\$ 25,709
Waite Station Nail Salon	<u>35,533</u>	<u>146</u>	<u>32,808</u>	<u>5,180</u>	<u>17</u>
	<u>\$ 539,387</u>	<u>\$ 2,217</u>	<u>\$ 475,893</u>	<u>\$ 46,719</u>	<u>\$ 25,726</u>

Northbound Restaurant Lease – On September 23, 2017, the Borough entered into a lease agreement with Boardroom Spirits LLC for lease of space in the Souderton Train Station for use as a restaurant. The lease began on the Rent Commencement date of September 1, 2018 with an initial term of five years with two five-year renewals.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 50,000
2024	54,667
2025	56,667
2026	58,667
2027	60,667
2028-2032	262,666
2033	<u>48,000</u>
	<u>\$591,334</u>

Waite Station Nail Salon – On August 2, 2018, the Borough entered into a lease agreement with Waite Station Nails LLC for the lease of space in the Souderton Train Station Waiting Room for use as a nail salon. The lease began on the Rent Commencement date of May 1, 2019 with an initial term of five years with one five-year renewal.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 6,260
2024	6,380
2025	6,500
2026	6,620
2027	6,740
2028-2029	<u>9,160</u>
	<u>\$ 41,660</u>

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

Note 5 – Loan Receivable:

The Borough has a loan receivable due from the Montgomery Theatre for funds advanced for building improvements to the Theatre building. No repayment terms have been determined.

Note 6 – Capital Assets:

Capital assets purchased or acquired with an original cost of \$2,500 and infrastructure construction over \$20,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are reported in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets are expensed in the fund financial statements.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	30 years
Machinery and equipment	5 – 20 years
Vehicles	5 – 10 years
Infrastructure	20 years

Capital asset activity for the year ended December 31, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land.....	\$ 2,996,046	\$	\$	\$ 2,996,046
Construction in progress.....	<u>96,130</u>	<u>142,227</u>	<u> </u>	<u>238,357</u>
Total Capital Assets Not Being Depreciated.....	<u>3,092,176</u>	<u>142,227</u>	<u>0</u>	<u>3,234,403</u>
Other capital assets:				
Buildings	3,101,513	3,440		3,104,953
Equipment	5,584,855	1,270,937	(12,897)	6,842,895
Vehicles	706,236	68,089		774,325
Infrastructure	<u>8,067,349</u>	<u>98,609</u>	<u> </u>	<u>8,165,958</u>
Total Other Capital Assets.....	<u>17,459,953</u>	<u>1,441,075</u>	<u>(12,897)</u>	<u>18,888,131</u>

BOROUGH OF SOUDERTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 6 – Capital Assets (Continued):

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Less accumulated depreciation for:				
Buildings	(2,175,280)	(22,059)		(2,197,339)
Equipment	(3,168,051)	(304,367)	12,897	(3,459,521)
Vehicles	(406,486)	(70,113)		(476,599)
Infrastructure	<u>(3,258,071)</u>	<u>(405,833)</u>		<u>(3,663,904)</u>
Total Accumulated Depreciation	<u>(9,007,888)</u>	<u>(802,372)</u>	<u>12,897</u>	<u>(9,797,363)</u>
Other capital assets, net	<u>8,452,065</u>	<u>638,703</u>	<u>0</u>	<u>9,090,768</u>
Intangible Right-to-Use Assets:				
Leased building	115,758			115,758
Less accumulated amortization ..	<u>(5,070)</u>	<u>(5,070)</u>		<u>(10,140)</u>
Net intangible Right-to-Use Assets	<u>110,688</u>	<u>(5,070)</u>	<u>0</u>	<u>105,618</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,654,929</u>	<u>\$ 775,860</u>	<u>\$ 0</u>	<u>\$ 12,430,789</u>
Business-Type Activities:				
Other capital assets:				
Sewer system	\$ 15,085,628	\$ 150,758	\$	\$ 15,236,386
Cemetery equipment	40,752	48,900		89,652
Vehicles	<u>296,242</u>		<u>(22,950)</u>	<u>273,292</u>
Total Other Capital Assets	<u>15,422,622</u>	<u>199,658</u>	<u>(22,950)</u>	<u>15,599,330</u>
Less accumulated depreciation for:				
Sewer system	(11,032,909)	(401,835)		(11,434,744)
Cemetery equipment	(35,610)	(1,575)		(37,185)
Vehicles	<u>(240,651)</u>	<u>(7,097)</u>	<u>22,950</u>	<u>(224,798)</u>
Total Accumulated Depreciation	<u>(11,309,170)</u>	<u>(410,507)</u>	<u>22,950</u>	<u>(11,696,727)</u>
Business-Type Activities Capital Assets – Net	<u>\$ 4,113,452</u>	<u>\$ (210,849)</u>	<u>\$ 0</u>	<u>\$ 3,902,603</u>

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

Note 6 – Capital Assets (Continued):

Depreciation Expense:

Depreciation expense was charged to functions as follows:

Governmental Activities:

General government.....	\$ 21,906
Public safety.....	35,209
Public works	464,146
Recreation and community development.....	281,111
Total Governmental Activities	
Depreciation Expense.....	<u>\$ 802,372</u>

Business-Type Activities:

Sewer	\$ 408,932
Cemetery	1,575
Total Business-Type Activities	
Depreciation Expense.....	<u>\$ 410,507</u>

Amortization expense was charged to functions as follows:

Governmental Activities:

General government.....	<u>\$ 5,070</u>
-------------------------	-----------------

Construction in Progress:

Construction in progress relates to land development and design work relating to a new public works building and renovations to the municipal building.

Note 7 – Deferred Outflows of Resources:

The Borough reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. Deferred outflows of resources reported in this year's government-wide financial statements include deferred outflows of resources for differences between the expected and actual experience for the Borough's non-uniform defined benefit pension plan and changes in assumptions made and net differences between projected and actual earnings on pension plan investments for both the Borough's non-uniform and police defined benefit pension plans in 2022. These deferred outflows of resources are to be attributed to pension expense over the periods outlined in Notes 20 and 21.

