

**REPORT ON  
BOROUGH OF KUTZTOWN  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

**BOROUGH OF KUTZTOWN**

**Financial Statements**

**For the Year Ended December 31, 2020**

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**BOROUGH OF KUTZTOWN**  
**Financial Statements**  
**For the Year Ended December 31, 2020**

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August 23, 2021

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

## **INDEPENDENT AUDITOR'S REPORT**

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, 2020, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Basis for Qualified Opinions***

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.

***Qualified Opinions***

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions” paragraph, 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, 2020 and the changes in financial position thereof, and, where applicable, cash flows and budgetary comparison for the General Fund for the year then ended in accordance with generally accepted accounting principles.

***Unmodified Opinions***

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, 2020, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with generally accepted accounting principles.

***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.

***Other Matters******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 Pension 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 historic context. Our opinion on the basic financial statements is not affected by this missing information.

*Other 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.

*Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report on August 23, 2021, on our consideration of the Borough of Kutztown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Kutztown's internal control over financial reporting and compliance.

Respectfully submitted,

*Hutchinson, Gillahan & Freeh, P.C.*

August 23, 2021

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## BASIC FINANCIAL STATEMENTS

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**BOROUGH OF KUTZTOWN**  
**Statement of Net Position**  
**As of December 31, 2020**

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	UNITS
	ACTIVITIES	ACTIVITIES		AUTHORITIES
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents	\$ 2,885,618	\$ 5,534,776	\$ 8,420,394	\$ 1,598,198
Taxes Receivable	12,401	-	12,401	-
Accounts Receivable (Net)	-	1,221,519	1,221,519	68,166
Prepaid Expenses	43,179	65,455	108,634	-
Net Pension Asset	676,561	-	676,561	-
Internal Balances	-	438,850	- (1)	69,283
Due from Component Units/Primary Government	-	-	-	89,619
<b>TOTAL CURRENT ASSETS</b>	<b>3,617,759</b>	<b>7,260,600</b>	<b>10,439,509</b>	<b>1,825,266</b>
<b>NON-CURRENT ASSETS:</b>				
Land	1,334,868	1,292,121	2,626,989	-
Buildings (Net of Depreciation)	636,298	12,953,735	13,590,033	-
Infrastructure (Net of Depreciation)	6,895,505	-	6,895,505	1,049,467
Machinery and Equipment/Infrastructure (Net of Depreciation)	337,913	18,216,635	18,554,548	-
Unamortized Bond Costs	-	463,029	463,029	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>9,204,584</b>	<b>32,925,520</b>	<b>42,130,104</b>	<b>1,049,467</b>
<b>TOTAL ASSETS</b>	<b>\$ 12,822,343</b>	<b>\$ 40,186,120</b>	<b>\$ 52,569,613</b>	<b>\$ 2,874,733</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,191,687</b>	<b>\$ 698,439</b>	<b>\$ 1,890,126</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Internal Balances	\$ 438,850	\$ -	\$ - (1)	\$ 69,283
Due to Component Unit/Primary Government	89,619	-	89,619	-
Accounts Payable	98,875	520,432	619,307	58,796
Accrued Salaries and Benefits	46,545	33,819	80,364	-
Bonds Payable	80,000	1,115,000	1,195,000	-
Interest Payable	930	130,541	131,471	-
Customer Deposits	-	162,650	162,650	8,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>754,819</b>	<b>1,962,442</b>	<b>2,278,411</b>	<b>136,079</b>
<b>NON-CURRENT LIABILITIES:</b>				
Net Other Post Employment Liability	365,605	416,779	782,384	-
Net Pension Liability	684,035	1,566,003	2,250,038	-
Bonds Payable	45,000	14,955,000	15,000,000	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,094,640</b>	<b>16,937,782</b>	<b>18,032,422</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 1,849,459</b>	<b>\$ 18,900,224</b>	<b>\$ 20,310,833</b>	<b>\$ 136,079</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 1,211,194</b>	<b>\$ 52,501</b>	<b>\$ 1,263,695</b>	<b>\$ -</b>
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	9,079,584	16,392,491	25,472,075	1,049,467
Restricted	779,251	-	779,251	335,231
Unrestricted	1,094,542	5,539,343	6,633,885	1,353,956
<b>TOTAL NET POSITION</b>	<b>\$ 10,953,377</b>	<b>\$ 21,931,834</b>	<b>\$ 32,885,211</b>	<b>\$ 2,738,654</b>

(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, 2020**

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
<b>GOVERNMENTAL ACTIVITIES:</b>								
General Government	\$ 483,089	\$ 466,963	\$ 331,047	\$ -	\$ 314,921	\$ -	\$ 314,921	
Public Safety	2,608,015	180,768	30,534	-	(2,396,713)	-	(2,396,713)	
Public Works	672,054	-	-	152,149	(519,905)	-	(519,905)	
Culture and Recreation	432,562	4,000	-	-	(428,562)	-	(428,562)	
Community Development	-	-	25,000	-	25,000	-	25,000	
Non-Departmental	43,823	-	-	-	(43,823)	-	(43,823)	
Debt Service Payments	3,505	-	-	-	(3,505)	-	(3,505)	
Depreciation	435,674	-	-	-	(435,674)	-	(435,674)	
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>4,678,722</b>	<b>651,731</b>	<b>386,581</b>	<b>152,149</b>	<b>(3,488,261)</b>	<b>-</b>	<b>(3,488,261)</b>	
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Electric	4,097,042	6,377,969	-	-	-	2,280,927	2,280,927	
Water	2,044,379	2,108,703	-	-	-	64,324	64,324	
Sewer	2,036,617	2,030,728	-	-	-	(5,889)	(5,889)	
Telecom	1,114,578	670,694	-	-	-	(443,884)	(443,884)	
Refuse	900,372	965,995	-	-	-	65,623	65,623	
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 14,871,710</b>	<b>\$ 12,805,820</b>	<b>\$ 386,581</b>	<b>\$ 152,149</b>	<b>\$ (3,488,261)</b>	<b>\$ 1,961,101</b>	<b>\$ (1,527,160)</b>	
<b>COMPONENT UNITS</b>								
Municipal Authorities	\$ 851,745	\$ 986,638	\$ -	\$ -				\$ 134,893
<b>GENERAL REVENUES:</b>								
Property Taxes Levied for General Purposes					\$ 875,910	\$ -	\$ 875,910	\$ -
Other Taxes Levied for General Purposes					603,962	-	603,962	-
Grants, Subsidies, & Contributions Not Restricted					11,475	-	11,475	-
Investment and Rental Earnings					413,757	246,876	660,633	1,594
Miscellaneous Income					308,179	-	308,179	9,511
Transfers					1,790,402	(1,790,402)	-	-
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS</b>					<b>4,003,685</b>	<b>(1,543,526)</b>	<b>2,460,159</b>	<b>11,105</b>
<b>CHANGE IN NET POSITION</b>					<b>515,424</b>	<b>417,575</b>	<b>932,999</b>	<b>145,998</b>
<b>NET POSITION - BEGINNING</b>					<b>10,437,953</b>	<b>21,514,259</b>	<b>31,952,212</b>	<b>2,592,656</b>
<b>NET POSITION - ENDING</b>					<b>\$ 10,953,377</b>	<b>\$ 21,931,834</b>	<b>\$ 32,885,211</b>	<b>\$ 2,738,654</b>

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

**BOROUGH OF KUTZTOWN**  
**Balance Sheet**  
**All Governmental Funds**  
**As of December 31, 2020**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 2,221,396	\$ 664,222	\$ 2,885,618
Taxes Receivable	6,943	5,458	12,401
Prepaid Expenses	43,179	-	43,179
Accounts Receivable	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 2,271,518</u></b>	<b><u>\$ 669,680</u></b>	<b><u>\$ 2,941,198</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES:</u></b>			
Due to Other Funds	\$ 438,850	\$ -	\$ 438,850
Due to Component Units	89,619	-	89,619
Accounts Payable	98,875	-	98,875
Accrued Salaries and Benefits	46,545	-	46,545
Interest Payable	<u>930</u>	<u>-</u>	<u>930</u>
<b>TOTAL LIABILITIES</b>	<b><u>674,819</u></b>	<b><u>-</u></b>	<b><u>674,819</u></b>
<b><u>FUND BALANCES:</u></b>			
- Nonspendable	-	-	-
- Restricted	109,571	669,680	779,251
- Committed	-	-	-
- Assigned	-	-	-
- Unassigned	<u>1,487,128</u>	<u>-</u>	<u>1,487,128</u>
<b>TOTAL FUND BALANCES</b>	<b><u>1,596,699</u></b>	<b><u>669,680</u></b>	<b><u>2,266,379</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 2,271,518</u></b>	<b><u>\$ 669,680</u></b>	<b><u>\$ 2,941,198</u></b>

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, 2020**

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**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 2,266,379**

**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 \$19,007,600 and the accumulated depreciation is \$9,803,016. 9,204,584

Pension assets and related deferred outflows are not financial resources and , therefore, are not reported as assets in the governmental funds. 1,868,248

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	\$	(125,000)	
Net Pension Liability		(1,895,229)	
Other Retirement Benefits		<u>(365,605)</u>	<u>(2,385,834)</u>

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 10,953,377**

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

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**BOROUGH OF KUTZTOWN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Funds**  
**For the Year Ended December 31, 2020**

