

**REPORT ON
BOROUGH OF KUTZTOWN
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

BOROUGH OF KUTZTOWN

Financial Statements

For the Year Ended December 31, 2021

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BOROUGH OF KUTZTOWN

Financial Statements

For the Year Ended December 31, 2021

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April 27, 2022

Borough Council
Borough of Kutztown
45 Railroad Street
Kutztown, PA 19530

INDEPENDENT AUDITOR'S REPORT

Qualified Opinion and Unmodified Opinions

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

Qualified Opinion on the General Fund and Enterprise Fund

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund, Refuse and Recycling Fund, Water Fund, Electric Fund, Sewer Fund and Telecommunications Fund of the Borough of Kutztown as of December 31, 2021, and the changes in financial position thereof for the year and, where applicable, cash flows and budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Highway Aid Fund, Fire Protection Fund, Recreation Tax Fund, Road Tax Fund and Police Pension Trust Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Highway Aid Fund, Fire Protection Fund, Recreation Tax Fund, Road Tax Fund and Police Pension Trust Fund of the Borough of Kutztown as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with generally accepted in the United States of America.

Basis for Qualified 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Kutztown, 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 qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion

The Non-Uniformed Pension Plan information contained in the financial statements is more than one year old. Accounting principles generally accepted in the United States of America require that the information presented be no more than one year old. More current data was not made available by the Pension Fund Administrators. This departure from generally accepted accounting principles affects the General Fund, the Refuse and Recycling Fund, the Water Fund, the Electric Fund, the Sewer Fund and the Telecommunications Fund. The amount by which this departure would affect the assets, liabilities, net positions, funds balances and expenditures of each fund cannot be determined at this time.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the United States is currently operating under a state of National Emergency due to the Coronavirus Pandemic. Our opinion is not modified with respect to this matter.

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

Auditor's Responsibilities for the Audit of the Financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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, including omissions, 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 Springfield Township'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 Kutztown'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 Schedule of Changes in the Net Pension Liability and Related Ratios, the Schedule of Net Position Contributions, and the Schedule of Net OPEB Liabilities and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the remaining 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Kutztown's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the

responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the basis of accounting described in the notes to the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Hutchinson, Gillahan & Freeh, P.C.

April 27, 2022

BASIC FINANCIAL STATEMENTS

BOROUGH OF KUTZTOWN
Statement of Net Position
As of December 31, 2021

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	AUTHORITIES
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 3,365,904	\$ 5,885,781	\$ 9,251,685	\$ 1,826,728
Taxes Receivable	9,139	-	9,139	-
Accounts Receivable (Net)	16,783	1,235,381	1,252,164	96,017
Prepaid Expenses	33,187	63,273	96,460	-
Net Pension Asset	1,453,183	-	1,453,183	-
Internal Balances	11,864	469,031	- (1)	138,130
Due from Component Units/Primary Government	-	-	-	101,048
TOTAL CURRENT ASSETS	4,890,060	7,653,466	12,062,631	2,161,923
NON-CURRENT ASSETS:				
Land	1,334,868	1,292,121	2,626,989	-
Buildings (Net of Depreciation)	581,734	13,102,515	13,684,249	-
Infrastructure (Net of Depreciation)	6,957,370	-	6,957,370	1,025,239
Machinery and Equipment/Infrastructure (Net of Depreciation)	340,795	17,241,427	17,582,222	-
Unamortized Bond Costs	-	421,253	421,253	-
TOTAL NON-CURRENT ASSETS	9,214,767	32,057,316	41,272,083	1,025,239
TOTAL ASSETS	\$ 14,104,827	\$ 39,710,782	\$ 53,334,714	\$ 3,187,162
DEFERRED OUTFLOWS OF RESOURCES	\$ 968,463	\$ 300,449	\$ 1,268,912	\$ -
LIABILITIES				
CURRENT LIABILITIES:				
Internal Balances	\$ 408,392	\$ 72,503	\$ - (1)	\$ 138,130
Due to Component Unit/Primary Government	101,048	-	101,048	-
Accounts Payable	96,237	615,506	711,743	79,167
Accrued Salaries and Benefits	80,540	-	80,540	-
Bonds Payable	45,273	1,115,727	1,161,000	-
Interest Payable	269	108,977	109,246	-
Customer Deposits	20,670	169,100	189,770	34,675
TOTAL CURRENT LIABILITIES	752,429	2,081,813	2,353,347	251,972
NON-CURRENT LIABILITIES:				
Net Other Post Employment Liability	911,745	-	911,745	-
Net Pension Liability	167,038	387,609	554,647	-
Bonds Payable	-	13,931,000	13,931,000	-
TOTAL NON-CURRENT LIABILITIES	1,078,783	14,318,609	15,397,392	-
TOTAL LIABILITIES	\$ 1,831,212	\$ 16,400,422	\$ 17,750,739	\$ 251,972
DEFERRED INFLOWS OF RESOURCES	\$ 2,153,117	\$ 846,127	\$ 2,999,244	\$ -
NET POSITION				
Invested in Capital Assets, Net of Related Debt	9,169,494	16,589,336	25,758,830	1,025,239
Restricted	849,493	-	849,493	335,271
Unrestricted	1,069,974	6,175,346	7,245,320	1,574,680
TOTAL NET POSITION	\$ 11,088,961	\$ 22,764,682	\$ 33,853,643	\$ 2,935,190

(1) Internal balances represent the amount owed to or from the two types of activities within the Primary Government. Since internal balances do not represent assets or liabilities of the total Primary Government, their balances are eliminated in the "total" column (GASB Statement No. 34, para. 58).

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

BOROUGH OF KUTZTOWN
Statement of Activities
For the Year Ended December 31, 2021

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			COMPONENT UNITS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	AUTHORITIES
GOVERNMENTAL ACTIVITIES:								
General Government	\$ 489,657	\$ 471,513	\$ 324,235	\$ -	\$ 306,091	\$ -	\$ 306,091	
Public Safety	3,372,462	209,472	46,604	-	(3,116,386)	-	(3,116,386)	
Public Works	755,254	-	-	141,597	(613,657)	-	(613,657)	
Culture and Recreation	619,439	73,563	-	-	(545,876)	-	(545,876)	
Community Development	-	-	-	-	-	-	-	
Non-Departmental	46,568	-	-	-	(46,568)	-	(46,568)	
Debt Service Payments	834	-	-	-	(834)	-	(834)	
Depreciation	418,089	-	-	-	(418,089)	-	(418,089)	
TOTAL GOVERNMENTAL ACTIVITIES	5,702,303	754,548	370,839	141,597	(4,435,319)	-	(4,435,319)	
BUSINESS-TYPE ACTIVITIES:								
Electric	4,401,335	6,688,354	-	-	-	2,287,019	2,287,019	
Water	2,136,141	2,188,888	-	-	-	52,747	52,747	
Sewer	2,105,611	2,062,501	-	-	-	(43,110)	(43,110)	
Telecom	1,109,853	687,881	-	-	-	(421,972)	(421,972)	
Refuse	960,938	1,018,243	-	50,174	-	107,479	107,479	
TOTAL PRIMARY GOVERNMENT	\$ 16,416,181	\$ 13,400,415	\$ 370,839	\$ 191,771	\$ (4,435,319)	\$ 1,982,163	\$ (2,453,156)	
COMPONENT UNITS								
Municipal Authorities	\$ 983,117	\$ 1,174,498	\$ -	\$ -				\$ 191,381
GENERAL REVENUES:								
Property Taxes Levied for General Purposes					\$ 886,284	\$ -	\$ 886,284	\$ -
Other Taxes Levied for General Purposes					732,258	-	732,258	-
Grants, Subsidies, & Contributions Not Restricted					5,493	-	5,493	-
Investment and Rental Earnings					408,844	219,814	628,658	743
Miscellaneous Income					737,622	431,273	1,168,895	4,412
Transfers					1,800,402	(1,800,402)	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					4,570,903	(1,149,315)	3,421,588	5,155
CHANGE IN NET POSITION					135,584	832,848	968,432	196,536
NET POSITION - BEGINNING					10,953,377	21,931,834	32,885,211	2,738,654
NET POSITION - ENDING					\$ 11,088,961	\$ 22,764,682	\$ 33,853,643	\$ 2,935,190

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

BOROUGH OF KUTZTOWN
Balance Sheet
All Governmental Funds
As of December 31, 2021

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,630,031	\$ 735,873	\$ 3,365,904
Due from Other Funds	11,864	-	11,864
Taxes Receivable	5,140	3,999	9,139
Prepaid Expenses	33,187	-	33,187
Accounts Receivable	16,783	-	16,783
TOTAL ASSETS	<u>\$ 2,697,005</u>	<u>\$ 739,872</u>	<u>\$ 3,436,877</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Due to Other Funds	\$ 408,392	\$ -	\$ 408,392
Due to Component Units	101,048	-	101,048
Escrow Deposits	20,670	-	20,670
Accounts Payable	96,237	-	96,237
Accrued Salaries and Benefits	80,540	-	80,540
Interest Payable	269	-	269
Deferred Revenue	265,860	-	265,860
TOTAL LIABILITIES	<u>973,016</u>	<u>-</u>	<u>973,016</u>
<u>FUND BALANCES:</u>			
- Nonspendable	-	-	-
- Restricted	109,621	739,872	849,493
- Committed	-	-	-
- Assigned	-	-	-
- Unassigned	1,614,368	-	1,614,368
TOTAL FUND BALANCES	<u>1,723,989</u>	<u>739,872</u>	<u>2,463,861</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,697,005</u>	<u>\$ 739,872</u>	<u>\$ 3,436,877</u>

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

BOROUGH OF KUTZTOWN
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
As of December 31, 2021

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 2,463,861**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$19,414,907 and the accumulated depreciation is \$10,200,140. 9,214,767

Pension assets and related deferred outflows are not financial resources and , therefore, are not reported as assets in the governmental funds. 2,687,506

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Notes Payable	\$	(45,273)	
Net Pension Liability		(2,320,155)	
Other Retirement Benefits		<u>(911,745)</u>	<u>(3,277,173)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 11,088,961**

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

BOROUGH OF KUTZTOWN
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
For the Year Ended December 31, 2021

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>			
Taxes	\$ 1,231,458	\$ 385,609	\$ 1,617,067
Licenses and Permits	190,278	-	190,278
Fines and Forfeits	83,736	-	83,736
Intergovernmental	372,314	141,597	513,911
Charges for Services	210,054	-	210,054
Miscellaneous	52,347	-	52,347
Reimbursements	270,480	-	270,480
Investment and Rental Earnings	408,818	26	408,844
TOTAL REVENUES	<u>2,819,485</u>	<u>527,232</u>	<u>3,346,717</u>
<u>EXPENDITURES</u>			
CURRENT:			
General Government	478,206	-	478,206
Public Safety	2,960,347	-	2,960,347
Public Works	1,063,528	-	1,063,528
Culture and Recreation	667,290	-	667,290
Community Development	-	-	-
Non-Departmental	46,568	-	46,568
DEBT SERVICE:			
Principal	81,860	-	81,860
Interest	834	-	834
TOTAL EXPENDITURES	<u>5,298,633</u>	<u>-</u>	<u>5,298,633</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,479,148)</u>	<u>527,232</u>	<u>(1,951,916)</u>
OTHER FINANCING SOURCES			
Refund of Prior Year Expenditures	348,996	-	348,996
Sale of Fixed Assets	-	-	-
Interfund Transfers In	2,257,442	-	2,257,442
Interfund Transfers Out	-	(457,040)	(457,040)
TOTAL OTHER FINANCING SOURCES	<u>2,606,438</u>	<u>(457,040)</u>	<u>2,149,398</u>
NET CHANGE IN FUND BALANCES	127,290	70,192	197,482
FUND BALANCES - BEGINNING	<u>1,596,699</u>	<u>669,680</u>	<u>2,266,379</u>
FUND BALANCES - ENDING	<u>\$ 1,723,989</u>	<u>\$ 739,872</u>	<u>\$ 2,463,861</u>

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

BOROUGH OF KUTZTOWN
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
To the Statement of Activities
For the Year Ended December 31, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 197,482**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation Expense	\$ (418,089)	
Asset Deletions	-	
Capital Outlays	<u>428,272</u>	10,183

In the statement of activities, certain operating revenues--Deferred Revenue--are measured by amounts earned during the year. In the governmental funds; however, revenues for these items are measured by the amount of financial resources received. This amount represents the difference between amounts earned versus the amounts received. (2,133)

In the statement of activities, certain operating expenses--GASB 68 Pension and OPEB Assets and Liabilities--are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. (151,808)

In the statement of activities, the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which proceeds exceeded repayments. 81,860

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 135,584**

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

BOROUGH OF KUTZTOWN
Combining Statement of Net Position
All Proprietary Funds
As of December 31, 2021

	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
ASSETS						
CURRENT ASSETS:						
Cash and Cash Equivalents	\$ 2,873,407	\$ 739,207	\$ 1,267,851	\$ -	\$ 1,005,316	\$ 5,885,781
Accounts Receivable (Net of Allowance for Doubtful Accounts)	687,160	196,749	194,461	58,535	98,476	1,235,381
Prepaid Expenses	11,228	13,685	23,084	11,797	3,479	63,273
Due from Other Funds	3,185	127,792	169,061	57,368	111,625	469,031
TOTAL CURRENT ASSETS	3,574,980	1,077,433	1,654,457	127,700	1,218,896	7,653,466
NON-CURRENT ASSETS:						
Land	-	477,407	813,292	1,422	-	1,292,121
Buildings (Net of Depreciation)	1,347,672	5,407,350	6,174,183	39,300	134,010	13,102,515
Machinery and Equipment/Infrastructure (Net of Depreciation)	1,092,083	5,397,555	9,058,033	1,452,986	240,770	17,241,427
Unamortized Bond Costs	19,902	305,587	95,764	-	-	421,253
TOTAL NON-CURRENT ASSETS	2,459,657	11,587,899	16,141,272	1,493,708	374,780	32,057,316
TOTAL ASSETS	\$ 6,034,637	\$ 12,665,332	\$ 17,795,729	\$ 1,621,408	\$ 1,593,676	\$ 39,710,782
DEFERRED OUTFLOWS OF RESOURCES						
	\$ 87,591	\$ 68,367	\$ 57,944	\$ 47,899	\$ 38,648	\$ 300,449
LIABILITIES						
CURRENT LIABILITIES:						
Accounts Payable	\$ 515,551	\$ 23,553	\$ 57,397	\$ 2,736	\$ 16,269	\$ 615,506
Customer Deposits	169,100	-	-	-	-	169,100
Due to Other Funds	7,585	64,918	-	-	-	72,503
Interest Payable	7,834	63,268	37,875	-	-	108,977
Bonds Payable	110,000	461,182	544,545	-	-	1,115,727
TOTAL CURRENT LIABILITIES	810,070	612,921	639,817	2,736	16,269	2,081,813
NON-CURRENT LIABILITIES:						
Net Pension Liability	113,001	88,200	74,753	61,795	49,860	387,609
Bonds Payable	1,200,000	7,125,684	5,605,316	-	-	13,931,000
TOTAL NON-CURRENT LIABILITIES	1,313,001	7,213,884	5,680,069	61,795	49,860	14,318,609
TOTAL LIABILITIES	2,123,071	7,826,805	6,319,886	64,531	66,129	16,400,422
DEFERRED INFLOWS OF RESOURCES						
	\$ 246,674	\$ 192,535	\$ 163,181	\$ 134,895	\$ 108,842	\$ 846,127
NET POSITION						
Invested in Capital Assets, Net of Related Debt	1,129,755	3,695,446	9,895,647	1,493,708	374,780	16,589,336
Restricted	-	-	-	-	-	-
Unrestricted Net Position	2,622,728	1,018,913	1,474,959	(23,827)	1,082,573	6,175,346
TOTAL NET POSITION	\$ 3,752,483	\$ 4,714,359	\$ 11,370,606	\$ 1,469,881	\$ 1,457,353	\$ 22,764,682