BOROUGH OF SOUDERTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 8 – Tax Anticipation Loan:

The Borough obtained a \$250,000 tax anticipation loan during 2022 from Univest Bank and Trust Company. The interest rate was 2.4%. Total interest paid on the loan was \$1,483. The loan was paid off on April 6, 2022.

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Tax anticipation note	\$ <u>0</u>	\$ <u>250,000</u>	\$ <u>(250,000)</u>	\$ <u>0</u>	\$ <u>0</u>

Note 9 – Long Term Liabilities:

The following is a summary of changes in long term liabilities for the year ended December 31, 2022:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Notes payable:					
Univest 2006 note	\$ 154,981	\$	\$ (31,377)	\$ 123,604	\$ 32,397
Univest 2009 note	482,501		(53,442)	429,059	55,272
Univest 2010 note	1,407,070		(127,075)	1,279,995	131,534
Univest 2016 note	398,425		(21,863)	376,562	22,608
Univest 2019 note		<u>500,000</u>		<u>500,000</u>	
Total Notes Payable	<u>2,442,977</u>	<u>500,000</u>	<u>(233,757)</u>	<u>2,709,220</u>	<u>241,811</u>
Right-to-Use Asset Lease:					
SEPTA Train Station	<u>128,538</u>		<u>(1,252)</u>	<u>127,286</u>	<u>1,550</u>
Other liabilities:					
Net pension liability:					
Nonuniformed		966,250		966,250	
Police		694,790		694,790	
Compensated absences .	<u>216,974</u>	<u>68,049</u>		<u>285,023</u>	
Total Other Liabilities	<u>216,974</u>	<u>1,729,089</u>	<u>0</u>	<u>1,946,063</u>	<u>0</u>
Governmental Activities					
Long Term Liabilities	\$ <u>2,788,489</u>	\$ <u>2,229,089</u>	\$ <u>(235,009)</u>	\$ <u>4,782,569</u>	\$ <u>243,361</u>

BOROUGH OF SOUDERTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 9 – Long Term Liabilities (Continued):

Description of Debt – Governmental Activities:

Univest Bank and Trust Company:

2006 General Obligation Note – The Borough obtained a \$500,000 General Obligation Note from Univest Bank and Trust Company on February 6, 2006. The term of the note is twenty years. The original payment terms were modified in April, 2013 to reduce the interest rate to 3% until April 30, 2020, with a further reset of the rate to be done at that time for the remaining term of the loan. The rate was reset May 1, 2020 to 3.015%. The current monthly payment amount is \$2,973. The proceeds of the note were used for a new municipal parking lot. The outstanding balance at December 31, 2022 was \$123,604. A maturity schedule follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 32,397	\$ 3,281	\$ 35,678
2024	33,387	2,291	35,678
2025	34,407	1,270	35,677
2026	<u>23,413</u>	<u>257</u>	<u>23,670</u>
	<u>\$ 123,604</u>	<u>\$ 7,099</u>	<u>\$ 130,703</u>

2009 General Obligation Note – The Borough obtained a \$1,000,000 General Obligation Note from Univest Bank and Trust Company on December 2, 2009. The term of the note is 20 years. The original payment terms were modified in April, 2013 to reduce the interest rate to 3% until April 30, 2020, with further resettings of the rate to be done on May 1, 2020 and May 1, 2027. The rate was reset May 1, 2020 to 3.015%. The current monthly payment amount is \$5,621. The outstanding balance at December 31, 2022 was \$429,059. A maturity schedule follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 55,272	\$ 12,176	\$ 67,448
2024	56,961	10,487	67,448
2025	58,703	8,745	67,448
2026	60,497	6,950	67,447
2027	60,964	8,028	68,992
2028-2030	<u>136,662</u>	<u>9,368</u>	<u>146,030</u>
	<u>\$ 429,059</u>	<u>\$ 55,754</u>	<u>\$ 484,813</u>

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

Note 9 – Long Term Liabilities (Continued):

2010 General Obligation Note – The Borough obtained a \$2,500,000 General Obligation Note from Univest Bank and Trust Company on September 1, 2010. The proceeds were used for the renovation of the community pool. The original payment terms were modified in April, 2013 to reduce the interest rate to 3% until April 30, 2020, with further resettings of the rate to be done on May 1, 2020 and May 1, 2027. The rate was reset May 1, 2020 to 3.015%. The current monthly payment amount is \$14,027. The outstanding balance at December 31, 2022 was \$1,279,995. A maturity schedule follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 131,534	\$ 36,784	\$ 168,318
2024	135,555	32,763	168,318
2025	139,699	28,619	168,318
2026	143,969	24,349	168,318
2027	148,705	31,666	180,371
2028-2031	<u>580,533</u>	<u>65,150</u>	<u>645,683</u>
	<u>\$1,279,995</u>	<u>\$ 219,331</u>	<u>\$1,499,326</u>

2016 General Obligation Note – The Borough obtained a \$500,000 General Obligation Note from Univest Bank and Trust Company on December 5, 2016. The proceeds were used for reconstructing the freight station and adjacent buildings as part of the overall train station project. The interest rate is 2.7% for the first eighty-four months and will be reset every 60 months thereafter to a rate of 67% of Univest prime rate subject to a floor of 5%. The current monthly payment is \$2,708. The outstanding balance at December 31, 2022 was \$376,562. A maturity schedule follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 22,608	\$ 9,889	\$ 32,497
2024	20,010	17,243	37,253
2025	21,033	16,220	37,253
2026	22,109	15,143	37,252
2027	23,240	14,012	37,252
2028-2032	135,302	50,962	186,264
2033-2036	<u>132,260</u>	<u>13,647</u>	<u>145,907</u>
	<u>\$ 376,562</u>	<u>\$ 137,116</u>	<u>\$ 513,678</u>

BOROUGH OF SOUDERTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 9 – Long Term Liabilities (Continued):