	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><u>REVENUES</u></b>			
Taxes	\$ 1,090,530	\$ 387,923	\$ 1,478,453
Licenses and Permits	212,955	-	212,955
Fines and Forfeits	55,723	-	55,723
Intergovernmental	388,000	152,149	540,149
Charges for Services	133,491	-	133,491
Miscellaneous	51,976	-	51,976
Reimbursements	249,562	-	249,562
Investment and Rental Earnings	412,670	1,087	413,757
<b>TOTAL REVENUES</b>	<u>2,594,907</u>	<u>541,159</u>	<u>3,136,066</u>
<b><u>EXPENDITURES</u></b>			
<b>CURRENT:</b>			
General Government	483,071	-	483,071
Public Safety	2,699,604	-	2,699,604
Public Works	1,139,168	33,994	1,173,162
Culture and Recreation	432,525	-	432,525
Community Development	-	-	-
Non-Departmental	43,823	-	43,823
<b>DEBT SERVICE:</b>			
Principal	80,000	-	80,000
Interest	3,505	-	3,505
<b>TOTAL EXPENDITURES</b>	<u>4,881,696</u>	<u>33,994</u>	<u>4,915,690</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,286,789)</u>	<u>507,165</u>	<u>(1,779,624)</u>
<b>OTHER FINANCING SOURCES</b>			
Refund of Prior Year Expenditures	267,678	-	267,678
Sale of Fixed Assets	-	-	-
Interfund Transfers In	2,303,528	-	2,303,528
Interfund Transfers Out	-	(513,126)	(513,126)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>2,571,206</u>	<u>(513,126)</u>	<u>2,058,080</u>
<b>NET CHANGE IN FUND BALANCES</b>	284,417	(5,961)	278,456
<b>FUND BALANCES - BEGINNING</b>	<u>1,312,282</u>	<u>675,641</u>	<u>1,987,923</u>
<b>FUND BALANCES - ENDING</b>	<u><b>\$ 1,596,699</b></u>	<u><b>\$ 669,680</b></u>	<u><b>\$ 2,266,379</b></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, 2020**

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**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 278,456**

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	\$ (435,674)	
Asset Deletions	-	
Capital Outlays	<u>568,834</u>	133,160

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.

23,808

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.

80,000

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 515,424**

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

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**BOROUGH OF KUTZTOWN**  
**Combining Statement of Net Position**  
**All Proprietary Funds**  
**As of December 31, 2020**

	<b>ELECTRIC FUND</b>	<b>WATER FUND</b>	<b>SEWER FUND</b>	<b>TELECOM FUND</b>	<b>REFUSE FUND</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>						
<b>CURRENT ASSETS:</b>						
Cash and Cash Equivalents	\$ 2,134,413	\$ 700,891	\$ 1,777,647	\$ -	\$ 921,825	\$ 5,534,776
Investments	-	-	-	-	-	-
Accounts Receivable (Net of Allowance for Doubtful Accounts)	719,897	175,050	170,153	59,729	96,690	1,221,519
Prepaid Expenses	12,110	14,410	24,316	12,389	2,230	65,455
Due from Other Funds	21,171	134,919	117,634	63,119	102,007	438,850
<b>TOTAL CURRENT ASSETS</b>	<b>2,887,591</b>	<b>1,025,270</b>	<b>2,089,750</b>	<b>135,237</b>	<b>1,122,752</b>	<b>7,260,600</b>
<b>NON-CURRENT ASSETS:</b>						
Land	-	477,407	813,292	1,422	-	1,292,121
Buildings (Net of Depreciation)	1,390,573	5,556,473	5,817,161	47,100	142,428	12,953,735
Machinery and Equipment/Infrastructure (Net of Depreciation)	1,143,352	5,641,667	9,432,588	1,713,925	285,103	18,216,635
Unamortized Bond Costs	21,892	285,770	155,367	-	-	463,029
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,555,817</b>	<b>11,961,317</b>	<b>16,218,408</b>	<b>1,762,447</b>	<b>427,531</b>	<b>32,925,520</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,443,408</b>	<b>\$ 12,986,587</b>	<b>\$ 18,308,158</b>	<b>\$ 1,897,684</b>	<b>\$ 1,550,283</b>	<b>\$ 40,186,120</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	\$ 203,562	\$ 158,007	\$ 134,187	\$ 114,464	\$ 88,219	\$ 698,439
<b><u>LIABILITIES</u></b>						
<b>CURRENT LIABILITIES:</b>						
Accounts Payable	\$ 272,704	\$ 18,164	\$ 88,547	\$ 59,433	\$ 81,584	\$ 520,432
Accrued Salaries and Benefits	9,910	7,128	6,028	5,751	5,002	33,819
Customer Deposits	162,650	-	-	-	-	162,650
Due to Other Funds	-	-	-	-	-	-
Interest Payable	8,739	65,312	56,490	-	-	130,541
Bonds Payable	160,000	445,000	510,000	-	-	1,115,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>614,003</b>	<b>535,604</b>	<b>661,065</b>	<b>65,184</b>	<b>86,586</b>	<b>1,962,442</b>
<b>NON-CURRENT LIABILITIES:</b>						
Other Post Employment Benefits	123,177	94,392	79,790	66,286	53,134	416,779
Net Pension Liability	456,102	354,255	300,918	257,019	197,709	1,566,003
Bonds Payable	1,310,000	7,585,000	6,060,000	-	-	14,955,000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,889,279</b>	<b>8,033,647</b>	<b>6,440,708</b>	<b>323,305</b>	<b>250,843</b>	<b>16,937,782</b>
<b>TOTAL LIABILITIES</b>	<b>2,503,282</b>	<b>8,569,251</b>	<b>7,101,773</b>	<b>388,489</b>	<b>337,429</b>	<b>18,900,224</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	\$ 15,493	\$ 11,889	\$ 10,055	\$ 8,377	\$ 6,687	\$ 52,501
<b><u>NET POSITION</u></b>						
Invested in Capital Assets, Net of Related Debt	1,063,925	3,645,547	9,493,041	1,762,447	427,531	16,392,491
Restricted	-	-	-	-	-	-
Unrestricted Net Position	2,064,270	917,907	1,837,476	(147,165)	866,855	5,539,343
<b>TOTAL NET POSITION</b>	<b>\$ 3,128,195</b>	<b>\$ 4,563,454</b>	<b>\$ 11,330,517</b>	<b>\$ 1,615,282</b>	<b>\$ 1,294,386</b>	<b>\$ 21,931,834</b>

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, 2020**

	<b>ELECTRIC FUND</b>	<b>WATER FUND</b>	<b>SEWER FUND</b>	<b>TELECOM FUND</b>	<b>REFUSE FUND</b>	<b>TOTAL</b>
<b><u>OPERATING REVENUES</u></b>						
Charges for Services	\$ 6,327,062	\$ 2,013,999	\$ 1,943,196	\$ 523,422	\$ 937,916	\$ 11,745,595
Penalties	30,477	7,133	6,930	-	5,304	49,844
Other Fees	-	10,358	67,551	-	-	77,909
Rental Income	91,963	-	-	82,002	-	173,965
Other Income	20,430	77,213	13,051	65,270	22,775	198,739
SCADA and Equipment Lease	-	-	-	123,300	-	123,300
<b>TOTAL OPERATING REVENUES</b>	<b>6,469,932</b>	<b>2,108,703</b>	<b>2,030,728</b>	<b>793,994</b>	<b>965,995</b>	<b>12,369,352</b>
<b><u>OPERATING EXPENSES</u></b>						
Costs of Furnishing Utility	2,921,056	555,490	630,489	290,137	376,311	4,773,483
Employee Wages	555,952	426,033	360,131	299,178	239,819	1,881,113
Employee Benefits	326,747	291,027	225,142	170,304	156,347	1,169,567
Employee Pension	36,641	28,079	23,735	19,718	22,891	131,064
Insurance	96,024	139,683	115,549	26,364	24,747	402,367
Debt Service	71,802	200,051	165,662	-	-	437,515
Depreciation	88,820	404,016	515,909	308,877	80,257	1,397,879
<b>TOTAL OPERATING EXPENSES</b>	<b>4,097,042</b>	<b>2,044,379</b>	<b>2,036,617</b>	<b>1,114,578</b>	<b>900,372</b>	<b>10,192,988</b>
<b>OPERATING INCOME (LOSS)</b>	<b>2,372,890</b>	<b>64,324</b>	<b>(5,889)</b>	<b>(320,584)</b>	<b>65,623</b>	<b>2,176,364</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>						
Interest Earned	16,618	3,342	6,724	672	4,257	31,613
State Grants	-	-	-	-	-	-
Transfers from Other Funds	-	-	-	21,350	-	21,350
Transfers to Other Funds	(1,811,752)	-	-	-	-	(1,811,752)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(1,795,134)</b>	<b>3,342</b>	<b>6,724</b>	<b>22,022</b>	<b>4,257</b>	<b>(1,758,789)</b>
<b>CHANGES IN NET POSITION</b>	<b>577,756</b>	<b>67,666</b>	<b>835</b>	<b>(298,562)</b>	<b>69,880</b>	<b>417,575</b>
<b>NET POSITION, JANUARY 1, 2020</b>	<b>2,550,439</b>	<b>4,495,788</b>	<b>11,329,682</b>	<b>1,913,844</b>	<b>1,224,506</b>	<b>21,514,259</b>
<b>NET POSITION, DECEMBER 31, 2020</b>	<b>\$ 3,128,195</b>	<b>\$ 4,563,454</b>	<b>\$ 11,330,517</b>	<b>\$ 1,615,282</b>	<b>\$ 1,294,386</b>	<b>\$ 21,931,834</b>