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

BOROUGH OF KUTZTOWN
Combining Statement of Revenues, Expenses and Changes in Net Position –
All Proprietary Funds
For the Year Ended December 31, 2021

	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
<u>OPERATING REVENUES</u>						
Charges for Services	\$ 6,635,055	\$ 2,123,339	\$ 2,001,972	\$ 582,460	\$ 983,322	\$ 12,326,148
Penalties	39,896	8,586	8,659	-	6,439	63,580
Other Fees	-	3,443	49,842	-	-	53,285
Rental Income	92,124	-	-	86,601	-	178,725
Other Income	13,403	53,520	2,028	18,820	28,482	116,253
SCADA and Equipment Lease	-	-	-	123,300	-	123,300
TOTAL OPERATING REVENUES	6,780,478	2,188,888	2,062,501	811,181	1,018,243	12,861,291
<u>OPERATING EXPENSES</u>						
Costs of Furnishing Utility	3,233,240	622,929	634,555	279,298	397,923	5,167,945
Employee Wages	550,531	429,704	364,190	301,060	242,916	1,888,401
Employee Benefits	277,216	245,837	196,151	138,998	139,359	997,561
Employee Pension	68,524	72,007	62,410	64,657	74,249	341,847
Insurance	95,179	138,004	118,598	30,444	22,788	405,013
Debt Service	66,995	214,701	205,352	-	-	487,048
Depreciation	109,650	412,959	524,355	295,396	83,703	1,426,063
TOTAL OPERATING EXPENSES	4,401,335	2,136,141	2,105,611	1,109,853	960,938	10,713,878
OPERATING INCOME (LOSS)	2,379,143	52,747	(43,110)	(298,672)	57,305	2,147,413
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Interest Earned	2,536	483	634	231	506	4,390
State Grants	-	-	-	-	50,174	50,174
Pension & OPEB Adjustment	127,460	97,675	82,565	68,591	54,982	431,273
Transfers from Other Funds	-	-	-	84,449	-	84,449
Transfers to Other Funds	(1,884,851)	-	-	-	-	(1,884,851)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,754,855)	98,158	83,199	153,271	105,662	(1,314,565)
CHANGES IN NET POSITION	624,288	150,905	40,089	(145,401)	162,967	832,848
NET POSITION, JANUARY 1, 2021	3,128,195	4,563,454	11,330,517	1,615,282	1,294,386	21,931,834
NET POSITION, DECEMBER 31, 2021	\$ 3,752,483	\$ 4,714,359	\$ 11,370,606	\$ 1,469,881	\$ 1,457,353	\$ 22,764,682

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

BOROUGH OF KUTZTOWN
Statement of Cash Flows
Proprietary Funds
As of December 31, 2021

	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Cash Received from Users	\$ 6,714,138	\$ 2,110,226	\$ 1,986,323	\$ 670,255	\$ 987,975	\$ 12,468,917
Cash Received from Other Operating Revenue	105,527	56,963	51,870	142,120	28,482	384,962
Cash Payments to Employees for Services	(1,025,307)	(844,837)	(705,365)	(578,894)	(510,783)	(3,665,186)
Cash Payments to Suppliers for Goods and Services	(2,990,393)	(617,539)	(665,704)	(335,995)	(463,238)	(5,072,869)
Cash Payments to Other Operating Expenses	(162,197)	(354,024)	(341,333)	(29,852)	(24,037)	(911,443)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,641,768	350,789	325,791	(132,366)	18,399	3,204,381
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>						
(Increase) Decrease in Due from Other Funds	17,986	7,127	(51,427)	5,751	(9,618)	(30,181)
Increase (Decrease) in Due to Other Funds	7,585	64,918	-	-	-	72,503
Pension & OPEB Adjustment	127,460	97,675	82,565	68,591	54,982	431,273
State Grants	-	-	-	-	50,174	50,174
Operating Transfers In	-	-	-	84,449	-	84,449
Operating Transfers Out	(1,884,851)	-	-	-	-	(1,884,851)
NET CASH PROVIDED BY (USED) FOR NON-CAPITAL FINANCING ACTIVITIES	(1,731,820)	169,720	31,138	158,791	95,538	(1,276,633)
<u>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</u>						
Loan Principal Payments/Proceeds	(160,000)	(443,134)	(420,139)	-	-	(1,023,273)
Purchase of Fixed Assets	(15,480)	(19,725)	(506,823)	(26,656)	(30,952)	(599,636)
Sale of Fixed Assets	-	-	-	-	-	-
Interest Paid on Long-Term Borrowings	-	-	-	-	-	-
(Increase) Decrease in Unamortized Bond Costs	1,990	(19,817)	59,603	-	-	41,776
NET CASH (USED) FOR CAPITAL FINANCING ACTIVITIES	(173,490)	(482,676)	(867,359)	(26,656)	(30,952)	(1,581,133)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Earnings on Investments	2,536	483	634	231	506	4,390
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,536	483	634	231	506	4,390
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	738,994	38,316	(509,796)	-	83,491	351,005
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,134,413	700,891	1,777,647	-	921,825	5,534,776
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,873,407	\$ 739,207	\$ 1,267,851	\$ -	\$ 1,005,316	\$ 5,885,781

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

BOROUGH OF KUTZTOWN
Statement of Cash Flows
Proprietary Funds
As of December 31, 2021

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

	MAJOR				NON-MAJOR	
	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
OPERATING INCOME (LOSS)	\$ 2,379,143	\$ 52,747	\$ (43,110)	\$ (298,672)	\$ 57,305	\$ 2,147,413
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Depreciation	109,650	412,959	524,355	295,396	83,703	1,426,063
CHANGE IN ASSETS AND LIABILITIES:						
(Increase) Decrease in Accounts Receivable	32,737	(21,699)	(24,308)	1,194	(1,786)	(13,862)
(Increase) Decrease in Prepaid Expenses	882	725	1,232	592	(1,249)	2,182
(Increase) Decrease in Deferred Outflows	115,971	89,640	76,243	66,565	49,571	397,990
Increase (Decrease) in Accounts Payable	242,847	5,390	(31,149)	(56,697)	(65,315)	95,076
Increase (Decrease) in Accrued Salaries and Benefits	(9,910)	(7,128)	(6,028)	(5,752)	(5,002)	(33,820)
Increase (Decrease) in Sales Tax Payable	-	-	-	-	-	-
Increase (Decrease) in Interest Payable	(905)	(2,044)	(18,615)	-	-	(21,564)
Increase (Decrease) in GASB 68 Pension and OPEB Liability	(466,278)	(360,447)	(305,955)	(261,510)	(200,983)	(1,595,173)
Increase (Decrease) in Deferred Inflows	231,181	180,646	153,126	126,518	102,155	793,626
Increase (Decrease) in Customer Deposits	6,450	-	-	-	-	6,450
TOTAL ADJUSTMENTS	262,625	298,042	368,901	166,306	(38,906)	1,056,968
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,641,768	\$ 350,789	\$ 325,791	\$ (132,366)	\$ 18,399	\$ 3,204,381

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

BOROUGH OF KUTZTOWN
Statement of Net Position
Fiduciary Funds
As of December 31, 2021

	POLICE PENSION TRUST FUNDS
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 368,526
Investments, at Fair Value	<u>8,307,782</u>
TOTAL ASSETS	<u>\$ 8,676,308</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ -</u>
<u>LIABILITIES</u>	
Pension Taxes Payable	\$ -
TOTAL LIABILITIES	<u>\$ -</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>\$ -</u>
 <u>NET POSITION</u>	
Restricted for Employee Benefits	<u>8,676,308</u>
TOTAL NET POSITION	<u>\$ 8,676,308</u>

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

BOROUGH OF KUTZTOWN
Statement of Additions, Deductions and Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2021

	POLICE PENSION TRUST FUNDS
ADDITIONS:	
State Aid	\$ 209,630
Employee Contributions	66,781
Miscellaneous	-
INVESTMENT EARNINGS:	
Interest and Dividends	127,955
Realized Gains (Losses)	651,384
Change in Fair Value of Investments	<u>277,616</u>
TOTAL ADDITIONS	<u>1,333,366</u>
 DEDUCTIONS:	
Administrative Charges	8,800
Investment Expenses	90,100
Employee Benefits	<u>216,176</u>
TOTAL DEDUCTIONS	<u>315,076</u>
 CHANGES IN NET POSITION	 1,018,290
 NET POSITION - BEGINNING OF YEAR	 <u>7,658,018</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 8,676,308</u></u>

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

BOROUGH OF KUTZTOWN
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended December 31, 2021

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL				
<u>RESOURCES (INFLOW):</u>						
Taxes	\$ 1,043,900	\$ 1,043,900	\$ 1,231,458	\$ 187,558	\$ -	\$ 1,231,458
Licenses and Permits	219,900	219,900	190,278	(29,622)	-	190,278
Fines and Forfeits	131,000	131,000	83,736	(47,264)	-	83,736
Intergovernmental	344,150	344,150	372,314	28,164	-	372,314
Charges for Services	215,900	215,900	210,054	(5,846)	-	210,054
Miscellaneous	42,600	42,600	52,347	9,747	-	52,347
Reimbursements	227,000	227,000	270,480	43,480	-	270,480
Investment and Rental Earnings	397,500	397,500	408,818	11,318	-	408,818
Refund of Prior Year Expenditures	100	100	348,996	348,896	-	348,996
Transfers from Other Funds	2,233,445	2,233,445	2,257,442	23,997	-	2,257,442
TOTAL RESOURCES	4,855,495	4,855,495	5,425,923	570,428	-	5,425,923
<u>CHARGES TO APPROPRIATIONS (OUTFLOWS):</u>						
General Government						
Legal	9,000	9,000	43,043	(34,043)	-	43,043
Mayor, Legislative, Borough Manager	343,100	343,100	303,256	39,844	-	303,256
Finance and Accounting	7,000	7,000	17,350	(10,350)	-	17,350
Tax Collection	3,530	3,530	609	2,921	-	609
Engineering	-	-	1,534	(1,534)	-	1,534
Buildings and Plant	105,811	105,811	112,414	(6,603)	-	112,414
Public Safety						
Police	2,275,463	2,275,463	2,358,966	(83,503)	-	2,358,966
Fire and Ambulance	95,194	95,194	234,500	(139,306)	-	234,500
Inspections & Permits	389,129	389,129	366,562	22,567	-	366,562
Emergency Management	3,400	3,400	319	3,081	-	319
Public Works						
Street Maintenance and Lighting	859,748	859,748	1,063,528	(203,780)	-	1,063,528
Culture and Recreation						
Parks and Pool	632,651	632,651	667,290	(34,639)	-	667,290
Non-Departmental						
Debt Service	85,369	85,369	82,694	2,675	-	82,694
Miscellaneous	46,100	46,100	46,568	(468)	-	46,568
Transfer to Other Funds	-	-	-	-	-	-
TOTAL CHARGES TO APPROPRIATIONS	4,855,495	4,855,495	5,298,633	(443,138)	-	5,298,633
Excess (Deficiency) of Inflows Over Outflows	-	-	127,290	127,290	-	127,290
FUND BALANCE - JANUARY 1, 2021	-	-	1,596,699	1,596,699	-	1,596,699
FUND BALANCE - DECEMBER 31, 2021	\$ -	\$ -	\$ 1,723,989	\$ 1,723,989	\$ -	\$ 1,723,989

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

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

Note 1 – Significant Accounting Policies

The basic financial statements of the Borough of Kutztown (Pennsylvania) have been prepared in conformity with accounting principles general accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing government accounting standards and financial reporting principles. The significant accounting principles and policies utilized by the Borough are described below:

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the Borough are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Borough.

Borough of Kutztown is located in Berks County, PA. The Borough operates as a council/manager form of government under the Borough Code of the Commonwealth of Pennsylvania. The accompanying financial statements present the government and certain component units, entities for which the government is considered to be financially accountable. In evaluating the Borough (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the form of government have been addressed. Financial accountability is present if the Borough appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or imposes specific financial burdens on, the form of government. The Kutztown Municipal Authority and the Kutztown Transportation Authority (component units) are combined and reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the government.

Discretely Presented Components Units

The Kutztown Municipal Authority and the Kutztown Transportation Authority are component units of the Borough of Kutztown since the Borough has the responsibility for funding the Authorities; funding deficits and appoints members of the Authority's governing board.

Complete financial statements for the Kutztown Municipal Authority and the Kutztown Transportation Authority may be obtained at the entity's administrative offices of the Borough.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Borough have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. Basis of Presentation

The Borough's basic financial statements consist of government-wide statements, including a statement of net assets, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

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

The statement of net position presents the financial condition of the governmental and business-type activities of the Borough at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Borough's governmental activities and for five business-type activities of the Borough. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the Borough.

Fund Financial Statements During the year, the Borough segregates transactions related to certain government functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Borough at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

B. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the Borough receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used for a specified purpose, and expenditure requirements, in which the Borough must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Borough on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

C. Fund Accounting

The Borough uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Borough's **major** governmental funds:

General Fund

The General Fund is the general operating fund of the Borough. Substantially all tax revenues, Federal and State aid (except aid restricted for use in Special Revenue Funds) and other operating revenues are accounted for in the General Fund. This Fund also accounts for expenditures and transfers as appropriated in the budget which provides for the Borough's day-to-day operations.

Proprietary Funds Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as enterprise funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Borough's **major** enterprise funds are:

Electric Fund This fund accounts for the financial transactions related to providing electricity to the residents of the Borough.

Water Fund This fund accounts for the financial transactions related to providing water services to the residents of the Borough.

Sewer Fund This fund accounts for the financial transactions related to providing wastewater services to the residents of the Borough.

Telecom Fund This fund accounts for the financial transactions related to providing phone, cable and internet services to the residents of the Borough.

The Borough applies Financial Accounting Standards Board (FASB) Statements and interpretations issued on or before November 30, 1989 to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements.

Fiduciary Funds Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Borough's own programs. The Borough has one (1) trust fund, consisting of the Police Pension Fund, and do not involve measurement of results of operations.

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

D. Measurement Focus

Government-wide Financial Statements. The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Borough are included on the statement of net assets.

Fund Financial Statements. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

E. Budgets and Budgetary Accounting

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

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Refuse Fund, Water Fund, Electric Fund, Sewer Fund, Telecommunications Fund and the Special Revenue Funds. All annual appropriations lapse at fiscal year-end. Budgets for the Enterprise Funds are shown in the supplemental information.
2. During November and December, the Borough holds budget hearings for the purposes of receiving oral and written comment from interested parties in regard to the proposed budget for the following year. The Borough makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them. The board holds public hearings and a final budget must be prepared and adopted no later than December 31 through the passage of an ordinance. All budget revisions require the approval of the Borough Council. There were no budget revisions made during the year. Depreciation expense is not included in the budget.
3. For the year, expenditures and other uses exceeded appropriations in the general, and telecommunication funds. Expenditures exceeded revenues in the general, telecom, recreation tax, road tax and highway aid funds. Adequate fund balance surpluses exist in the above funds to cover budget or operating deficits.