2019 General Obligation Note – The Borough obtained a \$500,000 General Obligation Note from Univest Bank and Trust Company on November 4, 2019. The funds were not drawn until 2022. The proceeds were used for renovations to the Souderton Community Park. The interest rate is 3.4% for the first eighty-four months to be reset to a rate of 80% of the then current Federal Home Loan Bank of Pittsburgh’s three-year fixed rate plus 1.75%, with a ceiling of 5%. Interest only is due monthly through March 15, 2024 with monthly principal and interest payments of \$6,697 starting April 2024. The outstanding balance at December 31, 2022 was \$500,000. A maturity schedule follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$	\$ 17,000	\$ 17,000
2024	48,067	16,458	64,525
2025	66,023	14,343	80,366
2026	68,303	12,063	80,366
2027	70,662	9,704	80,366
2028-2031	<u>246,945</u>	<u>12,003</u>	<u>258,948</u>
	<u>\$ 500,000</u>	<u>\$ 81,571</u>	<u>\$ 581,571</u>

Intangible Right-to-Use Asset/Lease – On January 1, 2022, the Borough implemented the guidance of GASBS 87, Leases, for accounting and reporting leases that had previously been reported as operating leases. On October 28, 2013, the Borough entered into a lease agreement with the Southeastern Pennsylvania Transportation Authority (SEPTA) to lease the Souderton train station, the waiting room, the former freight house, five parking lots/areas and land that adjoins the right-of-way. The term of the lease is thirty years. The Borough has used a five percent discount rate to calculate the lease liability. A schedule of the lease payments over the remaining lease term follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,550	\$ 6,500	\$ 8,050
2024	1,854	6,436	8,290
2025	2,216	6,321	8,537
2026	2,586	6,204	8,790
2027	2,982	6,069	9,051
2028-2032	21,876	27,303	49,179
2033-2038	36,829	23,258	60,087
2039-2042	<u>57,393</u>	<u>6,024</u>	<u>63,417</u>
	<u>\$ 127,286</u>	<u>\$ 88,115</u>	<u>\$ 215,401</u>

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

Note 10 – Deferred Inflows of Resources:

The Borough’s statements of net position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to future periods. Deferred inflows of resources are reported in the Borough’s various statements of net position for differences between the expected and actual experience for the Borough’s uniform defined benefit pension plan. These deferred inflows of resources are to be attributed to pension expense over the periods outlined in Note 21.

Deferred inflows of resources are also recorded for revenues that are not considered available. Accordingly, unavailable revenues relate to funding from the U.S. Department of the Treasury through the American Rescue Plan Local Fiscal Recovery Funds that were not spent as of the end of 2022 and future rental and interest income associated with the Borough’s lessor agreements.

Note 11 – Accrued Sick and Vacation Time:

The Borough allows employees to accumulate unused sick pay up to 60 days. Of this amount, 30 days will be paid at termination. Sick time has been recorded as a liability in the following funds:

General fund	\$ 127,657
Sewer fund	<u>19,056</u>
	<u>\$ 146,713</u>

Vacation time can be accrued from year to year. Accrued vacation time has been recorded as a liability in the following funds:

General fund	\$ 157,366
Sewer fund	<u>11,471</u>
	<u>\$ 168,837</u>

Note 12 – Interfund Activity:

Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliations to the government-wide financial statements.

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

Note 12 – Interfund Activity (Continued):

As of December 31, 2022, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 25,579	\$ 41,799
Capital reserve fund	13,352	8,000
Special revenue funds	1	17,598
Sewer fund	<u>36,445</u>	<u>7,980</u>
	<u>\$ 75,377</u>	<u>\$ 75,377</u>

Individual fund operating transfers for the year ended December 31, 2022 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$	\$ 790,000
Capital reserve	540,000	
Debt service fund	317,365	
Sewer fund		<u>67,365</u>
TOTAL ALL FUNDS	<u>\$ 857,365</u>	<u>\$ 857,365</u>

Transfers from the general fund to the capital reserve fund were used for capital projects. Transfers from the general fund and sewer fund to the debt service fund were used for payment on general long-term debt.

Note 13 – Government-Wide and Proprietary Fund Net Position:

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consist of assets that are restricted by the Borough’s creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

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

Note 14 - Fund Balance:

In accordance with GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Borough classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The “not in spendable form” criterion includes items that are not expected to be converted to cash. The non-spendable fund balance is comprised of prepaid expenses.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors or amounts constrained due to enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Borough through formal action of the Council. Presently the Borough has no committed fund balances.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by Borough Council.

Unassigned – includes positive fund balances within the General Fund which have not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

Note 15 – Prior Period Adjustment:

Prior period adjustments – The Borough adopted GASBS No. 87, The Lease Standard, as of January 1, 2022. The following adjustments were made as of January 1, 2022 to record the lease activity under GASBS 87 as of that date.

<u>Governmental Activities Net Position</u>	
Lease receivable - Northbound	\$ 526,053
Lease receivable – Waite Nail Salon	39,780
Interest receivable leases.....	2,325
Right-to-Use Asset – Train Station.....	115,758
Accumulated amortization – Right-to-Use-Asset.....	(5,070)
Lease liability – SEPTA Train Station	(128,537)
Accrued interest liability – Lease liability SEPTA Train Station	(1,059)
Deferred inflows of leases	(522,612)
Net Position Adjustment	<u>\$ 26,638</u>

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

Note 16 – Use of Restricted Resources:

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Borough’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Borough’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances if there are any before using unassigned fund balances.

Note 17 – Property Tax:

Property taxes are levied in January. Liens are placed on uncollected property taxes on January 15th of the following year. The Borough uses a tax collector to make collections throughout the year. Property tax revenue is recognized when collected. No allowance for uncollectible taxes is used. Eventually, all taxes are collected and remitted to the Borough.