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

**BOROUGH OF KUTZTOWN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**As of December 31, 2020**

	<b>ELECTRIC FUND</b>	<b>WATER FUND</b>	<b>SEWER FUND</b>	<b>TELECOM FUND</b>	<b>REFUSE FUND</b>	<b>TOTAL</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>						
Cash Received from Users	\$ 6,351,353	\$ 2,021,313	\$ 1,962,155	\$ 598,410	\$ 937,393	\$ 11,870,624
Cash Received from Other Operating Revenue	112,393	87,571	80,602	188,570	22,775	491,911
Cash Payments to Employees for Services	(919,485)	(746,643)	(610,772)	(491,733)	(418,376)	(3,187,009)
Cash Payments to Suppliers for Goods and Services	(3,216,387)	(589,672)	(613,754)	(284,432)	(309,333)	(5,013,578)
Cash Payments to Other Operating Expenses	(164,888)	(284,251)	(280,755)	(27,062)	(24,555)	(781,511)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>2,162,986</b>	<b>488,318</b>	<b>537,476</b>	<b>(16,247)</b>	<b>207,904</b>	<b>3,380,437</b>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>						
(Increase) Decrease in Due from Other Funds	77,941	(7,894)	(76,053)	(29,148)	(55,531)	(90,685)
Increase (Decrease) in Due to Other Funds	(40,000)	-	-	-	-	(40,000)
State Grants	-	-	-	-	-	-
Operating Transfers In	-	-	-	21,350	-	21,350
Operating Transfers Out	(1,811,752)	-	-	-	-	(1,811,752)
<b>NET CASH PROVIDED BY (USED) FOR NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(1,773,811)</b>	<b>(7,894)</b>	<b>(76,053)</b>	<b>(7,798)</b>	<b>(55,531)</b>	<b>(1,921,087)</b>
<b><u>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</u></b>						
Loan Principal Payments/Proceeds	(155,000)	(500,000)	230,000	-	-	(425,000)
Purchase of Fixed Assets	(330,312)	(67,943)	(89,539)	-	(50,000)	(537,794)
Sale of Fixed Assets	-	-	-	-	-	-
Interest Paid on Long-Term Borrowings	-	-	-	-	-	-
(Increase) Decrease in Unamortized Bond Costs	1,991	28,405	(28,094)	-	-	2,302
<b>NET CASH (USED) FOR CAPITAL FINANCING ACTIVITIES</b>	<b>(483,321)</b>	<b>(539,538)</b>	<b>112,367</b>	<b>-</b>	<b>(50,000)</b>	<b>(960,492)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>						
Earnings on Investments	16,618	3,342	6,724	672	4,257	31,613
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>16,618</b>	<b>3,342</b>	<b>6,724</b>	<b>672</b>	<b>4,257</b>	<b>31,613</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(77,528)</b>	<b>(55,772)</b>	<b>580,514</b>	<b>(23,373)</b>	<b>106,630</b>	<b>530,471</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>2,211,941</b>	<b>756,663</b>	<b>1,197,133</b>	<b>23,373</b>	<b>815,195</b>	<b>5,004,305</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 2,134,413</b>	<b>\$ 700,891</b>	<b>\$ 1,777,647</b>	<b>\$ -</b>	<b>\$ 921,825</b>	<b>\$ 5,534,776</b>

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



**BOROUGH OF KUTZTOWN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**As of December 31, 2020**

**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
<b>OPERATING INCOME (LOSS)</b>	\$ 2,372,890	\$ 64,324	\$ (5,889)	\$ (320,584)	\$ 65,623	\$ 2,176,364
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>						
Depreciation	88,820	404,016	515,909	308,877	80,257	1,397,879
<b>CHANGE IN ASSETS AND LIABILITIES:</b>						
(Increase) Decrease in Accounts Receivable	(16,511)	181	12,029	(7,014)	(5,827)	(17,142)
(Increase) Decrease in Prepaid Expenses	3,764	(831)	(1,557)	(698)	192	870
(Increase) Decrease in Deferred Outflows	(4,836)	(3,657)	(3,075)	(2,480)	(2,076)	(16,124)
Increase (Decrease) in Accounts Payable	(295,331)	(34,182)	16,735	5,705	66,978	(240,095)
Increase (Decrease) in Accrued Salaries and Benefits	(18,131)	(14,149)	(12,102)	(9,435)	(6,846)	(60,663)
Increase (Decrease) in Sales Tax Payable	-	-	-	-	-	-
Increase (Decrease) in Interest Payable	(826)	56,314	2,013	-	-	57,501
Increase (Decrease) in GASB 68 Pension and OPEB Liability	12,417	8,365	6,715	3,872	5,122	36,491
Increase (Decrease) in Deferred Inflows	10,405	7,937	6,698	5,510	4,481	35,031
Increase (Decrease) in Customer Deposits	10,325	-	-	-	-	10,325
<b>TOTAL ADJUSTMENTS</b>	<u>(209,904)</u>	<u>423,994</u>	<u>543,365</u>	<u>304,337</u>	<u>142,281</u>	<u>1,204,073</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 2,162,986</u>	<u>\$ 488,318</u>	<u>\$ 537,476</u>	<u>\$ (16,247)</u>	<u>\$ 207,904</u>	<u>\$ 3,380,437</u>

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

**BOROUGH OF KUTZTOWN**  
**Statement of Net Position**  
**Fiduciary Funds**  
**As of December 31, 2020**

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	<b>POLICE PENSION TRUST FUNDS</b>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	\$ 236,975
Investments, at Fair Value	7,421,043
<b>TOTAL ASSETS</b>	<b><u>\$ 7,658,018</u></b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 <b><u>\$ -</u></b>
<b><u>LIABILITIES</u></b>	
Pension Taxes Payable	\$ -
<b>TOTAL LIABILITIES</b>	<b><u>\$ -</u></b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 <b><u>\$ -</u></b>
 <b><u>NET POSITION</u></b>	
Restricted for Employee Benefits	<u>7,658,018</u>
 <b>TOTAL NET POSITION</b>	 <b><u>\$ 7,658,018</u></b>

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, 2020**

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	<b>POLICE PENSION TRUST FUNDS</b>
<b>ADDITIONS:</b>	
State Aid	\$ 158,687
Employee Contributions	52,233
Miscellaneous	-
<b>INVESTMENT EARNINGS:</b>	
Interest and Dividends	113,162
Realized Gains (Losses)	325,943
Change in Fair Value of Investments	849,074
<b>TOTAL ADDITIONS</b>	<u>1,499,099</u>
 <b>DEDUCTIONS:</b>	
Administrative Charges	6,169
Investment Expenses	69,472
Employee Benefits	213,522
<b>TOTAL DEDUCTIONS</b>	<u>289,163</u>
 <b>CHANGES IN NET POSITION</b>	 1,209,936
 <b>NET POSITION - BEGINNING OF YEAR</b>	 <u>6,448,082</u>
 <b>NET POSITION - END OF YEAR</b>	 <u><b>\$ 7,658,018</b></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, 2020**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL (BUDGETARY BASIS)</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>	<b>BUDGET TO GAAP DIFFERENCE</b>	<b>ACTUAL AMOUNTS GAAP BASIS</b>
	<b>ORIGINAL</b>	<b>FINAL</b>				
<b><u>RESOURCES (INFLOW):</u></b>						
Taxes	\$ 1,038,900	\$ 1,038,900	\$ 1,090,530	\$ 51,630	\$ -	\$ 1,090,530
Licenses and Permits	204,900	204,900	212,955	8,055	-	212,955
Fines and Forfeits	131,000	131,000	55,723	(75,277)	-	55,723
Intergovernmental	324,150	324,150	388,000	63,850	-	388,000
Charges for Services	215,900	215,900	133,491	(82,409)	-	133,491
Miscellaneous	30,500	30,500	51,976	21,476	-	51,976
Reimbursements	217,000	217,000	249,562	32,562	-	249,562
Investment and Rental Earnings	397,600	397,600	412,670	15,070	-	412,670
Refund of Prior Year Expenditures	100	100	267,678	267,578	-	267,678
Transfers from Other Funds	2,219,894	2,219,894	2,303,528	83,634	-	2,303,528
<b>TOTAL RESOURCES</b>	<b>4,779,944</b>	<b>4,779,944</b>	<b>5,166,113</b>	<b>386,169</b>	<b>-</b>	<b>5,166,113</b>
<b><u>CHARGES TO APPROPRIATIONS (OUTFLOWS):</u></b>						
<b>General Government</b>						
Legal	9,000	9,000	21,894	(12,894)	-	21,894
Mayor, Legislative, Borough Manager	313,126	313,126	355,807	(42,681)	-	355,807
Finance and Accounting	28,634	28,634	20,975	7,659	-	20,975
Tax Collection	5,319	5,319	948	4,371	-	948
Engineering	566	566	7,200	(6,634)	-	7,200
Buildings and Plant	120,595	120,595	76,247	44,348	-	76,247
<b>Public Safety</b>						
Police	2,133,511	2,133,511	2,251,788	(118,277)	-	2,251,788
Fire and Ambulance	95,194	95,194	107,953	(12,759)	-	107,953
Inspections & Permits	386,208	386,208	337,171	49,037	-	337,171
Emergency Management	3,400	3,400	2,692	708	-	2,692
<b>Public Works</b>						
Street Maintenance and Lighting	903,348	903,348	1,139,168	(235,820)	-	1,139,168
<b>Culture and Recreation</b>						
Parks and Pool	649,574	649,574	432,525	217,049	-	432,525
<b>Non-Departmental</b>						
Debt Service	85,369	85,369	83,505	1,864	-	83,505
Miscellaneous	46,100	46,100	43,823	2,277	-	43,823
Transfer to Other Funds	-	-	-	-	-	-
<b>TOTAL CHARGES TO APPROPRIATIONS</b>	<b>4,779,944</b>	<b>4,779,944</b>	<b>4,881,696</b>	<b>(101,752)</b>	<b>-</b>	<b>4,881,696</b>
Excess (Deficiency) of Inflows Over Outflows	-	-	284,417	284,417	-	284,417
<b>FUND BALANCE - JANUARY 1, 2020</b>	<b>-</b>	<b>-</b>	<b>1,312,282</b>	<b>1,312,282</b>	<b>-</b>	<b>1,312,282</b>
<b>FUND BALANCE - DECEMBER 31, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,596,699</b>	<b>\$ 1,596,699</b>	<b>\$ -</b>	<b>\$ 1,596,699</b>

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

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**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, 2020**

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**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, 2020**

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**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.