Encumbrances

Any encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The General Fund Budget is maintained on the modified accrual basis of accounting, except that budgetary basis expenditures include any encumbrances issued for goods or services not received at year-end and not terminated.

The actual results of operations are presented in accordance with GAAP and the Borough's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. Any encumbrances are presented as a reservation for encumbrances on the balance sheet of the General Fund. If budgetary encumbrances exist at year-end, they are included in the fund financial statements to reflect actual revenues and expenditures on a budgetary basis consistent with the Borough's legally adopted budget.

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

F. Use of Estimates

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

G. Implementation of New Accounting Standards

The Governmental Accounting Standards Board (GASB) issued the following standards that were scheduled to take effect for calendar year 2021:

GASB Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*

GASB Statement No. 98, *The Annual Comprehensive Financial Report*

The Borough has already adopted and implemented all applicable above referenced Statements.

H. Future Changes in Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following standards with future effective dates:

GASB Statement 87, *Leases* – Effective for calendar year 2022

GASB Statement 91, *Conduit Debt Obligations* –Effective for calendar year 2022

GASB Statement 92, *Omnibus 2020* –Effective for calendar year 2022

GASB Statement 93, *Replacement of Interbank Offered Rates* –Various portions effective in calendar year 2021 and 2022

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* - Effective for calendar year 2023

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* - Effective for calendar year 2023

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* - Effective for calendar year 2022 (with certain pension reporting requirements effective immediately)

The Borough will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable.

I. Assets, Liabilities and Net Assets

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Proprietary Fund type considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

Investments

In accordance with GASB Statement 31, investments are stated at fair value, except:

- a) Non-participating interest earning investment contracts are recorded at amortized cost;
- b) Money market investments and participating interest earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and,
- c) Investments held in 2a7-like pools (Pennsylvania Local Government Investment Trust, and the Pennsylvania Treasurer's Invest Program) are recorded at the pool's share price.

Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories

Inventory type items for the Borough are recorded using the purchase method; that is, they are charged as an expense when purchased; therefore, there is no inventory shown on the Balance Sheet.

Real Estate Taxes

The total taxable assessed real estate valuation for the year ended 2021 is \$194,276,000 at a rate of 4.6 mills. Real estate taxes are levied on March 1 and are payable by June 30.

Real estate taxes paid by April 30 are subject to a 2% discount and after June 30 are subject to a 10% penalty. Delinquent real estate taxes are generally lien by January 1 of the following year.

Fund Balance Classifications

GASB Statement No 54, effective for financial statements for periods beginning after June 14, 2010, established accounting and financial reporting standards for all governments that report governmental funds. The statement established criteria for classifying fund balances into the following specifically defined classifications:

- **Non-spendable** fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted** fund balance includes amounts that are restricted externally by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. The Borough's highest level of decision making is the Borough Council.

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

- **Assigned** fund balance comprises amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. These assets have been valued at estimated historical cost.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following useful lives:

Assets	Years
Building and Plants	50
Recreation Structures	25
Roads and Bridges	40
Utility Distribution and Collection Systems	50
Lighting and Traffic Control Devices	15
Trucks and Heavy Equipment	10
Vehicles	7

Deferred Outflows/Inflows of Resources

Deferred Outflows and Inflows of Resources

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

Deferred Outflows related to Pensions (See detailed Pension Note):	
Police	\$ 705,730
Non-Uniform	429,926
Deferred Outflow related to OPEB (See detailed OPEB Note)	133,256
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 1,268,912

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position for fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows of resources reported in the governmental funds are as follows:

Deferred Inflows related to Pensions (See detailed Pension Note):	
Police	\$ 1,452,603
Non-Uniform	1,210,761
Deferred Inflows related to OPEB (See detailed OPEB Note)	70,020
Deferred Revenue	265,860
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 2,999,244

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Borough or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Borough applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 3 – Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between “fund balance-total governmental funds” and “net position – governmental activities” as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in government activities are not financial resources and therefore are not reported as assets in governmental funds”. The cost of the capital assets net of depreciation totals \$9,214,767. The difference of (\$2,320,155) is related to changes in GASB 68 pension adjustments. Another element of the reconciliation explains that “long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds”.

B. Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Due to the difference in the measurement focus and basis of accounting used on the governmental fund statements and borough-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. Differences between the governmental

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of two broad categories. The amounts shown in the columns on the following page represent:

- a) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities.
- b) Capital related differences include: (1) the differences between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities; and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording of depreciation expense on those items as recorded in the statement of activities.
- c) Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability; principal payments are recorded as a reduction of liabilities.

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	TOTAL FOR STATEMENT OF ACTIVITIES
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Property Taxes	\$ 886,284	\$ -	\$ -	\$ -	\$ 886,284
Other Taxes Levied for General Purposes	732,258	-	-	-	732,258
Grants, Subsidies & Contributions	5,493	-	-	-	5,493
Investment and Rental Earnings	408,844	-	-	-	408,844
Miscellaneous	46,854	341,772	-	-	388,626
Charges for Services	754,548	-	-	-	754,548
Refund of Prior Years Expense	348,996	-	-	-	348,996
Transfers In	2,257,442	-	-	-	2,257,442
STATE SOURCES:					
Operating Grants and Contributions	512,436	-	-	-	512,436
FEDERAL SOURCES:					
Operating Grants and Contributions	-	-	-	-	-
TOTAL REVENUES	<u>5,953,155</u>	<u>341,772</u>	<u>-</u>	<u>-</u>	<u>6,294,927</u>
EXPENDITURES/EXPENSES AND OTHER USES					
General Government	478,206	30,831	(19,380)	-	489,657
Public Safety	2,960,347	459,948	(47,833)	-	3,372,462
Public Works	1,063,528	2,451	(310,725)	-	755,254
Culture and Recreation	667,290	2,483	(50,334)	-	619,439
Community Development	-	-	-	-	-
Non-Departmental	46,568	-	-	-	46,568
Debt Service Payments	82,694	-	-	(81,860)	834
Depreciation	-	-	418,089	-	418,089
Transfers Out	457,040	-	-	-	457,040
TOTAL EXPENDITURES/EXPENSES	<u>5,755,673</u>	<u>495,713</u>	<u>(10,183)</u>	<u>(81,860)</u>	<u>6,159,343</u>
NET CHANGE FOR THE YEAR	<u>\$ 197,482</u>	<u>\$ (153,941)</u>	<u>\$ 10,183</u>	<u>\$ 81,860</u>	<u>\$ 135,584</u>

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

Note 4 - Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a policy for custodial credit risk. As of December 31, 2021, \$4,082,896 of the Borough's bank balance of \$4,582,896 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the Borough's name	4,082,896
TOTAL	\$ 4,082,896

Reconciliation to Financial Statements

Uninsured Amount Above	\$ 4,082,896
Plus: Insured Amount	500,000
Deposit in Transit	79,687
Combined Cash Overdraft in Accounts Payable	581
Less: Outstanding Checks	(160,254)
Carrying Amount - Bank Balances	4,502,910
Plus: Petty Cash	900
Deposits in Investment Pool Considered Cash Equivalents	5,116,401
TOTAL CASH PER FINANCIAL STATEMENTS	\$ 9,620,211

Restricted Cash

The cash balance includes \$368,526 held for pension benefits.

Note 5 - Investments

The permitted investments for Pennsylvania Boroughs are defined in the Borough Code, as amended by Act 10 of 2016, as:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C.; and,
4. Obligations, participations or other instruments of any Federal Agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

5. Repurchase agreements with respect to United States Treasury bills or obligations, participations or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government sponsored enterprise.
6. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
7. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
8. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the paper is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
9. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and, if all of the following conditions are met:
 - The investments of the company are the authorized investments listed above.
 - The investment company is managed in accordance with 17 CFR 270.2a-7 (related to money market funds).
 - The investment company is rated in the highest category by a nationally recognized rating agency.
10. Savings or demand deposits placed in accordance with the following conditions:
 - The money is initially deposited and invested through a federally insured institution having a place of business in this Commonwealth, which is selected by the public corporation or municipal authority.
 - The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, or the account of the public corporation or municipal authority.
 - The full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation.
 - On the same date that the money is redeposited pursuant to above, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested through the selected institution by the public corporation or municipal authority.

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

Pension Trust Funds - The Police Pension Plan's investment plan authorizes investment in common and preferred stock, U.S. Government securities, money market funds, international equities traded as ADRs, non-leveraged exchange traded funds, commercial paper and convertible security bonds with an average rating of AA. Assets or transactions expressly prohibited include selling short, letter stock, margin purchases, and leveraged exchanged traded funds. A variety of investment managers and styles will be utilized with varying ranges of investment.

The fund will use a mixture of stocks and bonds to achieve the overall objective of growth exceeding the inflation rate. The fund will be measured against a target return of 7.75% per year (actuarial assumption). The fund will be expected to out-perform this target return over a complete market cycle of 3 to 5 years. Equity investments will range between 35% and 65% of the total portfolio. An exchange traded fund will be utilized to achieve diversification. A portion of the funds will also be invested within a money market account and a fixed income manager.

As of December 31, 2021, the Borough had the following investments:

Investments	Maturities	Fair Value
PA Local Government Investment Trust/PA Invest Pool		\$ 5,116,401
Municipal Bond	6 mos - 27 years	1,210,605
U.S. Government Agency Bonds	3 years 9 mos - 4 years 7 mos	433,528
Corporate Bonds		-
Common Stocks		4,806,803
ETF's and CEF's		1,856,846
TOTAL		\$ 13,424,183

Fair Value Reporting

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs. All investments of the Borough are categorized as Level 1 inputs.

Interest Rate Risk

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

Credit Risk

The Borough has no investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2021, the Borough's significant investments were rated as:

Investments	Standard & Poor's
PLGIT / PA Invest Pool	AAA
Common Stocks	Not Available
ETFs & CEFs	Not Available
Municipal Bonds	A to AA+
Corporate Bonds	Not Available
U.S. Government Agency Bonds	AA+

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

Concentration of Credit Risk

The Borough's investment policy only authorizes investment in local government investment pools including the PA Local Government Investment Trust (PGLIT) and the Pennsylvania Invest Program for Local Governments and Non-Profits administered by the Treasurer of the Commonwealth of Pennsylvania. 100% of the Borough's Governmental and Proprietary investments consisted of PLGIT and PA Invest Pool investments. No more than 5% of the Police Pension Trust Fund were invested in any one security, ETF, CEF or Bonds of any type. A diverse portfolio of Common Stocks, ETFs & CEFs, Municipal Bonds, Corporate bonds, and U.S. Government Agency Bonds represent 57.86%, 22.35%, 14.57%, 0%, and 5.22%, respectively represent the Police Pension Trust Funds investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Borough has no investments subject to custodial credit risk.

Foreign Currency Risk

The Police Pension Trust Fund does not include investments in international equities trades as ADRs and, therefore, has no exposure to foreign currency risk.

Reconciliation to Financial Statements

Total Investments Above	\$ 13,424,183
Less: Deposits in Investment Pool Considered Cash Equivalents	(5,116,401)
Total Investments Per Financial Statements	\$ 8,307,782

Restricted Investments

The investments include \$8,307,782 held for future pension obligation for the police pension plan.

Note 6 - Receivables

Receivables as of year-end for the government's individual major funds and non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are:

	General Fund	Non- Major Funds	Electric Fund	Water Fund	Sewer Fund	Telecom Fund	Refuse Fund	Component Unit	Total
Receivables									
Taxes	\$ 5,140	\$ 3,999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,139
Accounts	16,783	-	687,160	196,749	194,461	58,535	98,476	96,017	1,348,181
Intergovernmental	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Gross Receivables	21,923	3,999	687,160	196,749	194,461	58,535	98,476	96,017	1,357,320
Less: Allowance for Uncollectibles	-	-	-	-	-	-	-	-	-
Net Receivables	\$ 21,923	\$ 3,999	\$ 687,160	\$ 196,749	\$ 194,461	\$ 58,535	\$ 98,476	\$ 96,017	\$ 1,357,320

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

Note 7 – Capital Assets

Capital asset balances and activity for the year ending December 31, 2021, were:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 1,334,868	\$ -	\$ -	\$ 1,334,868
Construction in Progress	-	-	-	-
Total Capital Assets not being depreciated	1,334,868	-	-	1,334,868
Capital Assets being Depreciated:				
Buildings	2,144,572	-	-	2,144,572
Machinery, Equipment and Vehicles	1,990,706	67,213	(20,965)	2,036,954
Infrastructure	13,537,454	361,059	-	13,898,513
Total Capital Assets being depreciated	17,672,732	428,272	(20,965)	18,080,039
Less: Accumulated Depreciation for:				
Buildings	(1,508,274)	(54,565)	-	(1,562,839)
Machinery, Equipment and Vehicles	(1,652,793)	(64,331)	20,965	(1,696,159)
Infrastructure	(6,641,949)	(299,193)	-	(6,941,142)
Total Accumulated Depreciation	(9,803,016)	(418,089)	20,965	(10,200,140)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	7,869,716	10,183	-	7,879,899
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 9,204,584	\$ 10,183	\$ -	\$ 9,214,767
Business-Type Activities:				
Capital Assets not being depreciated:				
Land	\$ 1,292,121	\$ -	\$ -	\$ 1,292,121
Construction in Progress	-	-	-	-
Total Capital Assets not being depreciated	1,292,121	-	-	1,292,121
Capital Assets being Depreciated:				
Buildings	1,767,271	-	-	1,767,271
Machinery, Equipment and Vehicles	46,569,007	105,767	-	46,674,774
Infrastructure	14,178,264	493,868	-	14,672,132
Total Capital Assets being depreciated	62,514,542	599,635	-	63,114,177
Less: Accumulated Depreciation for:				
Buildings	(844,399)	(40,892)	-	(885,291)
Machinery, Equipment and Vehicles	(28,352,372)	(1,080,975)	-	(29,433,347)
Infrastructure	(2,147,401)	(304,196)	-	(2,451,597)
Total Accumulated Depreciation	(31,344,172)	(1,426,063)	-	(32,770,235)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	31,170,370	(826,428)	-	30,343,942
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 32,462,491	\$ (826,428)	\$ -	\$ 31,636,063

The depreciation was charged to the governmental activities as follows:

Depreciation – Unallocated \$ 418,089

The depreciation was charged to the business-type activities as follows:

Depreciation – Unallocated \$1,426,063

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

Note 8 – Interfund Transactions

The Borough had the following interfund payables and receivables as of December 31, 2021:

	Interfund Receivables	Interfund Payables
General Fund	\$ 11,864	\$ 408,392
Fire Protection Tax Fund (Special Revenue)	-	-
Recreation Tax Fund (Special Revenue)	-	-
Road Tax Fund (Special Revenue)	-	-
Refuse Fund (Enterprise)	111,625	-
Water Fund (Enterprise)	127,792	64,918
Electric Fund (Enterprise)	3,185	7,585
Sewer Fund (Enterprise)	169,061	-
Telecom Fund (Enterprise)	57,368	-
TOTAL	\$ 480,895	\$ 480,895

The Borough also made the following interfund transfers during the year ended December 31, 2021.