Note 18 – Net Working Capital Proprietary Funds:

	<u>Sewer Fund</u>	<u>Cemetery Fund</u>
Current assets	\$ 2,169,018	\$ 54,781
Less current liabilities	<u>75,430</u>	<u>0</u>
Net Working Capital	<u>\$ 2,093,588</u>	<u>\$ 54,781</u>

Note 19 – Deferred Compensation Plan:

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by independent plan administrators. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

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

Note 20 – Pension Plan Nonuniformed:

Plan Description – General:

The Souderton Borough Nonuniformed Pension Plan is a single employer defined benefit pension plan that covers all full-time nonuniformed employees of Souderton Borough and which is controlled by the provisions of Ordinance No. 10-691-02, adopted pursuant to Act 581. The plan is governed by the Borough Council which is responsible for the management of plan assets. Borough Council has appointed the Pension Committee as the official body to which all related investment matters of the Fund are delegated. The Pension Committee consists of at least three members; the Borough Manager, at least one member of Borough Council, and at least one Participant in the Plan. The Borough Council has delegated the authority to manage certain plan assets to Girard Pension Services, LLC, with Nationwide Financial as custodian. The plan issues a stand-alone financial statement which can be obtained at the Borough Office.

Plan Membership:

As of December 31, 2022, membership consisted of:

Active employees.....	13
Inactive employees or beneficiaries currently receiving benefits.....	12
Inactive employees entitled to but not yet receiving benefits.....	<u>0</u>
Total Participant Count.....	25

Benefits Provided:

The following is a summary of the Plan benefit provisions:

Eligibility Requirements:

Normal Retirement – For participants who joined the plan prior to January 1, 1980, age 60 and 10 years of service. For participants who joined the plan on or after January 1, 1980, but before December 31, 2016, age 62 and 10 years of service. For participants who joined the plan on or after December 31, 2016, age 62 and 25 years of service.

Early Retirement – For participants who joined the plan prior to December 31, 2016, generally 20 years of service. For participants who joined the plan on or after December 31, 2016, generally 25 or more years of service.

Vesting – None for the first 10 years of service; thereafter 100%. If a member dies before the pension becomes vested, the surviving spouse or minor children shall receive repayment of the member’s contributions, if any, plus interest.

BOROUGH OF SOUDERTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 20 – Pension Plan Nonuniformed (Continued):

Retirement Benefit:

The monthly pension shall be 2% credit for each year of service (maximum 70%) times the average monthly salary over the participant's highest 36 months of employment. Early retirement will be actuarially reduced for each year or partial year that early retirement takes place prior to the participant's normal retirement age.

Survivor Benefit:

If eligible to retire at time of death, the beneficiary receives the present value of the accrued benefit. At retirement, the participant may select a survivor benefit.

Disability Benefit:

Service-Related – An 80% disability benefit is provided to a participant who is unable to perform gainful employment regardless of age or service. Benefit shall be offset by available Workers' Compensation benefits.

Nonservice-Related – Upon attainment of ten (10) years of credited service, same as Service-Related Benefit.

Postretirement Adjustments:

Effective January 1, 2012, and thereafter, an annual cost of living adjustment as determined by Borough Council shall be provided to all retirees and/or survivors who are receiving benefits as of the end of the preceding calendar year.

Other Benefits:

Non-Intervening Military Service Credit.

The Deferred Retirement Option Plan (DROP) provides an optional form of benefit to members of this plan who have met the age and service eligibility requirements to retire. Any eligible member may elect to participate in the DROP by retiring for pension purposes and specifying a future termination date not less than one year nor more than three years from the effective date of the DROP election. The monthly pension benefit is calculated at the date of election and credited to a separate ledger account for the period of DROP participation along with interest at 2% per annum until DROP participation ends. Certain other provisions of the DROP are detailed in the ordinance.

Member Contributions:

3% on a post-tax basis, with interest credited at 6% per year.

BOROUGH OF SOUDERTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 20 – Pension Plan Nonuniformed (Continued):

Contributions and Funding Policy:

On December 18, 1984, Act 205 was passed into law, and is known as the “Municipal Pension Plan Funding Standard and Recovery Act”. The act mandates actuarial funding standards, establishes a recovery program for financially distressed pension plans, and provides for the distribution of the tax on the premiums of foreign fire insurance companies.

The act requires minimum funding standards based on the most recent actuarial valuation report, including normal cost and administrative expense requirements and an amortization contribution of the unfunded actuarial accrued liability.

The plan’s governing document provides the Borough with the authority to establish and amend contribution requirements. For the year ended December 31, 2022, active members were required to contribute 3% of monthly compensation on a post-tax basis to the plan, with interest credited to these contributions at 6% per year.

The pension plan may also receive an annual allocation from the General Municipal Pension System State Aid Program which must be used for pension plan funding. Any funding requirements in excess of members’ contributions and state aid must be paid by the municipality in accordance with Act 205.

Net Pension Liability:

The Borough’s net pension liability is measured as the total pension liability reduced by the pension plan’s fiduciary net position. A summary of the principal assumptions and methods used to determine the net pension liability is shown below:

Actuarial Assumptions – An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2021. Update procedures were used to roll forward to the plan’s fiscal year ending December 31, 2022. This report was based upon the plan’s actuarial assumptions, asset valuation method, and cost method as described below:

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

Note 20 – Pension Plan Nonuniformed (Continued):

December 31, 2022 Liabilities

Actuarial valuation date	January 1, 2021
Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	N/A
Asset valuation method	Market
Assumptions:	
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	7.25% (Net of pension plan investment expense including inflation)
Retirement age	62

Mortality rates were based on the PUBG-2010 Table projected to 2026 using Scale MP-2020 for Males or Females, as appropriate, termination rates were based on Scale W65, and disability rates were based on the DI378 Table for Males or Females, as appropriate.