**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.

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**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.

**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.



**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**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 2020:

GASB Statement No. 83, *Certain Asset Retirement Obligations*

GASB Statement No. 84, *Fiduciary Activities*

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

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

On May 8, 2020 GASB postponed by one year the effective dates of certain provisions in these pronouncements (GASB Statement 95).

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 date postponed 18 months by GASB 95– Now effective for calendar year 2022

GASB Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – Effective date postponed one year by GASB 95 – Now effective for calendar year 2021

GASB Statement 91, *Conduit Debt Obligations* – Effective date postponed one year by GASB 95 – Now effective for calendar year 2022

GASB Statement 92, *Omnibus 2020* – Effective date postponed one year by GASB 95 – Now effective for calendar year 2022

GASB Statement 93, *Replacement of Interbank Offered Rates* – Effective date postponed one year by GASB 95 – Now 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.

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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***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.

***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 2020 is \$195,324,593 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.

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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- **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.
- **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:

<b>Assets</b>	<b>Years</b>
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*

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 outflows of resources*, represents a consumption of net position that applies to a future period not recognized as an outflow of resources until that future period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period not recognized as an inflow of resources until that future period.

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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*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 \$9,204,584. The difference of (\$1,895,229) 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 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.

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

- 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
<b>REVENUES AND OTHER SOURCES</b>					
<b>LOCAL SOURCES:</b>					
Property Taxes	\$ 875,910	\$ -	\$ -	\$ -	\$ 875,910
Other Taxes Levied for General Purposes	603,962	-	-	-	603,962
Grants, Subsidies & Contributions	11,475	-	-	-	11,475
Investment and Rental Earnings	413,757	-	-	-	413,757
Miscellaneous	40,501	-	-	-	40,501
Charges for Services	651,731	-	-	-	651,731
Refund of Prior Years Expense	267,678	-	-	-	267,678
Transfers In	2,303,528	-	-	-	2,303,528
<b>STATE SOURCES:</b>					
Operating Grants and Contributions	538,730	-	-	-	538,730
<b>FEDERAL SOURCES:</b>					
Operating Grants and Contributions	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>5,707,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,707,272</u>
<b>EXPENDITURES/EXPENSES AND OTHER USES</b>					
General Government	483,071	18	-	-	483,089
Public Safety	2,699,604	(23,905)	(67,684)	-	2,608,015
Public Works	1,173,162	42	(501,150)	-	672,054
Culture and Recreation	432,525	37	-	-	432,562
Community Development	-	-	-	-	-
Non-Departmental	43,823	-	-	-	43,823
Debt Service Payments	83,505	-	-	(80,000)	3,505
Depreciation	-	-	435,674	-	435,674
Transfers Out	513,126	-	-	-	513,126
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>5,428,816</u>	<u>(23,808)</u>	<u>(133,160)</u>	<u>(80,000)</u>	<u>5,191,848</u>
<b>NET CHANGE FOR THE YEAR</b>	<u>\$ 278,456</u>	<u>\$ 23,808</u>	<u>\$ 133,160</u>	<u>\$ 80,000</u>	<u>\$ 515,424</u>

**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, 2020, \$3,474,659 of the Borough's bank balance of \$3,961,634 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	3,474,659
<b>TOTAL</b>	<u><b>\$ 3,474,659</b></u>

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**Reconciliation to Financial Statements**

Uncollateralized Amount Above	\$ 3,474,659
Plus: Insured Amount	486,975
Deposit in Transit	62,785
Combined Cash Overdraft in Accounts Payable	48,779
Less: Outstanding Checks	(142,819)
Carrying Amount - Bank Balances	3,930,379
Plus: Petty Cash	900
Deposits in Investment Pool Considered Cash Equivalents	4,726,090
<b>TOTAL CASH PER FINANCIAL STATEMENTS</b>	<b>\$ 8,657,369</b>

**Restricted Cash**

The cash balance includes \$236,975 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.
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.

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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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.

*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.

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

As of December 31, 2020, the Borough had the following investments:

<b><i>Investments</i></b>	<b><i>Maturities</i></b>	<b><i>Fair Value</i></b>
PA Local Government Investment Trust/PA Invest Pool		\$ 4,726,090
Municipal Bond	6 mos - 31 years	1,183,886
U.S. Government Agency Bonds	8 mos - 4 years 9 mos	189,982
Corporate Bonds		-
Common Stocks		4,285,605
ETF's and CEF's		1,761,570
<b>TOTAL</b>		<b>\$ 12,147,133</b>

**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, 2020, the Borough's significant investments were rated as:

<b><i>Investments</i></b>	<b><i>Standard &amp; Poor's</i></b>
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+

**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 57.75%, 23.74%, 15.95%, 0%, and 2.56%, respectively represent the Police Pension Trust Funds investments.



**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

**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	\$ 12,147,133
Less: Deposits in Investment Pool Considered Cash Equivalents	(4,726,090)
<b>Total Investments Per Financial Statements</b>	<b>\$ 7,421,043</b>

**Restricted Investments**

The investments include \$7,421,043 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
<b>Receivables</b>									
Taxes	\$ 6,943	\$ 5,458	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,401
Accounts	-	-	719,897	175,050	170,153	59,729	96,690	68,116	1,289,635
Intergovernmental	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Gross Receivables</b>	<u>6,943</u>	<u>5,458</u>	<u>719,897</u>	<u>175,050</u>	<u>170,153</u>	<u>59,729</u>	<u>96,690</u>	<u>68,116</u>	<u>1,302,036</u>
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Receivables</b>	<u><b>\$ 6,943</b></u>	<u><b>\$ 5,458</b></u>	<u><b>\$ 719,897</b></u>	<u><b>\$ 175,050</b></u>	<u><b>\$ 170,153</b></u>	<u><b>\$ 59,729</b></u>	<u><b>\$ 96,690</b></u>	<u><b>\$ 68,116</b></u>	<u><b>\$ 1,302,036</b></u>

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

**Note 7 – Capital Assets**

Capital asset balances and activity for the year ending December 31, 2020, were:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
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	1,883,022	107,684	-	1,990,706
Infrastructure	13,076,304	461,150	-	13,537,454
Total Capital Assets being depreciated	17,103,898	568,834	-	17,672,732
Less: Accumulated Depreciation for:				
Buildings	(1,442,278)	(65,996)	-	(1,508,274)
Machinery, Equipment and Vehicles	(1,586,065)	(66,728)	-	(1,652,793)
Infrastructure	(6,338,999)	(302,950)	-	(6,641,949)
Total Accumulated Depreciation	(9,367,342)	(435,674)	-	(9,803,016)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	7,736,556	133,160	-	7,869,716
<b>Governmental Activities Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 9,071,424</b>	<b>\$ 133,160</b>	<b>\$ -</b>	<b>\$ 9,204,584</b>
<b>Business-Type Activities:</b>				
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	46,413,756	155,251	-	46,569,007
Infrastructure	13,795,721	382,543	-	14,178,264
Total Capital Assets being depreciated	61,976,748	537,794	-	62,514,542
Less: Accumulated Depreciation for:				
Buildings	(803,507)	(40,892)	-	(844,399)
Machinery, Equipment and Vehicles	(27,269,275)	(1,083,097)	-	(28,352,372)
Infrastructure	(1,873,511)	(273,890)	-	(2,147,401)
Total Accumulated Depreciation	(29,946,293)	(1,397,879)	-	(31,344,172)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	32,030,455	(860,085)	-	31,170,370
<b>Business-Type Activities Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 33,322,576</b>	<b>\$ (860,085)</b>	<b>\$ -</b>	<b>\$ 32,462,491</b>

The depreciation was charged to the governmental activities as follows:

Depreciation – Unallocated      \$ 435,674

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

Depreciation – Unallocated      \$1,397,879

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**Note 8 – Interfund Transactions**

The Borough had the following interfund payables and receivables as of December 31, 2020:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General Fund	\$ -	\$ 438,850
Fire Protection Tax Fund (Special Revenue)	-	-
Recreation Tax Fund (Special Revenue)	-	-
Road Tax Fund (Special Revenue)	-	-
Refuse Fund (Enterprise)	102,007	-
Water Fund (Enterprise)	134,919	-
Electric Fund (Enterprise)	21,171	-
Sewer Fund (Enterprise)	117,634	-
Telecom Fund (Enterprise)	63,119	-
<b>TOTAL</b>	<b>\$ 438,850</b>	<b>\$ 438,850</b>

The Borough also made the following interfund transfers during the year ended December 31, 2020.