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 2,257,442	\$ -
Fire Protection Tax Fund (Special Revenue)	-	127,350
Recreation Tax Fund (Special Revenue)	-	42,030
Road Tax Fund (Special Revenue)	-	187,660
Highway Aid Fund (Special Revenue)	-	100,000
Refuse Fund (Enterprise)	-	-
Water Fund (Enterprise)	-	-
Electric Fund (Enterprise)	-	1,884,851
Sewer Fund (Enterprise)	-	-
Telecom Fund (Enterprise)	84,449	-
TOTAL	\$ 2,341,891	\$ 2,341,891

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

Note 9 – Long-Term Debt Commitment

Long-Term Liability balances and activity for the year ended December 31, 2021, were:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr
Governmental Activities:					
Bonds Payable					
Capital Projects	\$ 125,000	\$ 45,273	\$ 125,000	\$ 45,273	\$ 45,273
Total Governmental Activities					
LONG-TERM LIABILITIES	\$ 125,000	\$ 45,273	\$ 125,000	\$ 45,273	\$ 45,273
Business-Type Activities					
Bonds Payable					
Capital Projects	\$ 16,070,000	\$ 6,984,727	\$ 8,008,000	\$ 15,046,727	\$ 1,115,727
Total Business-Type Activities					
LONG-TERM LIABILITIES	\$ 16,070,000	\$ 6,984,727	\$ 8,008,000	\$ 15,046,727	\$ 1,115,727

Payments on bonds are made by the General Fund, Water Fund, Electric Fund and the Sewer Fund.

Total interest paid during the year:

Governmental Activities	Paid
General Obligation Bonds	\$ 1,496
Total Interest Paid By Governmental Activities	\$ 1,496
Business-Type Activities	Paid
General Obligation Bonds	\$ 331,837
Total Interest Paid by Business-Type Activities	\$ 331,837

The total interest cost incurred and charged to expense in 2021 was \$311,106.

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

Long-Term Debt

At December 31, 2021, debt consisted of the following:

General Obligation Bonds, Series 2013A; M&T Bank, Initial issue \$2,835,000 interest rates from 1.038% to 4.962% per annum until November, 2031.	\$ 1,310,000
General Obligation Bonds, Series of 2016; M&T Bank, Initial issue \$6,565,000 interest rates from 1.00% to 2.800% per annum until August, 2032. The General Obligation Bonds, Series 2016 was refinanced into the General Obligation Note, Series of 2021 during the 2021 year.	-
General Obligation Bonds, Series of 2016A; M&T Bank, Initial issue \$3,245,000 interest rates from 0.950% to 2.000% per annum until August, 2024. The General Obligation Bonds, Series 2016A was refinanced into the General Obligation Note, Series of 2021 during the 2021 year.	-
General Obligation Bonds, Series of 2019; Wilmington Trust, Initial Issue \$7,515,000 at an interest rate of 1.40% to 2.70% per annum until August, 2037.	6,975,000
General Obligation Note, Series of 2020; First National Bank, Initial Issue \$675,000 at an interest rate of 2.12% per annum until August, 2030.	610,000
General Obligation Note, Series of 2021; Peoples Security Bank & Trust, initial issue \$7,030,000 at and interest rate of 1.55% to 2.00% per annum until August, 2032	6,197,000
TOTAL	\$ 15,092,000

At December 31, 2021, the division of debt between the governmental and business-type activities was as follows:

Governmental	\$ 45,273
Business-Type	15,046,727
TOTAL	\$ 15,092,000

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

The following summarizes debt activity for the Borough for 2021:

	Outstanding January 1, 2021	Issued	Retired	Outstanding December 31, 2020	Due in One Year
General Obligation Bonds 2013A	\$ 1,415,000	\$ -	\$ 105,000	\$ 1,310,000	\$ 110,000
General Obligation Bonds 2016	5,625,000	-	5,625,000	-	-
General Obligation Bonds 2016A	1,270,000	-	1,270,000	-	-
General Obligation Bonds 2019	7,215,000	-	240,000	6,975,000	265,000
General Obligation Note 2020	670,000	-	60,000	610,000	60,000
General Obligation Note 2021	-	7,030,000	833,000	6,197,000	726,000
TOTAL	\$ 16,195,000	\$ 7,030,000	\$ 8,133,000	\$ 15,092,000	\$ 1,161,000

Aggregate maturities required on debt at December 31, 2021 are as follows:

Fiscal Year	Principal	Interest
2022	\$ 1,161,000	\$ 325,859
2023	1,163,000	303,798
2024	1,181,000	280,796
2025	1,219,000	257,344
2026	1,242,000	232,094
2027-2031	6,521,000	772,150
2032-2036	2,265,000	183,379
2037	340,000	9,180
TOTAL	\$ 15,092,000	\$ 2,364,600

Substantially all of the Borough's assets are pledged as collateral on the General Obligation Bonds.

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

Combined Long-Term Debt

The combined general long-term debt obligations for subsequent years are:

Principal Requirements Fiscal Year	GOB Series 2013A	GOB Series 2019	GON Series 2020	GON Series 2021	Total Payments
2022	\$ 110,000	\$ 265,000	\$ 60,000	\$ 726,000	\$ 1,161,000
2023	110,000	290,000	65,000	698,000	1,163,000
2024	115,000	295,000	65,000	706,000	1,181,000
2025	120,000	530,000	65,000	504,000	1,219,000
2026	125,000	535,000	70,000	512,000	1,242,000
2027-2031	730,000	2,850,000	285,000	2,656,000	6,521,000
2032-2036	-	1,870,000	-	395,000	2,265,000
2037	-	340,000	-	-	340,000
TOTAL	\$ 1,310,000	\$ 6,975,000	\$ 610,000	\$ 6,197,000	\$ 15,092,000
Less: Payable Within One Year	110,000	265,000	60,000	726,000	1,161,000
Long-Term Debt Outstanding	\$ 1,200,000	\$ 6,710,000	\$ 550,000	\$ 5,471,000	\$ 13,931,000

Principal and Interest Requirements Fiscal Year	GOB Series 2013A	GOB Series 2019	GON Series 2020	GON Series 2021	Total Payments
2022	\$ 171,307	\$ 420,566	\$ 72,932	\$ 822,054	\$ 1,486,859
2023	167,072	440,266	76,660	782,800	1,466,798
2024	167,067	439,466	75,282	779,981	1,461,796
2025	166,835	668,566	73,904	567,039	1,476,344
2026	166,375	662,966	77,526	567,227	1,474,094
2027-2031	841,853	3,320,101	300,264	2,830,932	7,293,150
2032-2036	-	2,045,479	-	402,900	2,448,379
2037	-	349,180	-	-	349,180
TOTAL	\$ 1,680,509	\$ 8,346,590	\$ 676,568	\$ 6,752,933	\$ 17,456,600

Comprised of the following Fund Allocations	GOB Series 2013A	GOB Series 2019	GON Series 2020	GON Series 2021	Total Payments	Less Payable in One Year	Long-Term Debt
General Fund	\$ -	\$ -	\$ -	\$ 45,273	\$ 45,273	\$ 45,273	\$ -
Water Fund	-	6,975,000	-	611,866	7,586,866	461,182	7,125,684
Electric Fund	1,310,000	-	-	-	1,310,000	110,000	1,200,000
Sewer Fund	-	-	610,000	5,539,861	6,149,861	544,545	5,605,316
TOTALS	\$ 1,310,000	\$ 6,975,000	\$ 610,000	\$ 6,197,000	\$ 15,092,000	\$ 1,161,000	\$ 13,931,000

BOROUGH OF KUTZTOWN
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Note 10 - Pension Plan Obligations

Non-Uniformed Pension Plan

Plan Description

The Borough of Kutztown Non-Uniformed Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance 1-1012. Act 205, the Municipal Pension Plan Funding Standard and Recovery Act, provides the authority for the Borough to establish and amend the plan. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer defined benefit public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the PMRS website or a copy can be obtained by contact the PMRS accounting office.

All full-time non-police (40 hours per week) employees are eligible to participate in the plan. The plan provides vesting, normal and early retirement, disability, and survivor benefits to plan members and their beneficiaries.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Pension Plan for Non-Uniformed Employees of the Borough of Kutztown are prepared using an accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

All investments of the pension trust fund are reported by the custodian at fair value. Investments that do not have an established market value are reported at estimated fair value.

Plan Membership

As of January 1, 2019, the date of the most recent actuarial valuation, the plan-year end, plan membership consisted of the following:

	1/1/2019
Inactive employees or beneficiaries currently receiving benefits	31
Inactive entitled to but not yet receiving benefits	5
Active employees	<u>45</u>
TOTAL	<u>81</u>

Contributions and Funding Policy

Employees who are members in the plan are required to contribute 6.23% of their salaries to the plan. Interest is credited to each member's account each year at 5.5% per year. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

The plan's funding policy provides for periodic employer contributions, determined actuarially, that are sufficient to accumulate assets to pay benefits when due. The Borough is required to contribute each year the Minimum Municipal Obligation (MMO), which is determined the previous year based on the most recent actuarial valuation. The Borough may allocate General Municipal Pension System State Aid toward

BOROUGH OF KUTZTOWN
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the Minimum Municipal Obligation; however, the Borough is ultimately responsible for funding the MMO. The Borough contributed the funds necessary to meet the obligations of the non-uniform plan in the amount of \$111,815.

Net Pension Liability

The net pension liability for December 31, 2021 was measured as of December 31, 2019, and the total pension liability was measured as of December 31, 2019, based on the actuarial valuation as of January 1, 2017 and then projected to this date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which contributions were reported. Therefore, the Actuarially Determined contribution for calendar year 2019 is based upon the January 1, 2017 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2019 contribution rates:

Actuarial Cost Method:	Entry Age
Amortization Period:	Level dollar based upon the amortization periods in Act 205
Asset valuation method:	Based upon the municipal reserves
Discount Rate:	5.25%
Inflation:	2.8%
Salary Increases:	Age related scale with merit and inflation component
COLA increases:	2.8% for those eligible for a COLA
Pre-Retirement Mortality:	Males – RP 2000 Non-Annuitant Male table projected 15 years with Scale AA Females – RP 2000 Non-Annuitant Female table projected 15 years with Scale AA, setback five years
Post-Retirement Mortality:	Males – RP 2000 Annuitant male table projected 5 years with Scale AA Females – RP 2000 Annuitant Female table projected 10 years with Scale AA

Long-Term Expected Rate of Return:

The PMRS System's long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the Long-Term Expected Rate of Return, by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of December 31, 2019 are summarized in the table below labeled "System Nominal and Real Rates of Return by Asset Class." There are three steps to the method:

1. Expected future real rates of return are based primarily on the 20-year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific assets classes if, in the Board's opinion, any such asset classes are expected in the future to significantly vary from its 20-year returns.

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2. The nominal rates of return by asset class are adjusted by the System's investment expenses and an expected future annual inflation rate of 2.2% to produce the long-term expected real rates of return.
3. The long-term expected real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations.

System Nominal and Real Rates of Return by Asset Class

Asset Class	Target Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic Equity-Large Cap	25%	7.4%	4.7%
Domestic Equity-Small Cap	15%	9.8%	7.1%
International Equity-Developed Markets	15%	5.5%	2.9%
International Equity-Emerging Markets	10%	9.9%	7.6%
Real Estate	20%	8.4%	5.3%
Fixed Income	15%	2.2%	0.0%
TOTAL	100.00%	7.1%	4.5%

Confidence Levels for System Nominal and Real Rates of Return

Confidence Interval	Nominal Rate of Return	Long-Term Expected Real Rate of Return
95%	2.2%	-0.5%
90%	3.1%	0.5%
85%	3.8%	1.1%
80%	4.3%	1.6%
75%	4.7%	2.1%
70%	5.1%	2.4%
60%	5.8%	3.2%

Based on the three-part analysis, the Board established the System's Long-Term Expected Rate of Return at 6.7%.

In addition to determining the System's Long-Term Expected Rate of Return, PMRS Board, under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), is obligated to develop and apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. The rationale for the difference between the System's Long-Term Expected Rate of Return and the individual participating municipalities' Regular Interest Rate is described in the following section "Discount Rate." As of December 31, 2019, this rate is equal to 5.25%.

The Board has determined the minimum acceptable confidence level for achieving the Regular Interest Rate to be 60%. The table above labeled "Confidence Levels for System Nominal and Real Rates of Return" identifies simulated portfolio returns at various confidence levels based on the most recent asset allocation study conducted by the Boards' investment consultant, Dahab Associates.

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Notes to Financial Statements
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Discount Rate:

While it is often common practice to establish an actuarial Discount Rate that is equal to the Long-Term Expected Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a Discount Rate equal to the Regular Interest Rate. The PMRS Board establishes the Regular Interest Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. The Board considers the following five quantitative factors in establishing the Regular Interest Rate:

1. Retiree Plan liability as a percentage of total Plan liability,
2. Active Plan participant liability as a percentage of total Plan liability,
3. Smoothed Pension Benefit Guarantee Corporate (PBGC) annuity rates as a proxy for annuity purchase rates,
4. PMRS System Long-Term Expected Rate of Return, and
5. PMRS administrative expenses

The formula using these factors is as follows:

Regular Interest Rate / Discount Rate = (Retiree Liability Percentage x Smoothed PBGC Annuity Rates) + (Active Employee Liability Percentage x System Long-Term Expected Rate of Return) – (Investment Expenses as a percentage of assets).

The Board may then adjust the Regular Interest Rate / Discount Rate derived from the formula against a variety of qualitative factors such as the desire to minimize Regular Interest Rate / Discount Rate volatility, probability of achieving the Regular Interest Rate, varying levels of asset allocation and liquidity, trending of annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The Regular Interest Rate / Discount Rate adopted by the Board and used to measure the individual participating municipalities' total pension liability was 5.25% as of December 31, 2019.

The Regular Interest Rate / Discount Rate will likely be less than the System Long-Term Expected Rate of Return. Should the System experience a prolonged period of investment returns in excess of the Regular Interest Rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies in the form of Excess Interest as provided for in the law.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the Discount Rate was required ("depletion testing"), used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the System Long-Term Expected Rate of Return will be used in the depletion testing of projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

BOROUGH OF KUTZTOWN
Notes to Financial Statements
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The table below shows the changes in the Total Pension Liability, the Plan Fiduciary Net Position (i.e., fair value of Plan assets), and the Net Pension Liability as of the Measurement Date.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2018	\$ 13,928,330	\$ 11,678,291	\$ 2,250,039
Adjustments	-	-	-
Changes for the year:			
Service Cost	318,625	-	318,625
Interest	731,017	-	731,017
Changes in Benefits	-	-	-
Changes of Assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Employer Contributions	-	372,026	(372,026)
PMRS Assesment Contributions	-	1,680	(1,680)
Employee Contributions	-	159,286	(159,286)
PMRS Investment Income	-	650,219	(650,219)
Market Value Investment Income	-	1,585,977	(1,585,977)
Transfers	(4,764)	(4,764)	-
Benefit Payments	(649,250)	(649,250)	-
PMRS Administration Expenses	-	(1,680)	1,680
Additional Administration Expenses	-	(22,475)	22,475
Net Changes	395,628	2,091,019	(1,695,391)
Balances at 12/31/2019	<u>\$ 14,323,958</u>	<u>\$ 13,769,310</u>	<u>\$ 554,648</u>

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

The schedule below shows the impact on the pension liability if it were calculated using a discount rate that is 1% higher and lower than the current discount rate.