Long Term Expected Rate of Return on Plan Assets:

The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>	<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity:		International Equity	8.97%
Large Cap	7.60%	Emerging Markets Equity	10.93%
Medium Cap Growth	8.29%	Fixed Income:	
Medium Cap Value	8.29%	Domestic	3.16%
Small Cap	9.15%	International/High Yield	3.88%
Real Estate	8.07%	Cash	2.01%

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

Note 20 – Pension Plan Nonuniformed (Continued):

Discount Rate:

The discount rate used to measure the total pension liability was 7.25 percent. This discount rate is based on the long term expected rate of return on pension plan investments that are expected to be used to finance the payment of benefits. The plan’s fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer must meet the funding requirements of Act 205 on an annual basis or be subject to an interest penalty as required. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Changes to the Net Pension Liability for the year ending December 31, 2022 are as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
Balance at December 31, 2021	\$ 6,468,663	\$ 6,879,311	\$ (410,648)
Changes for the year:			
Service cost	119,464		119,464
Interest on the total pension liability.....	461,182		461,182
Contribution – state aid.....		50,784	(50,784)
Contribution – employee		25,277	(25,277)
Net investment income		(1,305,025)	1,305,025
Benefit payments, including refunds of employee contributions	(453,983)	(453,983)	
Net Changes	<u>126,663</u>	<u>(1,682,947)</u>	<u>1,809,610</u>
Balance at December 31, 2022	<u>\$ 6,595,326</u>	<u>\$ 5,196,364</u>	<u>\$ 1,398,962</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.25% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

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

Note 20 – Pension Plan – Nonuniformed (Continued):

Sensitivity of Net Pension Liability to Changes in Discount Rate

	1% Decrease <u>6.25%</u>	Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
Total Pension Liability.....	\$ 7,203,723	\$ 6,595,326	\$ 6,071,228
Plan Fiduciary Net Position	<u>5,196,364</u>	<u>5,196,364</u>	<u>5,196,364</u>
Net Pension Liability	<u>\$ 2,007,359</u>	<u>\$ 1,398,962</u>	<u>\$ 874,864</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 72.1%	 78.8%	 85.6%

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

For the year ended December 31, 2022, the municipality recognized a pension expense of \$426,179. At December 31, 2022, the municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience.....	\$ 233,402	\$
Changes in assumptions.....	246,119	
Net differences between projected and actual earnings on pension plan investments	<u>957,191</u>	
Total	<u>\$ 1,436,712</u>	<u>\$ 0</u>

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

<u>Year Ended December 31,</u>	
2023	\$ 266,339
2024	434,539
2025	378,003
2026	357,831
2027	0
Thereafter	0

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

Allocation Between Governmental and Business-Type Activities:

Allocation of the net pension asset balance as of December 31, 2022 and pension expense for the year ending December 31, 2022 between the Borough’s governmental and business-type activities was based upon the percentage of 2022 wage expenses attributable to the respective activities. The following schedule summarizes the Borough’s ending net pension liability balances as reported in the statement of net position and the pension expense as reported in the statement of activities.

	<u>Net Pension Liability as of December 31, 2022</u>	<u>Pension Expense for the year ending December 31, 2022</u>
Governmental Activities	\$ 966,250	\$ 294,358
Business-Type Activities	\$ 432,712	\$ 131,821

Note 21 – Pension Plan – Police:

Plan Description – General:

The Souderton Borough Police Pension Plan is a single employer defined benefit pension plan that covers all full-time police officers of Souderton Borough and which is controlled by the provisions of Ordinance No. 10-690-01, adopted pursuant to Act 600. The plan is governed by the Borough Council which is responsible for the management of plan assets. Borough Council has appointed the Pension Committee as the official body to which all related investment matters of the Fund are delegated. The Pension Committee consists of at least three members; the Borough Manager, at least one member of Borough Council, and at least one Participant in the Plan. The Borough Council has delegated the authority to manage certain plan assets to Girard Pension Services, LLC, with Nationwide Financial as custodian. The plan issues a stand-alone financial statement which can be obtained at the Borough Office.

Plan Membership:

As of December 31, 2022, membership consisted of:

Active employees.....	8
Inactive employees or beneficiaries currently receiving benefits.....	5
Inactive employees entitled to but not yet receiving benefits.....	<u>0</u>
Total Participant Count.....	13

Benefits Provided:

The following is a summary of the Plan benefit provisions:

BOROUGH OF SOUDERTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 21 – Pension Plan – Police (Continued):

Eligibility Requirements:

Normal Retirement – Age 50 and 25 years of service

Early Retirement – Generally, 20 or more years of service

Vesting – None for the first 12 years of service; thereafter, 100%. If a member dies before the pension becomes vested, the surviving spouse or minor children shall receive repayment of the member's contributions, if any, plus interest.

Retirement Benefit:

For participants hired prior to January 1, 2010, the monthly pension shall be 2.0% credit for each year of service (maximum 50%) times the average monthly salary over the participant's last 36 months of employment, plus an incremental pension of \$100 per month for each completed year of service in excess of 25 years up to a maximum of \$500 per month.

For participants hired on or after January 1, 2010, the monthly pension shall be 50% of the final average monthly salary over the participant's last 36 months of employment, plus an incremental pension of \$100 per month for each completed year of service in excess of 25 years up to a maximum of \$500 per month.

Survivor Benefit:

A pension benefit shall be automatically provided to a retired officer's spouse or to the spouse of an officer eligible to retire, equal to 100% of the eligible pension. If no spouse, or if spouse subsequently dies, the benefit shall apply to children under age 18, or if attending college, under or attaining age 23.

Disability Benefit:

Service-Related – The monthly disability pension benefit shall be calculated at the rate of 50% of the participant's salary at the time the disability was incurred. Said pension shall be reduced by any benefits received for the same injuries under the Social Security Act.

Nonservice-Related – None

Postretirement Adjustments:

A cost of living adjustment shall be provided to retired officers. Annual adjustment not to exceed the increase in the Consumer Price Index from year to year. Total adjustments not to exceed 30% of the retiree's original pension or 75% of the retiree's final average monthly salary.

BOROUGH OF SOUDERTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 21 – Pension Plan – Police (Continued):

Other Benefits:

Non-Intervening Military Service Credit

The Deferred Retirement Option Plan (DROP) provides an optional form of benefit to members of this plan who have met the age and service eligibility requirements to retire. Any eligible member may elect to participate in the DROP by retiring for pension purposes and specifying a future termination date not less than one year nor more than five years from the effective date of the DROP election. The monthly pension benefit is calculated at the date of election and credited to a separate ledger account for the period of DROP participation along with interest at 2% per annum until DROP participation ends. Certain other provisions of the DROP are detailed in the ordinance.