	<b>TRANSFERS IN</b>	<b>TRANSFERS OUT</b>
General Fund	\$ 2,303,528	\$ -
Fire Protection Tax Fund (Special Revenue)	-	20,000
Recreation Tax Fund (Special Revenue)	-	79,420
Road Tax Fund (Special Revenue)	-	223,462
Highway Aid Fund (Special Revenue)	-	190,244
Refuse Fund (Enterprise)	-	-
Water Fund (Enterprise)	-	-
Electric Fund (Enterprise)	-	1,811,752
Sewer Fund (Enterprise)	-	-
Telecom Fund (Enterprise)	21,350	-
<b>TOTAL</b>	<b>\$ 2,324,878</b>	<b>\$ 2,324,878</b>

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**Note 9 – Long-Term Debt Commitment**

Long-Term Liability balances and activity for the year ended December 31, 2020, were:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr
<b>Governmental Activities:</b>					
Bonds Payable					
Capital Projects	\$ 205,000	\$ -	\$ 80,000	\$ 125,000	\$ 80,000
<b>Total Governmental Activities</b>					
<b>LONG-TERM LIABILITIES</b>	<b>\$ 205,000</b>	<b>\$ -</b>	<b>\$ 80,000</b>	<b>\$ 125,000</b>	<b>\$ 80,000</b>
<b>Business-Type Activities</b>					
Bonds Payable					
Capital Projects	\$ 16,495,000	\$ 675,000	\$ 1,100,000	\$ 16,070,000	\$ 1,115,000
<b>Total Business-Type Activities</b>					
<b>LONG-TERM LIABILITIES</b>	<b>\$ 16,495,000</b>	<b>\$ 675,000</b>	<b>\$ 1,100,000</b>	<b>\$ 16,070,000</b>	<b>\$ 1,115,000</b>

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

Total interest paid during the year:

<b>Governmental Activities</b>	<b>Paid</b>
General Obligation Bonds	\$ 3,505
<b>Total Interest Paid By Governmental Activities</b>	<b>\$ 3,505</b>
<b>Business-Type Activities</b>	<b>Paid</b>
General Obligation Bonds	\$ 392,214
<b>Total Interest Paid by Business-Type Activities</b>	<b>\$ 392,214</b>

The total interest cost incurred and charged to expense in 2020 was \$395,719.

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**Long-Term Debt**

At December 31, 2020, 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.	\$ 1,415,000
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.	5,625,000
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.	1,270,000
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.	7,215,000
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.	670,000
<b>TOTAL</b>	<b>\$ 16,195,000</b>

At December 31, 2020, the division of debt between the governmental and business-type activities was as follows:

Governmental	\$ 125,000
Business-Type	16,070,000
<b>TOTAL</b>	<b>\$ 16,195,000</b>

The following summarizes debt activity for the Borough for 2020:

	Outstanding January 1, 2020	Issued	Retired	Outstanding December 31, 2020	Due in One Year
General Obligation Bonds 2013A	\$ 1,515,000	\$ -	\$ 100,000	\$ 1,415,000	\$ 105,000
General Obligation Bonds 2016	5,975,000	-	350,000	5,625,000	360,000
General Obligation Bonds 2016A	1,695,000	-	425,000	1,270,000	430,000
General Obligation Bonds 2019	7,515,000	-	300,000	7,215,000	240,000
General Obligation Note 2020	-	675,000	5,000	670,000	60,000
<b>TOTAL</b>	<b>\$ 16,700,000</b>	<b>\$ 675,000</b>	<b>\$ 1,180,000</b>	<b>\$ 16,195,000</b>	<b>\$ 1,195,000</b>

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Aggregate maturities required on debt at December 31, 2020 are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 1,195,000	\$ 396,021
2022	1,135,000	371,464
2023	1,140,000	346,657
2024	1,160,000	320,974
2025	1,200,000	294,764
2026-2030	6,430,000	1,027,564
2031-2035	3,270,000	273,132
2036-2037	665,000	26,973
<b>TOTAL</b>	<b>\$ 16,195,000</b>	<b>\$ 3,057,549</b>

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

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*Combined Long-Term Debt*

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

Principal Requirements Fiscal Year	GOB Series 2013A	GOB Series 2016	GOB Series 2016A	GOB Series 2019	GON Series 2020	Total Payments
2021	\$ 105,000	\$ 360,000	\$ 430,000	\$ 240,000	\$ 60,000	\$ 1,195,000
2022	110,000	370,000	330,000	265,000	60,000	1,135,000
2023	110,000	375,000	300,000	290,000	65,000	1,140,000
2024	115,000	475,000	210,000	295,000	65,000	1,160,000
2025	120,000	485,000	-	530,000	65,000	1,200,000
2026-2030	695,000	2,595,000	-	2,785,000	355,000	6,430,000
2031-2035	160,000	965,000	-	2,145,000	-	3,270,000
2036-2037	-	-	-	665,000	-	665,000
<b>TOTAL</b>	<b>\$ 1,415,000</b>	<b>\$ 5,625,000</b>	<b>\$ 1,270,000</b>	<b>\$ 7,215,000</b>	<b>\$ 670,000</b>	<b>\$ 16,195,000</b>
<b>Less: Payable Within One Year</b>	<b>105,000</b>	<b>360,000</b>	<b>430,000</b>	<b>240,000</b>	<b>60,000</b>	<b>1,195,000</b>
<b>Long-Term Debt Outstanding</b>	<b>\$ 1,310,000</b>	<b>\$ 5,265,000</b>	<b>\$ 840,000</b>	<b>\$ 6,975,000</b>	<b>\$ 610,000</b>	<b>\$ 15,000,000</b>

Principal and Interest Requirements Fiscal Year	GOB Series 2013A	GOB Series 2016	GOB Series 2016A	GOB Series 2019	GON Series 2020	Total Payments
2021	\$ 170,192	\$ 492,059	\$ 455,400	\$ 399,166	\$ 74,204	\$ 1,591,021
2022	171,307	494,859	346,800	420,566	72,932	1,506,464
2023	167,072	492,459	310,200	440,266	76,660	1,486,657
2024	167,067	584,959	214,200	439,466	75,282	1,480,974
2025	166,835	585,459	-	668,566	73,904	1,494,764
2026-2030	840,289	2,925,980	-	3,313,505	377,790	7,457,564
2031-2035	167,939	1,002,944	-	2,372,249	-	3,543,132
2036-2037	-	-	-	691,973	-	691,973
<b>TOTAL</b>	<b>\$ 1,850,701</b>	<b>\$ 6,578,719</b>	<b>\$ 1,326,600</b>	<b>\$ 8,745,757</b>	<b>\$ 750,772</b>	<b>\$ 19,252,549</b>

Comprised of the following Fund Allocations	GOB Series 2013A	GOB Series 2016	GOB Series 2016A	GOB Series 2019	GON Series 2020	Total Payments	Less Payable in One Year	Long-Term Debt
General Fund	\$ -	\$ -	\$ 125,000	\$ -	\$ -	\$ 125,000	\$ 80,000	\$ 45,000
Water Fund	-	-	815,000	7,215,000	-	8,030,000	445,000	7,585,000
Electric Fund	1,415,000	-	55,000	-	-	1,470,000	160,000	1,310,000
Sewer Fund	-	5,625,000	275,000	-	670,000	6,570,000	510,000	6,060,000
Telecommunication Fund	-	-	-	-	-	-	-	-
<b>TOTALS</b>	<b>\$ 1,415,000</b>	<b>\$ 5,625,000</b>	<b>\$ 1,270,000</b>	<b>\$ 7,215,000</b>	<b>\$ 670,000</b>	<b>\$ 16,195,000</b>	<b>\$ 1,195,000</b>	<b>\$ 15,000,000</b>

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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:

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

***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 \$171,210.

***Net Pension Liability***

The net pension liability for December 31, 2020 was measured as of December 31, 2018, and the total pension liability was measured as of December 31, 2018, based on the actuarial valuation as of January 1, 2019 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 2018 is based upon the January 1, 2015 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2018 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:	5.50%
Inflation:	3.0%
Salary Increases:	Age related scale with merit and inflation component
COLA increases:	3.0% for those eligible for a COLA
Pre-Retirement Mortality:	Males – RP 2000 with 1 year set back, Females – RP 2000 with 5 years sept back
Post-Retirement Mortality:	Sex distinct RP-2000 Combined Healthy Mortality

***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, 2018 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.
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.

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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**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Nominal Rate of Return</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity-Large Cap	25%	8.6%	5.6%
Domestic Equity-Small Cap	15%	10.2%	7.2%
International Equity-Developed Markets	15%	7.6%	4.6%
International Equity-Emerging Markets	10%	11.7%	8.7%
Real Estate	20%	9.2%	6.2%
Fixed Income	15%	5.1%	2.1%
<b>TOTAL</b>	<b>100.00%</b>	<b>8.6%</b>	<b>5.6%</b>

**Confidence Levels for System Nominal and Real Rates of Return**

<b>Confidence Interval</b>	<b>Nominal Rate of Return</b>	<b>Long-Term Expected Real Rate of Return</b>
95%	2.8%	0.1%
90%	3.9%	1.2%
85%	4.6%	1.9%
80%	5.1%	2.4%
75%	5.5%	2.8%
70%	5.9%	3.2%

Based on the three-part analysis, the Board established the System's Long-Term Expected Rate of Return at 7.0%.

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, 2018, this rate is equal to 5.25%.

The Board has determined the minimum acceptable confidence level for achieving the Regular Interest Rate to be 70%. 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.

**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

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

The Board may then adjust the Regular Interest Rate derived from the formula due to a variety of qualitative factors such as the desire to minimize Regular Interest Rate volatility, trending of PBGC 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 Discount Rate adopted by the Board and used to measure the individual participating municipalities' total pension liability was 5.25% as of December 31, 2018.

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.