	1% Decrease in Discount Rate 4.25%	Current Discount Rate 5.25%	1% Increase in Discount Rate 6.25%
Total Pension Liability	\$ 16,105,561	\$ 14,323,958	\$ 12,818,249
Plan Fiduciary Net Position	13,769,310	13,769,310	13,769,310
Net Pension Liability	\$ 2,336,251	\$ 554,648	\$ (951,061)
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	85.49%	96.13%	107.42%

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Components of Pension Expense for Year Ended December 31, 2021 (Measurement Year Ending 12/31/19)

Service Cost	\$ 318,625
Interest on the Total Pension Liability	731,017
Differences between Expected and Actual Experience	130,649
Changes in Assumptions	56,207
Employee Contributions	(159,286)
Projected Earnings on Pension Plan Investments	(650,219)
Difference between Projected and Actual Earnings on Investments	(304,959)
Pension Plan Administrative Expense	24,155
Insurance Premiums	-
Other Changes in Net Fiduciary Position	-
Total Pension Expense	\$ 146,189

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2021, the actuarially determined pension expense is \$146,189. The Borough has deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2019:

Deferred Outflows and Inflows of Resources Related to Pension

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences in Projected and Actual Experience	\$ 18	\$ 198,052
Changes in Actuarial Assumptions	3,821	120,059
Net Difference in Projected and Actual Earnings on Plan Investments	1,206,922	-
Contributions Subsequent to the Measurement Date	-	111,815
Totals	\$ 1,210,761	\$ 429,926

Actuarially Determined Deferred Outflows and (Inflows) of Resources Related to Pensions for Years Ending December 31:

2020	\$ (284,388)
2021	(251,112)
2022	(77,100)
2023	(280,049)
2024	-
Thereafter	-

BOROUGH OF KUTZTOWN
Notes to Financial Statements
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Reconciliation of Pension Expense with Net Pension Liability

Change in Net Pension Liability	\$ (1,695,391)
Change in Deferred (Outflows) of Resources	264,793
Change in Deferred Inflows of Resources	1,203,081
Employer Contributions	373,706
Total Pension Expense	\$ 146,189

Police Pension Plan

Plan Description

The Borough of Kutztown Police Pension Plan is a single employer defined benefit pension plan controlled by the provisions established by municipal ordinance with the authority for Borough contributions required by Act 205 of 1984 of the Commonwealth.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Borough of Kutztown Police Pension Plan are prepared using an accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

All investments of the pension trust fund are reported by the custodian at fair value. Investments that do not have an established market value are reported at estimated fair value.

Eligibility

All full-time members of the police force join the plan upon employment.

Normal Retirement

A member is eligible for normal retirement after attainment of age 50 and completion of 25 years of vesting service.

The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child, equal to 50% of the amount payable to the member at the time of the member's death.

The amount of monthly pension is equal to 50% of average monthly compensation.

Average monthly compensation is based upon the gross compensation during the last 36 months of employment, excluding unused vacation, holidays, compensatory time, and any other lump sum paid on account of termination of employment.

Late Retirement

If a member continues working after his normal retirement date, his pension does not start until he actually retires. The monthly late retirement pension is equal to the benefit accrued to the late retirement date.

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Early Retirement

A member is eligible for early retirement after completion of 20 years of vesting service. The early retirement pension is equal to the actuarial equivalent of the benefit accrued to the early retirement date.

Disability Retirement

If an active member is disabled in the line of duty, he is eligible for a disability pension. The monthly disability pension is equal to 50% of average monthly compensation, but no less than 50% of the member's monthly salary at the time of disability, offset by any Social Security disability benefits received by the member for the same injuries.

Cost-of-Living Increase

Cost-of-Living increases are granted to retirees provided the cost-of-living increase does not exceed the percentage increase in the Consumer Price Index from the year in which the member last worked.

The maximum total cost-of-living increase is 30% of the initial pension, and the maximum pension benefit is 75% of the salary used for computing retirement benefits.

Death Benefits

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 50% of the monthly benefit the member would have been receiving had been retired at the time of death.

Vesting

A member's benefits vest upon completion of 12 years of vesting service. The vested benefit is a deferred monthly pension beginning at normal retirement equal to the benefit accrued to the date of termination.

Accrued Pension

The benefit accrued at any date other than the normal retirement date is equal to the projected normal retirement benefit multiplied by the ratio of the number of years of benefit service to date to the total number of years of benefit service projected at normal retirement.

Contributions

Members contribute 5.0% of compensation.

Member contributions are credited with 5.25% annual simple interest.

Service Rules

Service is based on complete year, measured from date of employment to date of termination.

BOROUGH OF KUTZTOWN
Notes to Financial Statements
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Investments of the pension trust fund are reported by the custodian at fair value. Investments that do not have an established market value are reported at estimated fair value.

Plan Membership:

As of January 1, 2021, the date of the most recent actuarial valuation and December 31, 2020, the plan-year end, plan membership consisted of the following:

	12/31/2020
Inactive Members or Beneficiaries Currently Receiving Benefits	7
Inactive Members Entitled to but not yet Receiving Benefits	-
Active Plan Members	<u>12</u>
TOTAL	<u>19</u>

Contributions and Funding Policy

Officers who are members in the plan are required to contribute 5.0% of their salaries to the plan. Interest is credited to each member's account each year at the rate earned by the Pension fund. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

The plan's funding policy provides for periodic employer contributions, determined actuarially, that are sufficient to accumulate assets to pay benefits when due. The Borough is required to contribute each year the Minimum Municipal Obligation (MMO), which is determined the previous year based on the most recent actuarial valuation. The Borough may allocate General Municipal Pension System State Aid toward the Minimum Municipal Obligation; however, the Borough is ultimately responsible for funding the MMO. The Borough contributed the funds necessary to meet obligations of the police pension plan in the amount of \$209,630.

Net Pension Liability

The net pension liability for December 31, 2020 was measured as of December 31, 2019, and the total pension liability was determined by rolling forward the liabilities from the January 1, 2019 actuarial valuation. No significant events or changes in assumptions occurred between the valuate date and the fiscal year end.

Actuarial Assumptions

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation:	3.00%
Salary Increases:	5.00% (average, including inflation)
Investment Return:	7.75% (including inflation)
Post retirement Cost-of-Living Increase	3.00%

BOROUGH OF KUTZTOWN
Notes to Financial Statements
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Mortality rates were based on the PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	60.00%	5.50% - 7.50%
International Equity	10.00%	4.50% - 6.50%
Fixed Income	25.00%	1.00% - 3.00%
Cash	5.00%	0.00% - 1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 201 of 1984. Act 205 requires full funding of the entry age normal cost-plus plan expenses, as well as amortization of the unfunded liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2019	\$ 5,774,001	\$ 6,450,562	\$ (676,561)
Service Cost	198,462	-	198,462
Interest	454,592	-	454,592
Changes for Experience	-	-	-
Changes for Assumptions	-	-	-
Employer Contributions	-	158,687	(158,687)
Employee Contributions	-	58,450	(58,450)
Net Investment Income	-	1,217,439	(1,217,439)
Benefit Payments, including refunds of member contributions)	(213,522)	(213,522)	-
Administration Expenses	-	(4,900)	4,900
Other Changes	-	-	-
Net Changes	439,532	1,216,154	(776,622)
Balances at 12/31/2020	\$ 6,213,533	\$ 7,666,716	\$ (1,453,183)

BOROUGH OF KUTZTOWN
Notes to Financial Statements
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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.75%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate 6.75%	Current Discount Rate 7.75%	1% Increase in Discount Rate 8.75%
Plan's Net Pension Liability	\$ (666,942)	\$ (1,453,183)	\$ (2,108,658)

Components of Pension Expense for Year Ended December 31, 2021 (Measurement Year Ending December 31, 2020)

Service Cost	\$ 198,462
Interest on the Total Pension Liability	454,592
Change of Benefit Terms	-
Differences between Expected and Actual Experience	(77,347)
Changes in Assumptions	25,292
Employee Contributions	(58,450)
Projected Earnings on Pension Plan Investments	(499,869)
Difference between Projected and Actual Earnings on Investments	(181,855)
Pension Plan Administrative Expense	4,900
Other Changes in Net Fiduciary Position	-
Total Pension Expense	\$ (134,275)

Pension Expense and Deferred Outflows and inflows of Resources

For the year ended December 31, 2021, the actuarially determined pension expense is \$(134,275). The Borough has deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2021:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Projected and Actual Experience	\$ -	\$ 376,857
Net Difference in Projected and Actual Earnings on Plan Investments	292,388	1,057,468
Changes in Actuarial Assumptions	203,712	18,278
Contributions Subsequent to the Measurement Date	209,630	-
Totals	\$ 705,730	\$ 1,452,603

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Actuarially Determined Deferred Outflows and (Inflows) of Resources Related to Pensions for Years Ending December 31:

2021	\$ (56,918)
2022	(182,494)
2023	(328,685)
2024	(153,967)
2025	(10,453)
Thereafter	(14,356)

Reconciliation of Pension Expense with Net Pension Liability

Change in Net Pension Asset, Net of Other Changes	\$ (776,622)
Change in Deferred (Outflows) of Resources	159,275
Change in Deferred Inflows of Resources	273,442
Employer Contributions	209,630
Total Pension Expense	\$ (134,275)

Note 11 – Postemployment Benefits Other than Pension:

Plan Description

Police

A police officer who retires after attainment of age 50 and completion of 25 years of service will be permitted to continue medical, prescription drug, dental, and vision coverage through the Borough for the retiree only. The retiree shall be required to pay 50% of the cost of this coverage, while the Borough pays the remaining 50%. The retiree will be eligible for one year of coverage for every five years of employment, with coverage ceasing at age 65, if earlier.

Full-Time Hourly Employees:

Retiring employees are permitted to continue medical, prescription drug, dental, and vision coverage through the Borough for the retiree only. The retiree shall be required to pay 50% of the cost for this coverage, while the Borough pays the remaining 50%. The retiree will be eligible for one year of coverage for every five years of employment, with coverage ceasing at age 65, if earlier.

Full-time Salaried/Confidential Employees:

Retiring employees are permitted to continue medical, prescription drug, dental, and vision coverage through the Borough for the retiree only. The retiree shall be required to pay 50% of the cost for this coverage, while the Borough pays the remaining 50%. The retiree will be eligible for one year of coverage for every three years of employment, with coverage ceasing at age 65, if earlier.

Summary of Significant Accounting Policies

Financial information of the municipality's plans is presented on the accrual basis of accounting. Employer contributions to each plan are recognized when due. Benefits are recognized when due and payable in accordance with the terms of the individual plan.

BOROUGH OF KUTZTOWN
Notes to Financial Statements
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Contributions and Funding Policy

50% of the cost for participation is funded by the Borough for electing participants. Retiree contributions are assumed to increase at the same rate as the health care cost trend rate. The plan is funded on a pay-as-you go basis; the Borough is not funding the benefits in advance, resulting in an accrued liability.

Methods and Assumptions

Discount Rate

1.93% Based on S&P Municipal Bond 20-Year High Grade Rate Index at January 1, 2021.

Salary

An assumption for salary increases is used only for spread contributions over future pay under the entry age normal cost method. For this purpose, annual salary increases are assumed to be 5.0%.

Withdrawal

Age	Rate	Age	Rate	Age	Rate
20	5.5000%	35	2.5000%	50	0.0000%
25	5.0000%	40	1.0000%	55	0.0000%
30	4.0000%	45	0.5000%	60	0.0000%

Mortality

Police: PubS-2010 Mortality Table

Non-Uniform: PubG-2010 Mortality Table

Incorporated into the table are projected generationally using Scale MP-2018 to reflect mortality improvement.

Disability

No disability was assumed

Retirement

Police: The latest of attainment of age 53, age at the completion of 25 years of service, or age on valuation date.

Non-Uniformed Employees: The later of attainment of age 60 or age on valuation date.

Percent of Eligible Retirees Electing Coverage in Plan

50% of employees are assumed to elect coverage.

Per Capita Claims Cost

Making uses of weighted averages for various plan designs, the per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender.

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

The resulting costs are as follows:

		Police		Full-time Salaried, Confidential, and Hourly Employees	
		Medical, Rx, Dental, and Vision Combined		Medical, Rx, Dental, and Vision Combined	
Age		Males	Females	Males	Females
45-49	\$	8,928	\$ 12,737	\$ 8,928	\$ 12,737
50-54		11,710	14,350	11,710	14,350
55-59		14,185	14,999	14,185	14,999
60-64		18,404	17,177	18,404	17,177

Retiree Contributions

Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Health Care Cost Trend Rate

5.5% from 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets

Equal to the Market Value of Assets

Actuarial Cost Method – Entry Age Normal

Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

Participant Data

Based on census information as of January 1, 2020.

Demographic Information	Police	Non-Uniformed Employees	Total
Active Participants	12	42	54
Vested Former Participants	-	-	-
Retired Participants	1	-	1
TOTAL	13	42	55
Annual Payroll of Active Participants	\$ 1,060,619	\$ 2,420,998	\$ 3,481,617

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

Summary Information

Financial Information	Police	Non-Uniformed Employees	Total
Total OPEB Liability	\$ 223,028	\$ 688,717	\$ 911,745
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability (Asset)	223,028	688,717	911,745
Deferred Outflows of Resources	39,537	93,719	133,256
Deferred Inflows of Resources	10,699	59,321	70,020
Plan Fiduciary Net Position as a % of Total OPEB Liability	0.00%	0.00%	0.00%
Net OPEB Liability as of % of Covered-Employee Payroll	21.03%	28.45%	26.19%
OPEB Expense	\$ 17,961	\$ 70,084	\$ 88,045

Changes in the Net OPEB Liability

Total OPEB Liability	Police	Non-Uniformed Employees	Total
Fiscal Year Ending 12/31/2021			
Balance at 1/1/2020	\$ 206,827	\$ 575,557	\$ 782,384
Service Cost	10,209	47,972	58,181
Interest	6,832	20,137	26,969
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experiences	-	-	-
Changes of Assumptions	12,949	55,829	68,778
Benefit Payments	(13,789)	(10,778)	(24,567)
Other Changes	-	-	-
Net Changes	16,201	113,160	129,361
Balance at 1/1/2021	\$ 223,028	\$ 688,717	\$ 911,745

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

Deferred Inflows/Outflows

Deferred Outflows of Resources	Police	Non-Uniformed Employees	Total
Differences between Expected and Actual Experiences	\$ -	\$ -	\$ -
Changes of Assumptions	20,631	82,381	103,012
Benefit Payments subsequent to the Measurement Date (1/1/2021)	18,906	11,338	30,244
TOTAL DEFERRED OUTFLOWS	\$ 39,537	\$ 93,719	\$ 133,256

Deferred Inflows of Resources	Police	Non-Uniformed Employees	Total
Differences between Expected and Actual Experiences	\$ 6,858	\$ 44,580	\$ 51,438
Changes of Assumptions	3,841	14,741	18,582
TOTAL DEFERRED INFLOWS	\$ 10,699	\$ 59,321	\$ 70,020

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

Net OPEB Liability (Asset)	Police	Non-Uniformed Employees	Total
1% increase (2.93%)	\$ 213,223	\$ 646,447	\$ 859,670
Current Discount Rate (1.93%)	223,028	688,717	911,745
1% Decrease (0.93%)	233,236	732,552	965,788