Member Contributions:

5% on a post-tax basis (waived), with interest credited at 6% per year.

Contributions and Funding Policy:

On December 18, 1984, Act 205 was passed into law, and is known as the “Municipal Pension Plan Funding Standard and Recovery Act”. The act mandates actuarial funding standards, establishes a recovery program for financially distressed pension plans, and provides for the distribution of the tax on the premiums of foreign fire insurance companies.

The act requires minimum funding standards based on the most recent actuarial valuation report, including normal cost and administrative expense requirements and an amortization contribution of the unfunded actuarial accrued liability.

The plan’s governing document provides the Borough with the authority to establish and amend contribution requirements. For the year ended December 31, 2022, active members were not required to contribute to the plan; however prior contributions are credited with interest at 6% per year.

The pension plan may also receive an annual allocation from the General Municipal Pension System State Aid Program which must be used for pension plan funding. Any funding requirements in excess of members’ contributions and state aid must be paid by the municipality in accordance with Act 205.

Net Pension Liability:

The Borough’s net pension liability is measured as the total pension liability reduced by the pension plan’s fiduciary net position. A summary of the principal assumptions and methods used to determine the net pension liability is shown below:

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

Note 21 – Pension Plan – Police (Continued):

Actuarial Assumptions – An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2021. Update procedures were used to roll forward to the plan’s fiscal year ending December 31, 2022. This report was based upon the plan’s actuarial assumptions, asset valuation method, and cost method as described below:

December 31, 2022 Liabilities

Actuarial valuation date	January 1, 2021
Actuarial cost method	Entry age
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market

Assumptions:

Inflation	3.00%
Salary increases	4.75%
Investment rate of return	7.00% (Net of pension plan investment expense including inflation)
Retirement age	50

Mortality rates were based on the PUBS-2010 Table projected to 2026 using Scale MP-2020 for Males or Females, as appropriate, termination rates were based on Scale W65, and disability rates were based on the DI378 Table for Males or Females, as appropriate.

Long Term Expected Rate of Return on Plan Assets:

The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>	<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity:		International Equity	8.97%
Large Cap	7.60%	Emerging Markets Equity	10.93%
Medium Cap Growth	8.29%	Fixed Income:	
Medium Cap Value	8.29%	Domestic	3.16%
Small Cap	9.15%	International/High Yield	3.88%
Real Estate	8.07%	Cash	2.01%

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

Note 21 – Pension Plan – Police (Continued):

Discount Rate:

The discount rate used to measure the total pension liability was 7.00 percent. This discount rate is based on the long term expected rate of return on pension plan investments that are expected to be used to finance the payment of benefits. The plan’s fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer must meet the funding requirements of Act 205 on an annual basis or be subject to an interest penalty as required. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Changes to the Net Pension Liability for the year ending December 31, 2022 are as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
Balance at December 31, 2021	\$ 5,017,776	\$ 5,744,789	\$ (727,013)
Changes for the year:			
Service cost	102,421		102,421
Interest on the total pension liability.....	348,204		348,204
Contribution – state aid.....		74,453	(74,453)
Net investment income		(1,045,631)	1,045,631
Benefit payments, including refunds of employee contributions	(291,700)	(291,700)	
Net Changes	<u>158,925</u>	<u>(1,262,878)</u>	<u>1,421,803</u>
Balance at December 31, 2022	<u>\$ 5,176,701</u>	<u>\$ 4,481,911</u>	<u>\$ 694,790</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

Sensitivity of Net Pension Liability to Changes in Discount Rate

	<u>1% Decrease 6.00%</u>	<u>Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Total Pension Liability.....	\$ 5,742,829	\$ 5,176,701	\$ 4,698,575
Plan Fiduciary Net Position	4,481,911	4,481,911	4,481,911
Net Pension Liability	<u>\$ 1,260,918</u>	<u>\$ 694,790</u>	<u>\$ 216,664</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.0%	86.6%	95.4%
---	-------	-------	-------

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

Note 21 – Pension Plan – Police (Continued):

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

For the year ended December 31, 2022, the municipality recognized a pension expense of \$249,629. At December 31, 2022, the municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience.....	\$	\$ (186,725)
Changes in assumptions.....	227,396	
Net differences between projected and actual earnings on pension plan investments	<u>790,499</u>	
Total	<u>\$ 1,017,895</u>	<u>\$ (186,725)</u>

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

<u>Year Ended December 31,</u>	
2023	\$ 57,660
2024	156,285
2025	237,616
2026	297,925
2027	33,342
Thereafter	48,342

SUPPLEMENTARY INFORMATION

**BOROUGH OF SOUDERTON
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED DECEMBER 31, 2022**

	Budget Original and Final	Actual Amounts	Variance Positive (Negative)
<u>Revenues:</u>			
Taxes and penalties	\$ 2,946,730	\$ 3,191,649	\$ 244,919
Franchise taxes	107,500	102,378	(5,122)
Permits, fines, and licenses.....	15,000	18,879	3,879
Interest and rents	54,325	70,998	16,673
Intergovernmental revenues	25,345	216,590	191,245
Charges for services	1,586,775	1,652,638	65,863
Miscellaneous	41,100	52,187	11,087
Total Revenues	<u>4,776,775</u>	<u>5,305,319</u>	<u>528,544</u>
<u>Expenditures:</u>			
General government	649,541	703,359	(53,818)
Public safety	1,419,712	1,450,881	(31,169)
Refuse collection	866,860	878,248	(11,388)
Public works	731,965	755,273	(23,308)
Recreation and community development	458,195	498,640	(40,445)
Debt service – interest	2,200	1,483	717
Capital outlays	25,750	52,113	(26,363)
Insurance and employee benefits	29,705	153,410	(123,705)
Total Expenditures	<u>4,183,928</u>	<u>4,493,407</u>	<u>(309,479)</u>
Excess of Revenues Over Expenditures	<u>592,847</u>	<u>811,912</u>	<u>219,065</u>
<u>Other Financing Sources (Uses):</u>			
Operating transfer out.....	(590,000)	(790,000)	(200,000)
Total Other Financing Sources (Uses)	<u>(590,000)</u>	<u>(790,000)</u>	<u>(200,000)</u>
Net Change in Fund Balance	2,847	21,912	19,065
FUND BALANCE - BEGINNING	<u>851,892</u>	<u>851,892</u>	<u>0</u>
FUND BALANCE - ENDING	<u>\$ 854,739</u>	<u>\$ 873,804</u>	<u>\$ 19,065</u>

See accompanying notes to budgetary comparison schedule.