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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 12/31/2017	\$ 13,353,979	\$ 12,303,379	\$ 1,050,600
Adjustments	-	-	-
Changes for the year:			
Service Cost	317,276	-	317,276
Interest	700,474	-	700,474
Changes in Benefits	-	-	-
Changes of Assumptions	-	-	-
Differences between expected and actual experience	222,893	-	222,893
Employer Contributions	-	329,320	(329,320)
PMRS Assesment Contributions	-	1,640	(1,640)
Employee Contributions	-	156,066	(156,066)
PMRS Investment Income	-	597,194	(597,194)
Market Value Investment Income	-	(1,014,726)	1,014,726
Benefit Payments	(666,292)	(666,292)	-
PMRS Administration Expenses	-	(1,640)	1,640
Additional Administration Expenses	-	(26,650)	26,650
Net Changes	574,351	(625,088)	1,199,439
Balances at 12/31/2018	<u>\$ 13,928,330</u>	<u>\$ 11,678,291</u>	<u>\$ 2,250,039</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	\$ 15,660,725	\$ 13,928,330	\$ 12,464,209
Plan Fiduciary Net Position	11,678,291	11,678,291	11,678,291
<b>Net Pension Liability</b>	<b>\$ 3,982,434</b>	<b>\$ 2,250,039</b>	<b>\$ 785,918</b>
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	74.57%	83.85%	93.69%

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***Components of Pension Expense for Year Ended December 31, 2020 (Measurement Year Ending 12/31/18)***

Service Cost	\$ 317,276
Interest on the Total Pension Liability	700,474
Differences between Expected and Actual Experience	130,651
Changes in Assumptions	56,207
Employee Contributions	(156,066)
Projected Earnings on Pension Plan Investments	(597,194)
Difference between Projected and Actual Earnings on Investments	(7,721)
Pension Plan Administrative Expense	28,290
Insurance Premiums	-
Other Changes in Net Fiduciary Position	-
<b>Total Pension Expense</b>	<b>\$ 471,917</b>

***Pension Expense and Deferred Outflows and Inflows of Resources***

For the year ended December 31, 2019, the actuarially determined pension expense is \$471,917. 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***

	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences in Projected and Actual Experience	\$ 35	\$ 328,719
Changes in Actuarial Assumptions	7,645	180,090
Net Difference in Projected and Actual Earnings on Plan Investments	-	74,096
Contributions Subsequent to the Measurement Date	-	373,686
<b>Totals</b>	<b>\$ 7,680</b>	<b>\$ 956,591</b>

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

2019	\$ 199,092
2020	32,807
2021	66,083
2022	240,095
2023	37,148
Thereafter	-

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**Reconciliation of Pension Expense with Net Pension Liability**

Change in Net Pension Liability	\$ 1,199,439
Change in Deferred (Outflows) of Resources	(106,290)
Change in Deferred Inflows of Resources	(952,192)
Employer Contributions	330,960
<b>Total Pension Expense</b>	<b>\$ 471,917</b>

**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.

**BOROUGH OF KUTZTOWN**  
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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**  
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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, 2019, the date of the most recent actuarial valuation and December 31, 2019, the plan-year end, plan membership consisted of the following:

	<b>12/31/2019</b>
Inactive Members or Beneficiaries Currently Receiving Benefits	7
Inactive Members Entitled to but not yet Receiving Benefits	-
Active Plan Members	<u>12</u>
<b>TOTAL</b>	<u><b>19</b></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 \$158,687.

**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%



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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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>
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**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at 12/31/2018	\$ 5,406,802	\$ 5,389,797	\$ 17,005
Service Cost	189,011	-	189,011
Interest	422,834	-	422,834
Changes for Experience	(173,715)	-	(173,715)
Changes for Assumptions	138,574	-	138,574
Employer Contributions	-	139,393	(139,393)
Employee Contributions	-	55,109	(55,109)
Net Investment Income	-	1,082,468	(1,082,468)
Benefit Payments, including refunds of member contributions)	(209,505)	(209,505)	-
Administration Expenses	-	(6,700)	6,700
Other Changes	-	-	-
Net Changes	367,199	1,060,765	(693,566)
Balances at 12/31/2019	<u>\$ 5,774,001</u>	<u>\$ 6,450,562</u>	<u>\$ (676,561)</u>

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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	\$ 65,456	\$ (676,561)	\$ (1,294,892)

***Components of Pension Expense for Year Ended December 31, 2020 (Measurement Year Ending December 31, 2019)***

Service Cost	\$ 189,011
Interest on the Total Pension Liability	422,834
Change of Benefit Terms	-
Differences between Expected and Actual Experience	(77,347)
Changes in Assumptions	25,292
Employee Contributions	(55,109)
Projected Earnings on Pension Plan Investments	(416,868)
Difference between Projected and Actual Earnings on Investments	37,972
Pension Plan Administrative Expense	6,700
Other Changes in Net Fiduciary Position	-
<b>Total Pension Expense</b>	<b>\$ 132,485</b>

***Pension Expense and Deferred Outflows and inflows of Resources***

For the year ended December 31, 2020, the actuarially determined pension expense is \$132,485. The Borough has deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Projected and Actual Experience	\$ -	\$ 454,204
Net Difference in Projected and Actual Earnings on Plan Investments	471,220	700,585
Changes in Actuarial Assumptions	235,098	24,372
Contributions Subsequent to the Measurement Date	158,687	-
<b>Totals</b>	<b>\$ 865,005</b>	<b>\$ 1,179,161</b>

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

2020	\$ 68,289
2021	(123,035)
2022	(38,982)
2023	(185,175)
2024	(10,453)
Thereafter	(24,800)

***Reconciliation of Pension Expense with Net Pension Liability***

Change in Net Pension Asset, Net of Other Changes	\$ (693,566)
Change in Deferred (Outflows) of Resources	128,663
Change in Deferred Inflows of Resources	538,701
Employer Contributions	158,687
<b>Total Pension Expense</b>	<b>\$ 132,485</b>

**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**  
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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**

3.26% Based on S&P Municipal Bond 20-Year High Grade Rate Index at January 1, 2020.

**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**  
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The resulting costs are as follows:

		<b>Police</b>		<b>Full-time Salaried, Confidential, and Hourly Employees</b>	
		Medical, Rx, Dental, and Vision Combined		Medical, Rx, Dental, and Vision Combined	
<b>Age</b>		<b>Males</b>	<b>Females</b>	<b>Males</b>	<b>Females</b>
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.

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

**BOROUGH OF KUTZTOWN**  
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**Summary Information**

<b>Financial Information</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
Total OPEB Liability	\$ 206,827	\$ 575,557	\$ 782,384
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability (Asset)	206,827	575,557	782,384
Deferred Outflows of Resources	23,426	45,103	68,529
Deferred Inflows of Resources	11,734	65,119	76,853
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	19.50%	23.77%	22.47%
<b>OPEB Expense</b>	<b>\$ 16,067</b>	<b>\$ 66,294</b>	<b>\$ 82,361</b>

**Changes in the Net OPEB Liability**

<b>Total OPEB Liability</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
Fiscal Year Ending 12/31/2020			
Balance at 1/1/2019	\$ 206,732	\$ 546,398	\$ 753,130
Service Cost	8,627	47,465	56,092
Interest	7,599	21,507	29,106
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experiences	(8,230)	(53,496)	(61,726)
Changes of Assumptions	4,255	19,219	23,474
Benefit Payments	(12,156)	(5,536)	(17,692)
Other Changes	-	-	-
Net Changes	95	29,159	29,254
<b>Balance at 1/1/2020</b>	<b>\$ 206,827</b>	<b>\$ 575,557</b>	<b>\$ 782,384</b>

**BOROUGH OF KUTZTOWN**  
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***Deferred Inflows/Outflows***

<b>Deferred Outflows of Resources</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
Differences between Expected and Actual Experiences	\$ -	\$ -	\$ -
Changes of Assumptions	9,637	34,325	43,962
Benefit Payments subsequent to the Measurement Date (1/1/2020)	13,789	10,778	24,567
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>\$ 23,426</b>	<b>\$ 45,103</b>	<b>\$ 68,529</b>

<b>Deferred Inflows of Resources</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
Differences between Expected and Actual Experiences	\$ 7,544	\$ 49,038	\$ 56,582
Changes of Assumptions	4,190	16,081	20,271
<b>TOTAL DEFERRED INFLOWS</b>	<b>\$ 11,734</b>	<b>\$ 65,119</b>	<b>\$ 76,853</b>

***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:

<b>Net OPEB Liability (Asset)</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
1% increase (4.26%)	\$ 197,326	\$ 537,777	\$ 735,103
Current Discount Rate (3.26%)	206,827	575,557	782,384
1% Decrease (2.26%)	216,777	615,184	831,961

**BOROUGH OF KUTZTOWN**  
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***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:

<b>Net OPEB Liability (Asset)</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
1% Increase	\$ 222,851	\$ 650,893	\$ 873,744
Current Rates	206,827	575,557	782,384
1% Decrease	192,597	512,074	704,671

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

<b>OPEB Expense</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
Fiscal Year Ending 12/31/2020			
Service Cost	\$ 8,627	\$ 47,465	\$ 56,092
Interest on Total OPEB Liability	7,599	21,507	29,106
Changes of Benefit Terms	-	-	-
Contributions - Employee	-	-	-
Amortization of Deferred Outflows	876	3,120	3,996
Amortization of Deferred Inflows	(1,035)	(5,798)	(6,833)
Other Changes	-	-	-
<b>TOTAL OPEB EXPENSE</b>	<b>\$ 16,067</b>	<b>\$ 66,294</b>	<b>\$ 82,361</b>

<b>Future Deferred Outflows and (Inflows) to be Recognized as OPEB Expense (Income)</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
Fiscal Year Ending			
2021	\$ (159)	\$ (2,678)	\$ (2,837)
2022	(159)	(2,678)	(2,837)
2023	(159)	(2,678)	(2,837)
2024	(159)	(2,678)	(2,837)
2025	(159)	(2,678)	(2,837)
Thereafter	(1,302)	(17,404)	(18,706)