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

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

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability (Asset)	Police	Non-Uniformed Employees	Total
1% Increase	\$ 243,230	\$ 786,058	\$ 1,029,288
Current Rates	223,028	688,717	911,745
1% Decrease	205,236	607,396	812,632

OPEB Expense and Future Recognition of Deferred Outflows and (Inflows)

OPEB Expense	Police	Non-Uniformed Employees	Total
Fiscal Year Ending 12/31/2021			
Service Cost	\$ 10,209	\$ 47,972	\$ 58,181
Interest on Total OPEB Liability	6,832	20,137	26,969
Changes of Benefit Terms	-	-	-
Contributions - Employee	-	-	-
Amortization of Deferred Outflows	1,955	7,773	9,728
Amortization of Deferred Inflows	(1,035)	(5,798)	(6,833)
Other Changes	-	-	-
TOTAL OPEB EXPENSE	\$ 17,961	\$ 70,084	\$ 88,045

Future Deferred Outflows and (Inflows) to be Recognized as OPEB Expense (Income)	Police	Non-Uniformed Employees	Total
Fiscal Year Ending			
2022	\$ 920	\$ 1,975	\$ 2,895
2023	920	1,975	2,895
2024	920	1,975	2,895
2025	920	1,975	2,895
2026	920	1,975	2,895
Thereafter	5,332	13,185	18,517

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

Deferred Outflows of Resources

Date	Initial Balance	Annual Recognition	Remaining Balance	Remaining Recognition Period	Type
January 1, 2018	\$ 28,564	\$ 2,040	\$ 20,404	10 Years	Assumption Change
January 1, 2020	23,474	1,956	19,562	10 Years	Assumption Change
January 1, 2021	68,778	5,732	63,046	11 Years	Assumption Change
TOTAL	\$ 120,816	\$ 9,728	\$ 103,012		

Deferred Inflows of Resources

Date	Initial Balance	Annual Recognition	Remaining Balance	Remaining Recognition Period	Type
January 1, 2019	\$ 23,649	\$ 1,689	\$ 18,582	11 Years	Assumption Change
January 1, 2020	61,726	5,144	51,438	10 Years	Experience Change
TOTAL	\$ 85,375	\$ 6,833	\$ 70,020		

Note 12 – GASB 61 - Condensed Component Unit Data

Condensed Statement of Net Position

	Kutztown Municipal Authority	Kutztown Transportation Authority
ASSETS:		
Cash and Cash Equivalents	\$ 1,712,567	\$ 114,161
Account Receivable	96,017	-
Due from Primary Government	101,048	-
Due from Other funds	138,130	-
Capital Assets, Net of Accumulated Depreciation	1,025,239	-
TOTAL ASSETS:	3,073,001	114,161
LIABILITIES:		
Accounts Payable	79,167	-
Developer Deposits Held	34,675	-
Due to Other Funds	138,130	-
TOTAL LIABILITIES:	251,972	-
NET POSITION:		
Invested in Capital Assets, net of related Debt	1,025,239	-
Restricted	334,196	1,075
Unrestricted	1,461,594	113,086
TOTAL NET POSITION:	\$ 2,821,029	\$ 114,161

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

Condensed Statement of Activities

	Kutztown Municipal Authority	Kutztown Transportation Authority
EXPENSES:		
<i>Major Function:</i>		
Water	\$ 847,225	\$ -
Sewer	133,907	-
Transportation	-	1,985
TOTAL EXPENSES	\$ 981,132	\$ 1,985
PROGRAM REVENUES:		
<i>By Type -</i>		
Water	\$ 956,117	\$ -
Sewer	197,725	-
Grant Income	-	-
Miscellaneous	4,412	-
Transportation	-	20,656
Interest Income	691	52
TOTAL REVENUES:	1,158,945	20,708
Change in Net Position	177,813	18,723
Beginning Net Position:	2,643,216	95,438
Ending Net Position:	\$ 2,821,029	\$ 114,161

Condensed Statement of Cash Flows

	Kutztown Municipal Authority	Kutztown Transportation Authority
NET CASH PROVIDED (USED) BY:		
Operating Activities	\$ 204,704	\$ 18,671
Non-Operating Activities	4,412	-
Investing Activities	691	52
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	209,807	18,723
Beginning Cash and Cash Equivalents	1,502,760	95,438
Ending Cash and Cash Equivalents	\$ 1,712,567	\$ 114,161

Note 13 - Contingencies

The Borough of Kutztown is not currently involved in any material litigations proceedings.

Note 14 – Risk Management

The Borough is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. For insured programs, there were no significant

BOROUGH OF KUTZTOWN
Notes to Financial Statements
Year Ended December 31, 2021

reductions insurance coverage during the year. Settlement amounts, if any, have not exceeded insurance coverage for the year.

The Borough received federal and state grants for specific purposes which are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the grantor agency in the event that an expenditure under the program is disallowed. In the opinion of Borough Management, such disallowances, if any, will not be significant.

The Borough has elected to fund unemployment compensation insurance with the Commonwealth of Pennsylvania Unemployment Compensation Fund on a reimbursable basis. Consequently, the Borough is liable to the Fund for actual benefits paid on its behalf.

The Borough is subject to risk of loss from employee risks, property damage, personal injury, auto accidents, etc. The Borough lowers these risks through the purchase of commercial insurance. The Borough workers' compensation policy is a retrospectively rated policy. The final premium is based on actual payroll for the policy year and is determined by the insurance company. Any settlements received by the Borough or its employees did not exceed insurance coverage in the last three years.

Note 15 – Fund Balances

Detailed information about aggregated fund balances.

Restricted Fund Balances

The restricted fund balance represents contributions that are externally restricted for specific purposes;

Highway Aid Fund	\$ 111,548
Fire Protection Fund	314,540
Recreation Tax Fund	117,079
Road Tax Fund	196,705
General Fund	109,621
TOTAL	\$ 849,493

Note 16 – Subsequent Events

On March 13, 2020, the President of the United States declared a national emergency concerning the novel coronavirus disease (COVID-19) outbreak.

The full impact of the coronavirus continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Borough's financial condition and future results of operations. Management is actively monitoring the situation and its impact on the Borough's financial condition. Given the daily evolution of the coronavirus and the global responses to curb its spread, the Borough is currently not able to estimate the effects of the coronavirus on its results of operations and financial condition.

While the Borough considers these disruptions to be temporary, if it continues, the situation could have an adverse effect on the Borough's future operations.

The subsequent events have been evaluated through April 27, 2022, which is the date of the financial statements were available to be issued.



Borough Council
The Borough of Kutztown
45 Railroad Street
Kutztown, PA 19530

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business—type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Borough of Kutztown, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough of Kutztown's basis financial statements and have issued our report thereon dated April 27, 2022.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings to be significant deficiencies.

BOROUGH COUNCIL

Compliance and Other Matters

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

Borough of Kutztown's Response to Findings

Borough of Kutztown's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Borough of Kutztown's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,

Hutchinson, Gillahan & Freeh, P.C.

April 27, 2022

BOROUGH OF KUTZTOWN
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

SECTION I – AUDIT FINDINGS

Material Weakness

21.01 – General Ledger Accounts Reconciliations

<i>Criteria:</i>	General Ledger accounts should be reconciled on a monthly basis.
<i>Condition:</i>	Certain General ledger accounts are not reconciled on a monthly basis.
<i>Context:</i>	It was noted during the course of the audit that the General ledger Accounts were not reconciled on a monthly basis and that certain General Ledger Accounts were not fully reconciled prior to the start of the audit. As a result, many journal entries, some significant in dollar amount, were required to completely reconcile the account balances.
<i>Effect:</i>	Monthly financial reports provided to the Borough Council are not complete and accurate.
<i>Causes:</i>	Lack of personnel in the administration offices to assist the Borough Finance Director with account reconciliations.
<i>Recommendations:</i>	All General Ledger accounts should be reconciled on at least a monthly basis.
<i>View of Responsible Officials:</i>	Due to limited personnel resources available in the administrative offices it is difficult to reconcile all the General Ledger accounts on a monthly basis.
<i>Corrective Action Plan:</i>	We are currently training staff to reconcile General Ledger Account balances that fall under the accounting duties that have been assigned to them and implemented a new accounting software during the prior year to help ease the process.

Significant Deficiencies

21.02 – Recording of Revenues and Expenses

<i>Criteria:</i>	Revenue and Expenses should be recorded in a timely manner.
<i>Condition:</i>	It was noted during our audit that the revenues and expenditures are recorded primarily by journal entries from the main cash checking account.
<i>Context:</i>	This procedure increases the likelihood that transactional errors in the form of misposted entries could result in significant errors.
<i>Effect:</i>	Monthly financial reporting provided to the Borough Council could contain misleading information.
<i>Cause:</i>	This could possibly be caused by limitations in the accounting software program.
<i>Recommendations:</i>	The Borough should consider other municipal software packages that could integrate all of the Borough's financial aspects into one reporting module.
<i>View of Responsible Officers:</i>	We were aware that the prior accounting software system did create serious limitations on the way transactions were processed and implemented a new accounting software during the prior year.

BOROUGH OF KUTZTOWN
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

Corrective Action Plan: We implemented a more efficient accounting software program during the prior year to help correct this issue. However, the results have not yet been fully evaluated over the course of a full year.

SECTION II – SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Material Weakness

20.01 – General Ledger Accounts Reconciliations

Condition: General Ledger accounts should be reconciled on a monthly basis.

Comments: This condition has not been corrected and is cited as a current year material weakness as finding 21.01.

Significant Deficiencies

20.02 – Recording of Revenues and Expenses

Condition: Recording of Revenues and Expenses

Comments: This condition has not been corrected and is cited as a current year significant deficiency as finding 21.02.

REQUIRED SUPPLEMENTAL INFORMATION

BOROUGH OF KUTZTOWN
Required Supplementary Information
December 31, 2021
Schedule of Changes in the Net Pension Liability and Related Ratios
Non-Uniform Pension Plan
Last Ten Years*

	Measurement Year Ending					
	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
<u>Total Pension Liability</u>						
Service Cost	\$ 318,625	\$ 317,276	\$ 303,765	\$ 279,381	\$ 293,645	\$ 309,223
Interest Cost	731,017	700,474	683,899	676,308	665,766	629,985
Changes of Benefit Terms	-	-	-	-	-	-
Differences between Expected and Actual Experience*	-	222,893	-	148,378	(103)	412,732
Changes of Assumptions	-	-	-	360,183	(22,941)	-
Transfers	(4,764)	-	-	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(649,250)	(666,292)	(704,131)	(811,004)	(652,185)	(718,313)
Net Change in Total Pension Liability	395,628	574,351	283,533	653,246	284,182	633,627
Total Pension Liability - Beginning	13,928,330	13,353,979	13,070,446	12,417,200	12,133,018	11,499,391
Total Pension Liability - Ending	\$ 14,323,958	\$ 13,928,330	\$ 13,353,979	\$ 13,070,446	\$ 12,417,200	\$ 12,133,018
<u>Plan Fiduciary Net Position</u>						
Contributions - Employer	372,026	329,320	324,658	248,758	239,405	81,890
Contributions - PMRS Assessment	1,680	1,640	1,680	1,700	1,720	-
Contributions - Employee	159,286	156,066	149,420	144,183	136,830	130,236
PMRS Investment Income	650,219	597,194	580,709	610,623	571,531	563,912
Market Value Investment Income	1,585,977	(1,014,726)	1,293,827	147,220	(487,496)	99,776
Transfers	(4,764)	-	-	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(649,250)	(666,292)	(704,131)	(811,004)	(652,185)	(718,313)
PMRS Administrative Expense	(1,680)	(1,640)	(1,620)	(1,660)	(1,720)	(1,640)
Additional Administrative Expense	(22,475)	(26,650)	(26,706)	(29,915)	(23,826)	(21,626)
Net Change in Plan Fiduciary Net Position	\$ 2,091,019	\$ (625,088)	\$ 1,617,837	\$ 309,905	\$ (215,741)	\$ 134,235
Plan Fiduciary Net Position - Beginning	11,678,291	12,303,379	10,685,542	10,375,637	10,591,378	10,457,143
Plan Fiduciary Net Position - Ending	\$ 13,769,310	\$ 11,678,291	\$ 12,303,379	\$ 10,685,542	\$ 10,375,637	\$ 10,591,378
Net Pension Liability - Ending	\$ 554,648	\$ 2,250,039	\$ 1,050,600	\$ 2,384,904	\$ 2,041,563	\$ 1,541,640
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 96.13%	 83.85%	 92.13%	 81.75%	 83.56%	 87.29%
Covered Employee Payroll	\$ 2,556,757	\$ 2,505,074	\$ 2,398,399	\$ 2,314,341	\$ 2,196,450	\$ 2,324,479
Net Pension Liability as a Percentage of Covered Employee Payroll	21.69%	89.82%	43.80%	103.05%	92.95%	66.32%

*This schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those years, which information is available, is shown.

BOROUGH OF KUTZTOWN
Required Supplementary Information
December 31, 2021
Schedule of Changes in the Net Pension Liability and Related Ratios
Police Pension Plan
Last Ten Years*

	Measurement Year Ending						
	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
<u>Total Pension Liability</u>							
Service Cost	\$ 198,462	\$ 189,011	\$ 172,852	\$ 164,621	\$ 139,939	\$ 133,275	\$ 130,581
Interest Cost	454,592	422,834	396,822	371,059	351,351	328,582	332,098
Changes for Experience	-	(173,715)	-	(225,370)	-	(319,572)	-
Changes of Assumptions	-	138,574	-	159,888	-	(54,842)	-
Benefit Payments, including Refunds of Member Contributions	(213,522)	(209,505)	(220,598)	(202,383)	(190,002)	(159,444)	(113,222)
Net Change in Total Pension Liability	439,532	367,199	349,076	267,815	301,288	(72,001)	349,457
Total Pension Liability - Beginning	5,774,001	5,406,802	5,057,726	4,789,911	4,488,623	4,560,624	4,211,167
Total Pension Liability - Ending	\$ 6,213,533	\$ 5,774,001	\$ 5,406,802	\$ 5,057,726	\$ 4,789,911	\$ 4,488,623	\$ 4,560,624
<u>Plan Fiduciary Net Position</u>							
Contributions - Employer	158,687	139,393	84,887	81,099	85,978	179,232	168,437
Contributions - Member	58,450	55,109	52,446	51,081	48,604	48,205	48,132
Net Investment Income	1,217,439	1,082,468	(287,559)	807,488	212,912	(4,999)	252,593
Benefit Payments, including Refunds of Member Contributions	(213,522)	(209,505)	(220,598)	(202,383)	(190,002)	(159,444)	(113,222)
Administrative Expense	(4,900)	(6,700)	(4,800)	(6,800)	(6,300)	(8,700)	-
Net Change in Plan Fiduciary Net Position	\$ 1,216,154	\$ 1,060,765	\$ (375,624)	\$ 730,485	\$ 151,192	\$ 54,294	\$ 355,940
Plan Net Position - Beginning	6,450,562	5,389,797	5,765,421	5,034,936	4,883,744	4,829,450	4,473,510
Plan Net Position - Ending	\$ 7,666,716	\$ 6,450,562	\$ 5,389,797	\$ 5,765,421	\$ 5,034,936	\$ 4,883,744	\$ 4,829,450
Borough's Net Pension Liability (Asset)	\$ (1,453,183)	\$ (676,561)	\$ 17,005	\$ (707,695)	\$ (245,025)	\$ (395,121)	\$ (268,826)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	123.39%	111.72%	99.68%	113.99%	105.12%	108.80%	105.89%
Covered Employee Payroll	\$ 1,187,650	\$ 1,060,619	\$ 1,078,518	\$ 966,351	\$ 992,971	\$ 983,083	\$ 901,757
Borough's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	(122.36%)	(63.79%)	1.06%	(73.23%)	(24.68%)	(40.19%)	(29.81%)

*This schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those years, which information is available, is shown.