**BOROUGH OF SOUDERTON
NOTE TO BUDGETARY COMPARISON SCHEDULE
DECEMBER 31, 2022**

Note 1 – Budget To Actual Reconciliation:

Budgetary Comparison Schedule is presented for the General Fund of the Borough. It is prepared on the modified accrual basis of accounting.

**BOROUGH OF SOUDERTON NON-UNIFORM EMPLOYEES PENSION PLAN
SCHEDULES OF CHANGES IN PLAN'S NET PENSION
LIABILITY AND RELATED RATIOS**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<u>Total Pension Liability</u>									
Service cost.....	\$ 119,464	\$ 113,775	\$ 82,652	\$ 78,716	\$ 78,654	\$ 74,909	\$ 86,406	\$ 82,291	\$ 70,223
Interest.....	461,182	451,950	376,601	372,947	385,739	370,484	376,136	356,295	351,380
Changes of benefit terms.....	0	87,839	0	42,271	0	(266,033)	0	20,320	0
Differences between expected and actual experience.....	0	503,391	0	(472,399)	0	(98,133)	0	(145,830)	0
Changes of assumptions.....	0	456,477	0	0	0	(119,068)	0	264,698	0
Benefit payments, including refunds of employee contributions.....	<u>(453,983)</u>	<u>(434,153)</u>	<u>(563,427)</u>	<u>(246,961)</u>	<u>(174,589)</u>	<u>(302,852)</u>	<u>(159,262)</u>	<u>(159,262)</u>	<u>(176,737)</u>
Net change in total pension liability.....									
Total pension liability – beginning.....	\$ 126,663	\$1,179,279	\$ (104,174)	\$ (225,426)	\$ 289,804	\$ (340,693)	\$ 303,280	\$ 418,512	\$ 244,866
Total pension liability – ending.....	<u>6,468,663</u>	<u>5,289,384</u>	<u>5,393,558</u>	<u>5,618,984</u>	<u>5,329,180</u>	<u>5,669,873</u>	<u>5,366,593</u>	<u>4,948,081</u>	<u>4,703,215</u>
	<u>6,595,326</u>	<u>6,468,663</u>	<u>5,289,384</u>	<u>5,393,558</u>	<u>5,618,984</u>	<u>5,329,180</u>	<u>5,669,873</u>	<u>5,366,593</u>	<u>4,948,081</u>
<u>Plan Fiduciary Net Position</u>									
Contributions – employer.....	\$ 0	\$ 0	\$ 0	\$ 2,238	\$ 0	\$ 16,116	\$ 0	\$ 0	\$ 7,720
Contributions – state aid.....	50,784	51,311	40,670	38,857	58,494	35,076	49,971	41,182	39,974
Contributions – member.....	25,277	26,046	24,836	24,204	24,558	24,468	27,763	27,488	27,726
Net investment income.....	(1,305,025)	732,753	872,709	1,026,665	(440,156)	782,640	295,833	(77,268)	207,672
Benefit payments, including refunds of employee contributions.....	(453,983)	(434,153)	(563,427)	(246,961)	(174,589)	(302,852)	(159,262)	(159,262)	(176,737)
Administrative expense.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in plan fiduciary net position.....									
Plan fiduciary net position – beginning.....	\$(1,682,947)	\$ 375,957	\$ 374,788	\$ 845,003	\$ (531,693)	\$ 555,448	\$ 214,305	\$ (167,860)	\$ 106,355
Plan fiduciary net position – ending.....	<u>6,879,311</u>	<u>6,503,354</u>	<u>6,128,566</u>	<u>5,283,563</u>	<u>5,815,256</u>	<u>5,259,808</u>	<u>5,045,503</u>	<u>5,213,363</u>	<u>5,107,008</u>
	<u>5,196,364</u>	<u>6,879,311</u>	<u>6,503,354</u>	<u>6,128,566</u>	<u>5,283,563</u>	<u>5,815,256</u>	<u>5,259,808</u>	<u>5,045,503</u>	<u>5,213,363</u>
Net pension liability – ending.....	<u>1,398,962</u>	<u>(410,648)</u>	<u>(1,213,970)</u>	<u>(735,008)</u>	<u>335,421</u>	<u>(486,076)</u>	<u>410,065</u>	<u>321,090</u>	<u>(265,282)</u>
Plan fiduciary net position as a percentage of total pension liability.....	78.79%	106.3%	123.0%	113.6%	94.0%	109.1%	92.8%	94.0%	105.4%
Covered employee payroll.....	\$ 744,391	\$ 892,647	\$ 749,025	\$ 815,596	\$ 792,639	\$ 917,179	\$ 911,055	\$ 837,343	\$ 894,022
Net pension liability as a percentage of covered employee payroll.....	187.93%	(46.0)%	(162.1)%	(90.1)%	42.3%	(53.0)%	45.0%	38.3%	(29.7)%

Covered Payroll is based on the payroll used to develop the Minimum Municipal Obligation (MMO) for that respective year.