**BOROUGH OF KUTZTOWN**  
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**Deferred Outflows of Resources**

Date	Initial Balance	Annual Recognition	Remaining Balance	Remaining Recognition Period	Type
January 1, 2018	\$ 28,564	\$ 2,040	\$ 26,524	12 Years	Assumption Change
January 1, 2019	23,648	1,689	21,959	13 Years	Assumption Change
<b>TOTAL</b>	<b>\$ 52,212</b>	<b>\$ 3,729</b>	<b>\$ 48,483</b>		

**Deferred Inflows of Resources**

Date	Initial Balance	Annual Recognition	Remaining Balance	Remaining Recognition Period	Type
January 1, 2019	\$ 23,649	\$ 1,689	\$ 20,271	12 Years	Assumption Change
January 1, 2020	61,726	5,144	56,582	11 Years	Experience Change
<b>TOTAL</b>	<b>\$ 85,375</b>	<b>\$ 6,833</b>	<b>\$ 76,853</b>		

**Note 12 – GASB 61 - Condensed Component Unit Data**

**Condensed Statement of Net Position**

	Kutztown Municipal Authority	Kutztown Transportation Authority
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 1,502,760	\$ 95,438
Account Receivable	68,166	-
Due from Primary Government	89,619	-
Due from Other funds	69,283	-
Capital Assets, Net of Accumulated Depreciation	1,049,467	-
<b>TOTAL ASSETS:</b>	<b>2,779,295</b>	<b>95,438</b>
<b>LIABILITIES:</b>		
Accounts Payable	58,796	-
Developer Deposits Held	8,000	-
Due to Other Funds	69,283	-
<b>TOTAL LIABILITIES:</b>	<b>136,079</b>	<b>-</b>
<b>NET POSITION:</b>		
Invested in Capital Assets, net of related Debt	1,049,467	-
Restricted	334,156	1,075
Unrestricted	1,259,593	94,363
<b>TOTAL NET POSITION:</b>	<b>\$ 2,643,216</b>	<b>\$ 95,438</b>

**BOROUGH OF KUTZTOWN**  
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**Condensed Statement of Activities**

	Kutztown Municipal Authority	Kutztown Transportation Authority
<b>EXPENSES:</b>		
<i>Major Function:</i>		
Water	\$ 718,700	\$ -
Sewer	130,608	-
Transportation	-	2,437
<b>TOTAL EXPENSES</b>	<b>\$ 849,308</b>	<b>\$ 2,437</b>
<b>PROGRAM REVENUES:</b>		
<i>By Type -</i>		
Water	\$ 819,504	\$ -
Sewer	164,836	-
Grant Income	-	-
Miscellaneous	9,511	-
Transportation	-	2,298
Interest Income	1,586	8
<b>TOTAL REVENUES:</b>	<b>995,437</b>	<b>2,306</b>
Change in Net Position	146,129	(131)
Beginning Net Position:	2,497,087	95,569
Ending Net Position:	<b>\$ 2,643,216</b>	<b>\$ 95,438</b>

**Condensed Statement of Cash Flows**

	Kutztown Municipal Authority	Kutztown Transportation Authority
<b>NET CASH PROVIDED (USED) BY:</b>		
Operating Activities	\$ 133,388	\$ (139)
Non-Operating Activities	11,097	-
Investing Activities	(11,452)	8
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>133,033</b>	<b>(131)</b>
Beginning Cash and Cash Equivalents	1,369,727	95,569
Ending Cash and Cash Equivalents	<b>\$ 1,502,760</b>	<b>\$ 95,438</b>

**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, 2020**

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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	69,925
Fire Protection Fund	319,621
Recreation Tax Fund	83,869
Road Tax Fund	196,265
General Fund	109,571
<b>TOTAL</b>	<b>\$ 779,251</b>

**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 August 23, 2021, 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, 2020, 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 August 23, 2021.

***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.

***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.***

August 23, 2021

**BOROUGH OF KUTZTOWN**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2020**

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**SECTION I – AUDIT FINDINGS**

**Material Weakness**

***20.01 – 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 year to help ease the process.

**Significant Deficiencies**

***20.02 – 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 year.

**BOROUGH OF KUTZTOWN**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2020**

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*Corrective Action Plan:* We implemented a more efficient accounting software program during the 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**

***19.01 – 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 20.01.

**Significant Deficiencies**

***19.02 – 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 20.02.

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## REQUIRED SUPPLEMENTAL INFORMATION

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**BOROUGH OF KUTZTOWN**  
**Required Supplementary Information**  
**December 31, 2020**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**Non-Uniform Pension Plan**  
**Last Ten Years\***

	Measurement Year Ending				
	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
<b><u>Total Pension Liability</u></b>					
Service Cost	\$ 317,276	\$ 303,765	\$ 279,381	\$ 293,645	\$ 309,223
Interest Cost	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	-	-	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(666,292)	(704,131)	(811,004)	(652,185)	(718,313)
<b>Net Change in Total Pension Liability</b>	<b>574,351</b>	<b>283,533</b>	<b>653,246</b>	<b>284,182</b>	<b>633,627</b>
<b>Total Pension Liability - Beginning</b>	<b>13,353,979</b>	<b>13,070,446</b>	<b>12,417,200</b>	<b>12,133,018</b>	<b>11,499,391</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 13,928,330</b>	<b>\$ 13,353,979</b>	<b>\$ 13,070,446</b>	<b>\$ 12,417,200</b>	<b>\$ 12,133,018</b>
<b><u>Plan Fiduciary Net Position</u></b>					
Contributions - Employer	329,320	324,658	248,758	239,405	81,890
Contributions - PMRS Assessment	1,640	1,680	1,700	1,720	-
Contributions - Employee	156,066	149,420	144,183	136,830	130,236
PMRS Investment Income	597,194	580,709	610,623	571,531	563,912
Market Value Investment Income	(1,014,726)	1,293,827	147,220	(487,496)	99,776
Transfers	-	-	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(666,292)	(704,131)	(811,004)	(652,185)	(718,313)
PMRS Administrative Expense	(1,640)	(1,620)	(1,660)	(1,720)	(1,640)
Additional Administrative Expense	(26,650)	(26,706)	(29,915)	(23,826)	(21,626)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ (625,088)</b>	<b>\$ 1,617,837</b>	<b>\$ 309,905</b>	<b>\$ (215,741)</b>	<b>\$ 134,235</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>12,303,379</b>	<b>10,685,542</b>	<b>10,375,637</b>	<b>10,591,378</b>	<b>10,457,143</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 11,678,291</b>	<b>\$ 12,303,379</b>	<b>\$ 10,685,542</b>	<b>\$ 10,375,637</b>	<b>\$ 10,591,378</b>
<b>Net Pension Liability - Ending</b>	<b>\$ 2,250,039</b>	<b>\$ 1,050,600</b>	<b>\$ 2,384,904</b>	<b>\$ 2,041,563</b>	<b>\$ 1,541,640</b>
 <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	 83.85%	 92.13%	 81.75%	 83.56%	 87.29%
<b>Covered Employee Payroll</b>	<b>\$ 2,505,074</b>	<b>\$ 2,398,399</b>	<b>\$ 2,314,341</b>	<b>\$ 2,196,450</b>	<b>\$ 2,324,479</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>89.82%</b>	<b>43.80%</b>	<b>103.05%</b>	<b>92.95%</b>	<b>66.32%</b>

\*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, 2020**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**Police 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
<b><u>Total Pension Liability</u></b>						
Service Cost	\$ 189,011	\$ 172,852	\$ 164,621	\$ 139,939	\$ 133,275	\$ 130,581
Interest Cost	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	(209,505)	(220,598)	(202,383)	(190,002)	(159,444)	(113,222)
<b>Net Change in Total Pension Liability</b>	367,199	349,076	267,815	301,288	(72,001)	349,457
<b>Total Pension Liability - Beginning</b>	5,406,802	5,057,726	4,789,911	4,488,623	4,560,624	4,211,167
<b>Total Pension Liability - Ending</b>	<b>\$ 5,774,001</b>	<b>\$ 5,406,802</b>	<b>\$ 5,057,726</b>	<b>\$ 4,789,911</b>	<b>\$ 4,488,623</b>	<b>\$ 4,560,624</b>
<b><u>Plan Fiduciary Net Position</u></b>						
Contributions - Employer	139,393	84,887	81,099	85,978	179,232	168,437
Contributions - Member	55,109	52,446	51,081	48,604	48,205	48,132
Net Investment Income	1,082,468	(287,559)	807,488	212,912	(4,999)	252,593
Benefit Payments, including Refunds of Member Contributions	(209,505)	(220,598)	(202,383)	(190,002)	(159,444)	(113,222)
Administrative Expense	(6,700)	(4,800)	(6,800)	(6,300)	(8,700)	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 1,060,765</b>	<b>\$ (375,624)</b>	<b>\$ 730,485</b>	<b>\$ 151,192</b>	<b>\$ 54,294</b>	<b>\$ 355,940</b>
<b>Plan Net Position - Beginning</b>	5,389,797	5,765,421	5,034,936	4,883,744	4,829,450	4,473,510
<b>Plan Net Position - Ending</b>	<b>\$ 6,450,562</b>	<b>\$ 5,389,797</b>	<b>\$ 5,765,421</b>	<b>\$ 5,034,936</b>	<b>\$ 4,883,744</b>	<b>\$ 4,829,450</b>
<b>Borough's Net Pension Liability (Asset)</b>	<b>\$ (676,561)</b>	<b>\$ 17,005</b>	<b>\$ (707,695)</b>	<b>\$ (245,025)</b>	<b>\$ (395,121)</b>	<b>\$ (268,826)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>111.72%</b>	<b>99.68%</b>	<b>113.99%</b>	<b>105.12%</b>	<b>108.80%</b>	<b>105.89%</b>
<b>Covered Employee Payroll</b>	<b>\$ 1,060,619</b>	<b>\$ 1,078,518</b>	<b>\$ 966,351</b>	<b>\$ 992,971</b>	<b>\$ 983,083</b>	<b>\$ 901,757</b>
<b>Borough's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	<b>(63.79%)</b>	<b>1.06%</b>	<b>(73.23%)</b>	<b>(24.68%)</b>	<b>(40.19%)</b>	<b>(29.81%)</b>