BOROUGH OF KUTZTOWN
Required Supplementary Information
December 31, 2021
Schedule of Pension Contributions
Non-Uniform Pension Plan
Last Ten Fiscal Years

Year-Ended December 31,	Actuarially Determined Contribution	Contributions from Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
2010	\$ 102,011	\$ 102,011	\$ -	\$ 2,166,298	4.71%
2011	111,309	111,309	-	2,162,247	5.15%
2012	105,373	105,373	-	2,193,478	4.80%
2013	75,812	75,812	-	2,080,925	3.64%
2014	71,055	81,890	(10,835)	2,324,479	3.52%
2015	241,045	241,125	(80)	2,196,450	10.98%
2016	250,418	250,458	(40)	2,314,341	10.82%
2017	326,278	326,338	(60)	2,398,399	13.61%
2018	330,960	330,960	-	2,505,074	13.21%
2019	373,686	373,706	(20)	2,556,757	14.62%

Note to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the Actuarially Determined Contribution for calendar year 2019 is based upon the January 1, 2017 actuarial valuation.

Methods and assumptions used to determine the contributions rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Period:	Level dollar based upon the amortization period in Act 205
Asset Valuation Method:	Based upon the municipal reserves
Discount Rate:	5.25%
Inflation:	2.8%
Salary Increases:	Age related scale with merit and inflation component
COLA Increases:	2.8% for those eligible for a COLA
Pre-Retirement Mortality:	Males – RP 2000 Non-Annuitant Male table projected 15 years with Scale AA Females – RP 2000 Non-Annuitant Female table projected 15 years with Scale AA, setback five years
Post-Retirement Mortality:	Males – RP 2000 Annuitant Male table projected 5 years with Scale AA Females – RP 2000 Annuitant Female table projected 10 years with Scale AA
Changes in Benefit Terms:	None

BOROUGH OF KUTZTOWN
Required Supplementary Information
December 31, 2021
Schedule of Pension Contributions
Police Pension Plan
Last Ten Fiscal Years

Year-Ended December 31,	Actuarially Determined Contribution	Contributions from Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
2011	\$ 187,279	\$ 187,279	\$ -	\$ 782,927	23.92%
2012	162,905	162,905	-	799,951	20.36%
2013	172,292	172,292	-	898,354	19.18%
2014	168,437	168,437	-	901,757	18.68%
2015	179,232	179,232	-	983,083	18.23%
2016	85,978	85,978	-	992,971	8.66%
2017	81,099	81,099	-	966,351	8.39%
2018	84,887	84,887	-	1,078,518	7.87%
2019	139,393	139,393	-	1,060,619	13.14%
2020	158,687	158,687	-	1,187,650	13.36%

Note to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, for two to four years prior to the end of the fiscal year in which the contributions were reported.

Methods and assumptions used to determine the contributions rates:

Actuarial Valuation Date:	1/1/2017
Actuarial Cost Method:	Entry Age Normal
Amortization Period:	Level dollar Closed
Remaining Amortization Period:	Not Applicable
Asset Valuation Method:	Market value of assets as determined by the trustee
Inflation:	3%
Salary Increases:	5.00%
Investment Rate of Return	7.75%
Retirement Age:	Attainment of age 53 and completion of 25 years of service
Mortality:	IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.
Changes in Benefit Terms:	None since 1/1/2017.

BOROUGH OF KUTZTOWN
Required Supplementary Information
December 31, 2021
Schedule of Changes in the Net OPEB Liabilities and Related Ratios

	Measurement Year Ending 12/31/2021	Measurement Year Ending 12/31/2020	Measurement Year Ending 12/31/2019	Measurement Year Ending 12/31/2018
<u>Total OPEB Liability</u>				
Service Cost	\$ 58,181	\$ 56,092	\$ 57,635	\$ 50,567
Interest Cost	26,969	29,106	24,112	24,999
Changes in Benefit Terms	-	-	-	-
Differences between Expected and Actual Experience	-	(61,726)	-	-
Changes of Assumptions	68,778	23,474	(23,649)	28,564
Benefit Payments	(24,567)	(17,692)	(22,591)	(21,312)
Other Changes	-	-	-	-
Net Change in OPEB Liability	129,361	29,254	35,507	82,818
Total OPEB Liability - Beginning	782,384	753,130	717,623	634,805
Total OPEB Liability - Ending	\$ 911,745	\$ 782,384	\$ 753,130	\$ 717,623
 Covered Employee Payroll	 \$ 3,481,617	 \$ 3,481,617	 \$ 3,246,432	 \$ 3,246,432
 Borough's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	 26.19%	 22.47%	 23.20%	 22.10%

*This schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those years, which information is available, is shown.

OTHER SUPPLEMENTAL INFORMATION

BOROUGH OF KUTZTOWN
Combining Balance Sheet
All Special Revenue Funds
For the Year Ended December 31, 2021

	NON-MAJOR				TOTAL
	FIRE PROTECTION FUND	RECREATION TAX FUND	ROAD TAX FUND	HIGHWAY AID FUND	SPECIAL REVENUE FUNDS
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 313,272	\$ 116,299	\$ 194,754	\$ 111,548	\$ 735,873
Real Estate Taxes Receivable	1,268	780	1,951	-	3,999
Due from Other Funds	-	-	-	-	-
TOTAL ASSETS	\$ 314,540	\$ 117,079	\$ 196,705	\$ 111,548	\$ 739,872
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
<u>FUND BALANCES:</u>					
Nonspendable	-	-	-	-	-
Restricted	314,540	117,079	196,705	111,548	739,872
TOTAL FUND BALANCES	314,540	117,079	196,705	111,548	739,872
TOTAL LIABILITIES AND FUND BALANCES	\$ 314,540	\$ 117,079	\$ 196,705	\$ 111,548	\$ 739,872

BOROUGH OF KUTZTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Special Revenue Funds
For the Year Ended December 31, 2021

	NON-MAJOR				TOTAL
	FIRE PROTECTION FUND	RECREATION TAX FUND	ROAD TAX FUND	HIGHWAY AID FUND	SPECIAL REVENUE FUNDS
REVENUES					
Real Estate Taxes	\$ 122,269	\$ 75,240	\$ 188,100	\$ -	\$ 385,609
Liquid Fuels Tax	-	-	-	141,597	141,597
Investment Earnings	-	-	-	26	26
TOTAL REVENUES	<u>122,269</u>	<u>75,240</u>	<u>188,100</u>	<u>141,623</u>	<u>527,232</u>
EXPENDITURES					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Community Development	-	-	-	-	-
Debt Service	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>122,269</u>	<u>75,240</u>	<u>188,100</u>	<u>141,623</u>	<u>527,232</u>
OTHER FINANCING SOURCES (SOURCES)					
Transfers In	-	-	-	-	-
Transfers Out	(127,350)	(42,030)	(187,660)	(100,000)	(457,040)
TOTAL OTHER FINANCING SOURCES	<u>(127,350)</u>	<u>(42,030)</u>	<u>(187,660)</u>	<u>(100,000)</u>	<u>(457,040)</u>
NET CHANGES IN FUND BALANCE	(5,081)	33,210	440	41,623	70,192
FUND BALANCES - BEGINNING	<u>319,621</u>	<u>83,869</u>	<u>196,265</u>	<u>69,925</u>	<u>669,680</u>
FUND BALANCES - ENDING	<u>\$ 314,540</u>	<u>\$ 117,079</u>	<u>\$ 196,705</u>	<u>\$ 111,548</u>	<u>\$ 739,872</u>

BOROUGH OF KUTZTOWN
Combining Statement of Net Position
All Proprietary Funds
As December 31, 2021

	MAJOR				NON-MAJOR	
	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
ASSETS						
CURRENT ASSETS:						
Cash and Cash Equivalents	\$ 2,873,407	\$ 739,207	\$ 1,267,851	\$ -	\$ 1,005,316	\$ 5,885,781
Investments	-	-	-	-	-	-
Accounts Receivable (Net of Allowance for Doubtful Accounts)	687,160	196,749	194,461	58,535	98,476	1,235,381
Prepaid Expenses	11,228	13,685	23,084	11,797	3,479	63,273
Due from Other Funds	3,185	127,792	169,061	57,368	111,625	469,031
TOTAL CURRENT ASSETS	3,574,980	1,077,433	1,654,457	127,700	1,218,896	7,653,466
NON-CURRENT ASSETS:						
Land	-	477,407	813,292	1,422	-	1,292,121
Buildings (Net of Depreciation)	1,347,672	5,407,350	6,174,183	39,300	134,010	13,102,515
Machinery and Equipment (Net of Depreciation)	1,092,083	5,397,555	9,058,033	1,452,986	240,770	17,241,427
Unamortized Bond Costs	19,902	305,587	95,764	-	-	421,253
TOTAL NON-CURRENT ASSETS	2,459,657	11,587,899	16,141,272	1,493,708	374,780	32,057,316
TOTAL ASSETS	\$ 6,034,637	\$ 12,665,332	\$ 17,795,729	\$ 1,621,408	\$ 1,593,676	\$ 39,710,782
DEFERRED OUTFLOWS OF RESOURCES						
	\$ 87,591	\$ 68,367	\$ 57,944	\$ 47,899	\$ 38,648	\$ 300,449
LIABILITIES						
CURRENT LIABILITIES:						
Accounts Payable	\$ 515,551	\$ 23,553	\$ 57,397	\$ 2,736	\$ 16,269	\$ 615,506
Accrued Salaries and Benefits	-	-	-	-	-	-
Sales Tax Payable	-	-	-	-	-	-
Customer Deposits	169,100	-	-	-	-	169,100
Due to Other Funds	7,585	64,918	-	-	-	72,503
Interest Payable	7,834	63,268	37,875	-	-	108,977
Notes Payable	110,000	461,182	544,545	-	-	1,115,727
TOTAL CURRENT LIABILITIES	810,070	612,921	639,817	2,736	16,269	2,081,813
NON-CURRENT LIABILITIES:						
Other Post Employment Benefits	-	-	-	-	-	-
Net Pension Liability	113,001	88,200	74,753	61,795	49,860	387,609
Notes Payable	1,200,000	7,125,684	5,605,316	-	-	13,931,000
TOTAL NON-CURRENT LIABILITIES	1,313,001	7,213,884	5,680,069	61,795	49,860	14,318,609
TOTAL LIABILITIES	2,123,071	7,826,805	6,319,886	64,531	66,129	16,400,422
DEFERRED INFLOWS OF RESOURCES						
	\$ 246,674	\$ 192,535	\$ 163,181	\$ 134,895	\$ 108,842	\$ 846,127
NET POSITION						
Invested in Capital Assets, Net of Related Debt	1,129,755	3,695,446	9,895,647	1,493,708	374,780	16,589,336
Restricted	-	-	-	-	-	-
Unrestricted Net Position	2,622,728	1,018,913	1,474,959	(23,827)	1,082,573	6,175,346
TOTAL NET POSITION	\$ 3,752,483	\$ 4,714,359	\$ 11,370,606	\$ 1,469,881	\$ 1,457,353	\$ 22,764,682

BOROUGH OF KUTZTOWN
Combining Statement of Additions, Deductions and Changes in Net Position
All Proprietary Funds
For the Year Ended December 31, 2021

	MAJOR				NON-MAJOR	
	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
<u>OPERATING REVENUES</u>						
Charges for Services	\$ 6,635,055	\$ 2,123,339	\$ 2,001,972	\$ 582,460	\$ 983,322	\$ 12,326,148
Penalties	39,896	8,586	8,659	-	6,439	63,580
Other Fees	-	3,443	49,842	-	-	53,285
Rental Income	92,124	-	-	86,601	-	178,725
Other Income	13,403	53,520	2,028	18,820	28,482	116,253
SCADA and Equipment Lease	-	-	-	123,300	-	123,300
TOTAL OPERATING REVENUES	6,780,478	2,188,888	2,062,501	811,181	1,018,243	12,861,291
<u>OPERATING EXPENSES</u>						
Costs of Furnishing Utility	3,233,240	622,929	634,555	279,298	397,923	5,167,945
Employee Wages	550,531	429,704	364,190	301,060	242,916	1,888,401
Employee Benefits	277,216	245,837	196,151	138,998	139,359	997,561
Employee Pension	68,524	72,007	62,410	64,657	74,249	341,847
Insurance	95,179	138,004	118,598	30,444	22,788	405,013
Debt Service	66,995	214,701	205,352	-	-	487,048
Depreciation	109,650	412,959	524,355	295,396	83,703	1,426,063
TOTAL OPERATING EXPENSES	4,401,335	2,136,141	2,105,611	1,109,853	960,938	10,713,878
OPERATING INCOME (LOSS)	2,379,143	52,747	(43,110)	(298,672)	57,305	2,147,413
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Interest Earned	2,536	483	634	231	506	4,390
State Grants	-	-	-	-	50,174	50,174
Pension & OPEB Adjustment	127,460	97,675	82,565	68,591	54,982	431,273
Transfers from Other Funds	-	-	-	84,449	-	84,449
Transfers to Other Funds	(1,884,851)	-	-	-	-	(1,884,851)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,754,855)	98,158	83,199	153,271	105,662	(1,314,565)
CHANGES IN NET POSITION	624,288	150,905	40,089	(145,401)	162,967	832,848
NET POSITION, JANUARY 1, 2021	3,128,195	4,563,454	11,330,517	1,615,282	1,294,386	21,931,834
NET POSITION, DECEMBER 31, 2021	\$ 3,752,483	\$ 4,714,359	\$ 11,370,606	\$ 1,469,881	\$ 1,457,353	\$ 22,764,682

**INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

BOROUGH OF KUTZTOWN
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2021

REVENUES

TAXES:

Real Estate Taxes - Current	\$ 479,657	
Real Estate Taxes - Prior	21,018	
Real Estate Transfer Tax	134,062	
Earned Income Tax	511,613	
Per Capita	9,674	
Local Services Tax	69,529	
Admissions Tax	5,480	
Mechanical Tax	425	
	<hr/>	\$ 1,231,458

FINES AND FORFEITS:

Motor Vehicle Violations	8,877	
Fines	24,895	
Criminal Violations	7,298	
Parking Tickets	42,666	
	<hr/>	83,736

LICENSES AND PERMITS:

Franchise Fee Cable	36,716	
Permits/Reports	153,562	
	<hr/>	190,278

INTERGOVERNMENTAL:

In Lieu of Taxes - PURTA	1,475	
Beverage Licenses	1,907	
Pension State Aid	321,418	
Allotment - Fireman's Relief	23,132	
State Grants	24,382	
	<hr/>	372,314

CHARGES FOR SERVICES:

General Government	6,970	
Public Safety	129,521	
Highways and Streets	-	
Culture and Recreation	73,563	
	<hr/>	210,054