**BOROUGH OF SOUDERTON POLICE PENSION PLAN
SCHEDULES OF CHANGES IN PLAN'S NET PENSION
LIABILITY AND RELATED RATIOS**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<u>Total Pension Liability</u>									
Service cost.....	\$ 102,421	\$ 97,777	\$ 48,551	\$ 46,239	\$ 59,508	\$ 56,674	\$ 35,998	\$ 34,284	\$ 33,742
Interest.....	348,204	337,918	320,011	313,691	332,711	330,614	320,362	311,511	283,262
Changes of benefit terms.....	0	0	0	0	0	0	0	0	0
Differences between expected and actual experience.....	0	(57,994)	0	(255,078)	0	(65,787)	0	305,454	0
Changes of assumptions.....	0	339,730	0	0	0	(105,598)	0	0	0
Benefit payments, including refunds of employee contributions.....	<u>(291,700)</u>	<u>(295,098)</u>	<u>(277,033)</u>	<u>(273,111)</u>	<u>(499,319)</u>	<u>(223,068)</u>	<u>(221,061)</u>	<u>(221,061)</u>	<u>(217,830)</u>
Net change in total pension liability.....	\$ 158,925	\$ 422,333	\$ (91,529)	\$ (168,259)	\$ (107,100)	\$ (7,165)	\$ 135,299	\$ 430,188	\$ 99,174
Total pension liability – beginning.....	<u>5,017,776</u>	<u>4,595,443</u>	<u>4,503,914</u>	<u>4,672,173</u>	<u>4,779,273</u>	<u>4,786,438</u>	<u>4,651,139</u>	<u>4,220,951</u>	<u>4,121,777</u>
Total pension liability – ending.....	<u>\$ 5,176,701</u>	<u>\$ 5,017,776</u>	<u>\$ 4,595,443</u>	<u>\$ 4,503,914</u>	<u>\$ 4,672,173</u>	<u>\$ 4,779,273</u>	<u>\$ 4,786,438</u>	<u>\$ 4,651,139</u>	<u>\$ 4,220,951</u>
<u>Plan Fiduciary Net Position</u>									
Contributions – employer.....	\$ 0	\$ 5,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions – state aid.....	74,453	61,525	64,226	58,497	32,895	13,409	0	0	0
Contributions – member.....	0	0	0	0	0	0	0	5,808	5,412
Net investment income.....	(1,045,631)	561,703	713,869	797,940	(319,689)	653,458	271,028	(64,621)	205,340
Benefit payments, including refunds of employee contributions.....	(291,700)	(295,098)	(277,033)	(273,111)	(499,319)	(223,068)	(221,061)	(221,061)	(217,830)
Administrative expense.....	0	0	0	0	0	0	0	0	0
Net change in plan fiduciary net position.....	\$ (1,262,878)	\$ 333,880	\$ 501,062	\$ 583,326	\$ (786,113)	\$ 443,799	\$ 49,967	\$ (279,874)	\$ (7,078)
Plan fiduciary net position – beginning.....	<u>5,744,789</u>	<u>5,410,909</u>	<u>4,909,847</u>	<u>4,326,521</u>	<u>5,112,634</u>	<u>4,668,835</u>	<u>4,618,868</u>	<u>4,898,742</u>	<u>4,905,820</u>
Plan fiduciary net position – ending.....	<u>\$ 4,481,911</u>	<u>\$ 5,744,789</u>	<u>\$ 4,410,909</u>	<u>\$ 4,909,847</u>	<u>\$ 4,326,521</u>	<u>\$ 5,112,634</u>	<u>\$ 4,668,835</u>	<u>\$ 4,618,868</u>	<u>\$ 4,898,742</u>
Net pension liability – ending.....	\$ 694,790	\$ (727,013)	\$ (815,466)	\$ (405,933)	\$ 345,652	\$ (333,361)	\$ 117,603	\$ 32,271	\$ (677,791)
Plan fiduciary net position as a percentage of total pension liability.....	86.58%	114.5%	117.8%	109.0%	92.6%	107.0%	97.5%	99.3%	116.1%
Covered employee payroll.....	\$ 652,197	\$ 580,577	\$ 505,644	\$ 464,027	\$ 431,960	\$ 396,804	\$ 400,421	\$ 269,001	\$ 260,320
Net pension liability as a percentage of covered employee payroll.....	106.53%	(125.2)%	(161.3)%	(87.5)%	80.0%	(84.0)%	29.4%	12.0%	(260.4)%

Covered Payroll is based on the payroll used to develop the Minimum Municipal Obligation (MMO) for that respective year.

**BOROUGH OF SOUDERTON NON-UNIFORMED PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution....	\$ 41,216	\$ 51,311	\$ 37,144	\$ 41,095	\$ 42,529	\$ 51,192	\$ 42,776	\$ 39,297	\$ 47,694
Contributions made.....	<u>50,784</u>	<u>51,311</u>	<u>40,670</u>	<u>41,095</u>	<u>58,494</u>	<u>51,192</u>	<u>49,971</u>	<u>41,182</u>	<u>47,694</u>
Contribution Deficiency (Excess).....	<u>\$ (9,568)</u>	<u>\$ 0</u>	<u>\$ (3,526)</u>	<u>\$ 0</u>	<u>\$ (15,965)</u>	<u>\$ 0</u>	<u>\$ (7,195)</u>	<u>\$ (1,885)</u>	<u>\$ 0</u>
Covered-employee payroll.....	\$ 744,391	\$ 892,647	\$ 749,025	\$ 815,596	\$ 792,639	\$ 917,179	\$ 911,055	\$ 837,343	\$ 894,022
Contributions as a percentage of covered-employee payroll.....	6.82%	5.75%	5.43%	5.04%	7.38%	5.58%	5.48%	4.92%	5.33%

Covered Payroll is based on the payroll used to develop the Minimum Municipal Obligation (MMO) for that respective year.

**BOROUGH OF SOUDERTON POLICE PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution...	\$ 74,453	\$ 67,275	\$ 64,226	\$ 58,497	\$ 17,895	\$ 13,409	\$ 0	\$ 0	\$ 0
Contributions made.....	<u>74,453</u>	<u>67,275</u>	<u>64,226</u>	<u>58,497</u>	<u>32,895</u>	<u>13,409</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess).....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (15,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll.....	\$ 652,197	\$ 580,577	\$ 505,644	\$ 464,027	\$ 431,960	\$ 396,804	\$ 400,421	\$ 269,001	\$ 260,320
Contributions as a percentage of covered-employee payroll.....	11.42%	11.59%	12.70%	12.61%	7.62%	3.38%	0.00%	0.00%	0.00%

Covered Payroll is based on the payroll used to develop the Minimum Municipal Obligation (MMO) for that respective year.