INVESTMENT AND RENTAL EARNINGS:

Interest Income	1,380	
Rentals	407,438	
	<hr/>	408,818

MISCELLANEOUS:

Contributions and Donations	5,493	
Reimbursements	270,480	
Refund of Prior Year Expenditure	348,996	
Other	46,854	
	<hr/>	671,823

TOTAL REVENUES	\$ 3,168,481
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BOROUGH OF KUTZTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2021

EXPENDITURES

GENERAL GOVERNMENT

LEGAL:

Solicitor \$ 43,043

MAYOR, LEGISLATIVE, BOROUGH MANAGER:

Employee Wages 109,460
Employee Benefits 55,296
Employee Pension 18,139
Insurance 20,662
Contracted Services 57,276
Advertising, Printing and Postage 6,192
Vehicle Expenses 230
Operating/Office Expenses 6,775
Dues, Meetings and Training 9,684
Small Tools, Equipment and Building 19,542

FINANCE AND ACCOUNTING:

Salary -
Employee Benefits -
Employee Pension -
Audit and Accounting Fees 17,350

TAX COLLECTION:

Employee Wages -
Employee Benefits -
Contracted Services 609

ENGINEERING:

Engineering Fees 1,534

BUILDINGS AND PLANT:

Employee Wages 5,835
Employee Benefits 1,444
Employee Pension -
Operating Supplies 7,739
Heating and Utilities 48,204
Insurance 9,653
Repairs and Maintenance 34,489
Contracted Services 5,050

TOTAL GENERAL GOVERNMENT \$ 478,206

BOROUGH OF KUTZTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2021

PUBLIC SAFETY

POLICE:

Employee Wages	\$ 1,384,825
Employee Benefits	449,912
Employee Pension	209,830
Operating Supplies	17,142
Vehicle Maintenance and Repair	25,413
Uniforms	11,934
Training, Seminars, Certs	10,939
Ammunition	10,100
Insurance	49,296
Legal	529
Dues, Subs and Memberships	920
Small Tools and Equipment	27,366
Telephone/Communications	67,440
Postage, Printing and Advertising	6,004
Repairs and Maintenance	3,891
Refuse	326
Contracted Services	35,266
Capital Purchases	47,833

FIRE AND AMBULANCE:

Rent of Machine & Equipment	58,450
Insurance	-
Telephone/Communications	25,568
Contributions	-
Foreign Fire Tax Disbursement	23,132
Other Services	127,350

INSPECTIONS AND ZONING:

Employee Wages	93,645
Employee Benefits	59,972
Employee Pension	8,062
Vehicle Maintenance and Repair	864
Heating and Utilities	5,898
Operating Supplies	10,154
Telephone/Communications	5,198
Training, Seminars, Certs	112
Legal Services	15,190
Engineering Services	3,988
Small Tools and Equipment	611
Postage, Printing and Advertising	4,155
Insurance	73
Dues, Subs and Memberships	165
Rent of Building	16,250
Repairs and Maintenance	599
Contracted Services	141,626

EMERGENCY MANAGEMENT:

Training, Seminars, Certs	-
Operating Supplies	-
Postage, Printing and Advertising	79
Insurance	-
Contracted Services	240

TOTAL PUBLIC SAFETY		\$	2,960,347
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BOROUGH OF KUTZTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2021

PUBLIC WORKS

STREET MAINTENANCE AND LIGHTING:

Employee Wages	\$	300,527	
Employee Benefits		162,680	
Employee Pension		22,411	
Training, Seminars, Certs		-	
Operating Supplies		7,204	
Vehicle Maintenance and Repairs		32,530	
Uniforms		3,309	
Insurance		19,189	
Small Tools and Equipment		4,264	
Repairs and Maintenance Land & Equip		49,914	
Engineering Services		39,217	
Telephone/Communications		4,316	
Postage, Printing and Advertising		-	
Contracted Services		14,444	
Rent of Building		37,184	
Heating and Utilities		62,665	
Dues, Subs and Memberships		1,924	
Capital Improvements		286,882	
Snow Removal Materials		14,868	
TOTAL PUBLIC WORKS	\$		1,063,528

CULTURE AND RECREATION

PARKS AND POOL:

Employee Wages		304,305	
Employee Benefits		100,620	
Employee Pension		32,004	
Training, Seminars, Certs		520	
Operating Supplies		21,950	
Small Tools and Equipment		58	
Insurance		15,381	
Vehicle Maintenance and Repairs		6,783	
Telephone/Communications		244	
Postage, Printing and Advertising		1,284	
Heating and Utilities		54,878	
Repairs and Maint Building, Land & Equip		90,020	
Contracted Services		19,568	
Contributions		-	
YMCA Programs		6,500	
Chemicals		13,175	
Capital Purchases		-	
TOTAL CULTURE AND RECREATION	\$		667,290

BOROUGH OF KUTZTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2021

DEBT SERVICE

Debt Principal	\$ 81,860
Interest Expense	834
Amortization and Other Issuance Costs	<u>-</u>

TOTAL DEBT SERVICE \$ 82,694

UNCLASSIFIED EXPENDITURES

C,G & S to Non-Profits	45,197
Other Miscellaneous	<u>1,371</u>

TOTAL UNCLASSIFIED EXPENDITURES \$ 46,568

TOTAL EXPENDITURES 5,298,633

DEFICIENCY OF REVENUES OVER EXPENDITURES (2,130,152)

**OTHER FINANCING SOURCES AND
OTHER FINANCING USES**

Sale of Fixed Assets	-	
Refund of Prior Year Expenditures	-	
Interfund Transfers In	2,257,442	
Interfund Transfers Out	<u>-</u>	<u>2,257,442</u>

NET CHANGE IN FUND BALANCES 127,290

FUND BALANCE - JANUARY 1, 2021 1,596,699

FUND BALANCE - DECEMBER 31, 2021 **\$ 1,723,989**

BOROUGH OF KUTZTOWN
Electric Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2021

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 6,556,980	\$ 6,635,055
Penalties	20,000	39,896
Rental Income	85,818	92,124
Other Income	8,300	13,403
TOTAL OPERATING REVENUES	<u>6,671,098</u>	<u>6,780,478</u>
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Utility	3,720,560	3,233,240
Employee Wages	505,683	550,531
Employee Benefits	261,450	277,216
Employee Pension	68,500	68,524
Insurance	79,802	95,179
Debt Service	230,800	66,995
Depreciation	-	109,650
TOTAL OPERATING EXPENSES	<u>4,866,795</u>	<u>4,401,335</u>
OPERATING INCOME	<u>1,804,303</u>	<u>2,379,143</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	4,000	2,536
Pension & OPEB Adjustment	-	127,460
Transfers from Other Funds	-	-
Transfers to Other Funds	(1,800,402)	(1,884,851)
TOTAL NON-OPERATING (EXPENSES)	<u>(1,796,402)</u>	<u>(1,754,855)</u>
CHANGES IN NET POSITION	7,901	624,288
NET POSITION, JANUARY 1, 2021	<u>(7,901)</u>	<u>3,128,195</u>
NET POSITION, DECEMBER 31, 2021	<u>\$ -</u>	<u>\$ 3,752,483</u>

BOROUGH OF KUTZTOWN
Water Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2021

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 1,954,000	\$ 2,123,339
Penalties	1,000	8,586
Other Fees	12,000	3,443
Rental Income	5,000	-
Other Income	57,000	53,520
TOTAL OPERATING REVENUES	<u>2,029,000</u>	<u>2,188,888</u>
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Utility	588,996	622,929
Employee Wages	425,583	429,704
Employee Benefits	245,875	245,837
Employee Pension	64,500	72,007
Insurance	133,619	138,004
Debt Service	618,700	214,701
Depreciation	-	412,959
TOTAL OPERATING EXPENSES	<u>2,077,273</u>	<u>2,136,141</u>
OPERATING INCOME (LOSS)	<u>(48,273)</u>	<u>52,747</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	2,000	483
Pension & OPEB Adjustment	-	97,675
Transfers from Other Funds	-	-
Transfers to Other Funds	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,000</u>	<u>98,158</u>
CHANGES IN NET POSITION	(46,273)	150,905
NET POSITION, JANUARY 1, 2021	<u>46,273</u>	<u>4,563,454</u>
NET POSITION, DECEMBER 31, 2021	<u>\$ -</u>	<u>\$ 4,714,359</u>

BOROUGH OF KUTZTOWN
Sewer Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2021

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 1,950,000	\$ 2,001,972
Penalties	1,000	8,659
Other Fees	45,000	49,842
Other Income	<u>2,400</u>	<u>2,028</u>
TOTAL OPERATING REVENUES	1,998,400	2,062,501
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<u>OPERATING EXPENSES</u>		
Costs of Furnishing Utility	596,610	634,555
Employee Wages	375,678	364,190
Employee Benefits	185,980	196,151
Employee Pension	64,265	62,410
Insurance	134,551	118,598
Debt Service	676,000	205,352
Depreciation	<u>-</u>	<u>524,355</u>
TOTAL OPERATING EXPENSES	<u>2,033,084</u>	<u>2,105,611</u>
OPERATING INCOME	<u>(34,684)</u>	<u>(43,110)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	1,000	634
Pension & OPEB Adjustment	-	82,565
Transfers from Other Funds	-	-
Transfers to Other Funds	<u>-</u>	<u>-</u>
TOTAL NON-OPERATING (EXPENSES)	<u>1,000</u>	<u>83,199</u>
CHANGES IN NET POSITION	(33,684)	40,089
NET POSITION, JANUARY 1, 2021	<u>33,684</u>	<u>11,330,517</u>
NET POSITION, DECEMBER 31, 2021	<u><u>\$ -</u></u>	<u><u>\$ 11,370,606</u></u>

BOROUGH OF KUTZTOWN
Telecommunications Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2021

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 707,000	\$ 582,460
Rental Income	70,000	86,601
SCADA and Equipment Lease	134,120	123,300
Other Income	5,000	18,820
TOTAL OPERATING REVENUES	<u>916,120</u>	<u>811,181</u>
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Service	385,876	279,298
Employee Wages	316,960	301,060
Employee Benefits	143,516	138,998
Employee Pension	64,500	64,657
Insurance	24,657	30,444
Debt Service	-	-
Depreciation	-	295,396
TOTAL OPERATING EXPENSES	<u>935,509</u>	<u>1,109,853</u>
OPERATING (LOSS)	<u>(19,389)</u>	<u>(298,672)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	100	231
Pension & OPEB Adjustment	-	68,591
Transfers to Other Funds	-	-
Transfers from Other Funds	-	84,449
TOTAL NON-OPERATING REVENUES	<u>100</u>	<u>153,271</u>
CHANGES IN NET POSITION	(19,289)	(145,401)
NET POSITION, JANUARY 1, 2021	<u>19,289</u>	<u>1,615,282</u>
NET POSITION, DECEMBER 31, 2021	<u>\$ -</u>	<u>\$ 1,469,881</u>

BOROUGH OF KUTZTOWN
Refuse and Recycling Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2021

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 914,000	\$ 983,322
Penalties	-	6,439
Other Income	8,000	28,482
TOTAL OPERATING REVENUES	<u>922,000</u>	<u>1,018,243</u>
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Service	575,850	397,923
Employee Wages	341,068	242,916
Employee Benefits	171,541	139,359
Employee Pension	68,564	74,249
Insurance	17,042	22,788
Depreciation	-	83,703
TOTAL OPERATING EXPENSES	<u>1,174,065</u>	<u>960,938</u>
OPERATING (LOSS)	<u>(252,065)</u>	<u>57,305</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	200	506
State Grants	4,800	50,174
Pension & OPEB Adjustment	-	54,982
Transfers to Other Funds	-	-
Transfer from Other Funds	260,000	-
TOTAL NON-OPERATING REVENUES	<u>265,000</u>	<u>105,662</u>
CHANGES IN NET POSITION	12,935	162,967
NET POSITION, JANUARY 1, 2021	<u>(12,935)</u>	<u>1,294,386</u>
NET POSITION, DECEMBER 31, 2021	<u>\$ -</u>	<u>\$ 1,457,353</u>

BOROUGH OF KUTZTOWN
Highway Aid Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2021

FUND BALANCE - JANUARY 1, 2021		\$ 69,925
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
INTERGOVERNMENTAL:		
Liquid Fuels Tax	\$ 141,597	
INVESTMENT EARNINGS:		
Interest Earnings	26	141,623
TOTAL FUNDS AVAILABLE		211,548
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
PUBLIC WORKS:		
Storm Sewer Replacement	\$ -	
OTHER FINANCING USES:		
Transfer To Other Funds	100,000	100,000
FUND BALANCE - DECEMBER 31, 2021		\$ 111,548

Fire Protection Tax Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2021

FUND BALANCE - JANUARY 1, 2021		\$ 319,621
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Real Estate Tax	\$ 122,269	
Interest Earnings	-	
OTHER FINANCING SOURCES:		
Transfer from Other Funds	-	122,269
TOTAL FUNDS AVAILABLE		441,890
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
PUBLIC SAFETY:		
Salaries & Wages	\$ -	
Employee Benefits	-	
Other Services	-	
C,G & S To Non-Profits	-	
OTHER FINANCING USES:		
Transfer To Other Funds	127,350	127,350
FUND BALANCE - DECEMBER 31, 2021		\$ 314,540

BOROUGH OF KUTZTOWN
Recreation Tax Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2021

FUND BALANCE - JANUARY 1, 2021		\$ 83,869
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Real Estate Tax	\$ 75,240	
Interest Earnings	-	
OTHER FINANCING SOURCES:		
Transfer From Other Funds	-	75,240
TOTAL FUNDS AVAILABLE		159,109
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
CULTURE AND RECREATION:		
Salaries & Wages	\$ -	
Employee Benefits	-	
Other Services	-	
OTHER FINANCING USES:		
Transfer To Other Funds	42,030	42,030
FUND BALANCE - DECEMBER 31, 2021		\$ 117,079

Road Tax Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2021

FUND BALANCE - JANUARY 1, 2021		\$ 196,265
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Real Estate Tax	\$ 188,100	
Interest Earnings	-	
OTHER FINANCING SOURCES:		
Transfer From Other Funds	-	188,100
TOTAL FUNDS AVAILABLE		384,365
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
PUBLIC WORKS:		
Salaries & Wages	\$ -	
Employee Benefits	-	
Other Services	-	
OTHER FINANCING USES:		
Transfer To Other Funds	187,660	187,660
FUND BALANCE - DECEMBER 31, 2021		\$ 196,705

BOROUGH OF KUTZTOWN
Police Pension Trust Fund
Statement of Additions and Deductions
For the Year Ended December 31, 2021

NET POSITION - BEGINNING OF YEAR		\$ 7,658,018
ADDITIONS:		
State Aid	\$ 209,630	
Employee Contributions	66,781	
Miscellaneous	-	
INVESTMENT EARNINGS:		
Interest and Dividends	127,955	
Realized Gains (Losses)	651,384	
Change in Fair Value of Investments	<u>277,616</u>	
TOTAL ADDITIONS	<u>1,333,366</u> -----	
DEDUCTIONS:		
Administrative Charges	8,800	
Investment Expenses	90,100	
Employee Benefits	<u>216,176</u>	
TOTAL DEDUCTIONS	<u>315,076</u>	
CHANGE IN NET POSITION		<u>1,018,290</u>
NET POSITION - END OF YEAR		<u><u>\$ 8,676,308</u></u>