\*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, 2020**  
**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
2009	\$ 92,944	\$ 92,944	\$ -	\$ 2,149,204	4.32%
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%

**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 2017 is based upon the January 1, 2015 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:	5.5%
Inflation:	3%
Salary Increases:	Age related scale with merit and inflation component
COLA Increases:	3.0% for those eligible for a COLA
Pre-Retirement Mortality:	Males – RP 2000 with 1 year set back, Females – RP 2000 with 5 year set back
Post-Retirement Mortality:	Sex distinct RP 2000 Combined Healthy Mortality
Changes in Benefit Terms:	None

**BOROUGH OF KUTZTOWN**  
**Required Supplementary Information**  
**December 31, 2020**  
**Schedule of Pension Contributions**  
**Police Pension Plan**  
**Last Ten Fiscal Years**

<b>Year-Ended December 31,</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions from Employer</b>	<b>Contribution Deficiency/ (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a % of Payroll</b>
2010	94,417	94,417	-	789,116	11.96%
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%

**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, 2020**  
**Schedule of Changes in the Net OPEB Liabilities and Related Ratios**

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

\*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.

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## OTHER SUPPLEMENTAL INFORMATION

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**BOROUGH OF KUTZTOWN**  
**Combining Balance Sheet**  
**All Special Revenue Funds**  
**For the Year Ended December 31, 2020**

	NON-MAJOR				TOTAL
	FIRE PROTECTION FUND	RECREATION TAX FUND	ROAD TAX FUND	HIGHWAY AID FUND	SPECIAL REVENUE FUNDS
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 317,890	\$ 82,804	\$ 193,603	\$ 69,925	\$ 664,222
Real Estate Taxes Receivable	1,731	1,065	2,662	-	5,458
Due from Other Funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 319,621</b>	<b>\$ 83,869</b>	<b>\$ 196,265</b>	<b>\$ 69,925</b>	<b>\$ 669,680</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b><u>LIABILITIES:</u></b>					
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>FUND BALANCES:</u></b>					
Nonspendable	-	-	-	-	-
Restricted	319,621	83,869	196,265	69,925	669,680
<b>TOTAL FUND BALANCES</b>	<b>319,621</b>	<b>83,869</b>	<b>196,265</b>	<b>69,925</b>	<b>669,680</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 319,621</b>	<b>\$ 83,869</b>	<b>\$ 196,265</b>	<b>\$ 69,925</b>	<b>\$ 669,680</b>

**BOROUGH OF KUTZTOWN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Special Revenue Funds**  
**For the Year Ended December 31, 2020**

	NON-MAJOR				TOTAL
	FIRE PROTECTION FUND	RECREATION TAX FUND	ROAD TAX FUND	HIGHWAY AID FUND	SPECIAL REVENUE FUNDS
<b>REVENUES</b>					
Real Estate Taxes	\$ 122,367	\$ 77,302	\$ 188,254	\$ -	\$ 387,923
Liquid Fuels Tax	-	-	-	152,149	152,149
Investment Earnings	-	-	-	1,087	1,087
<b>TOTAL REVENUES</b>	<u>122,367</u>	<u>77,302</u>	<u>188,254</u>	<u>153,236</u>	<u>541,159</u>
<b>EXPENDITURES</b>					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	33,994	33,994
Culture and Recreation	-	-	-	-	-
Community Development	-	-	-	-	-
Debt Service	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,994</u>	<u>33,994</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>122,367</u>	<u>77,302</u>	<u>188,254</u>	<u>119,242</u>	<u>507,165</u>
<b>OTHER FINANCING SOURCES (SOURCES)</b>					
Transfers In	-	-	-	-	-
Transfers Out	(20,000)	(79,420)	(223,462)	(190,244)	(513,126)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>(20,000)</u>	<u>(79,420)</u>	<u>(223,462)</u>	<u>(190,244)</u>	<u>(513,126)</u>
<b>NET CHANGES IN FUND BALANCE</b>	102,367	(2,118)	(35,208)	(71,002)	(5,961)
<b>FUND BALANCES - BEGINNING</b>	217,254	85,987	231,473	140,927	675,641
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-	-	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 319,621</u>	<u>\$ 83,869</u>	<u>\$ 196,265</u>	<u>\$ 69,925</u>	<u>\$ 669,680</u>



**BOROUGH OF KUTZTOWN**  
**Combining Statement of Net Position**  
**All Proprietary Funds**  
**As December 31, 2020**

	MAJOR				NON-MAJOR	
	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and Cash Equivalents	\$ 2,134,413	\$ 700,891	\$ 1,777,647	\$ -	\$ 921,825	\$ 5,534,776
Investments	-	-	-	-	-	-
Accounts Receivable (Net of Allowance for Doubtful Accounts)	719,897	175,050	170,153	59,729	96,690	1,221,519
Prepaid Expenses	12,110	14,410	24,316	12,389	2,230	65,455
Due from Other Funds	21,171	134,919	117,634	63,119	102,007	438,850
<b>TOTAL CURRENT ASSETS</b>	<b>2,887,591</b>	<b>1,025,270</b>	<b>2,089,750</b>	<b>135,237</b>	<b>1,122,752</b>	<b>7,260,600</b>
<b>NON-CURRENT ASSETS:</b>						
Land	-	477,407	813,292	1,422	-	1,292,121
Buildings (Net of Depreciation)	1,390,573	5,556,473	5,817,161	47,100	142,428	12,953,735
Machinery and Equipment (Net of Depreciation)	1,143,352	5,641,667	9,432,588	1,713,925	285,103	18,216,635
Unamortized Bond Costs	21,892	285,770	155,367	-	-	463,029
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,555,817</b>	<b>11,961,317</b>	<b>16,218,408</b>	<b>1,762,447</b>	<b>427,531</b>	<b>32,925,520</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,443,408</b>	<b>\$ 12,986,587</b>	<b>\$ 18,308,158</b>	<b>\$ 1,897,684</b>	<b>\$ 1,550,283</b>	<b>\$ 40,186,120</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	\$ 203,562	\$ 158,007	\$ 134,187	\$ 114,464	\$ 88,219	\$ 698,439
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts Payable	\$ 272,704	\$ 18,164	\$ 88,547	\$ 59,433	\$ 81,584	\$ 520,432
Accrued Salaries and Benefits	9,910	7,128	6,028	5,751	5,002	33,819
Sales Tax Payable	-	-	-	-	-	-
Customer Deposits	162,650	-	-	-	-	162,650
Due to Other Funds	-	-	-	-	-	-
Interest Payable	8,739	65,312	56,490	-	-	130,541
Notes Payable	160,000	445,000	510,000	-	-	1,115,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>614,003</b>	<b>535,604</b>	<b>661,065</b>	<b>65,184</b>	<b>86,586</b>	<b>1,962,442</b>
<b>NON-CURRENT LIABILITIES:</b>						
Other Post Employment Benefits	123,177	94,392	79,790	66,286	53,134	416,779
Net Pension Liability	456,102	354,255	300,918	257,019	197,709	1,566,003
Notes Payable	1,310,000	7,585,000	6,060,000	-	-	14,955,000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,889,279</b>	<b>8,033,647</b>	<b>6,440,708</b>	<b>323,305</b>	<b>250,843</b>	<b>16,937,782</b>
<b>TOTAL LIABILITIES</b>	<b>2,503,282</b>	<b>8,569,251</b>	<b>7,101,773</b>	<b>388,489</b>	<b>337,429</b>	<b>18,900,224</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	\$ 15,493	\$ 11,889	\$ 10,055	\$ 8,377	\$ 6,687	\$ 52,501
<b>NET POSITION</b>						
Invested in Capital Assets, Net of Related Debt	1,063,925	3,645,547	9,493,041	1,762,447	427,531	16,392,491
Restricted	-	-	-	-	-	-
Unrestricted Net Position	2,064,270	917,907	1,837,476	(147,165)	866,855	5,539,343
<b>TOTAL NET POSITION</b>	<b>\$ 3,128,195</b>	<b>\$ 4,563,454</b>	<b>\$ 11,330,517</b>	<b>\$ 1,615,282</b>	<b>\$ 1,294,386</b>	<b>\$ 21,931,834</b>

**BOROUGH OF KUTZTOWN**  
**Combining Statement of Additions, Deductions and Changes in Net Position**  
**All Proprietary Funds**  
**For the Year Ended December 31, 2020**

	MAJOR				NON-MAJOR	
	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
<b><u>OPERATING REVENUES</u></b>						
Charges for Services	\$ 6,327,062	\$ 2,013,999	\$ 1,943,196	\$ 523,422	\$ 937,916	\$ 11,745,595
Penalties	30,477	7,133	6,930	-	5,304	49,844
Other Fees	-	10,358	67,551	-	-	77,909
Rental Income	91,963	-	-	82,002	-	173,965
Other Income	20,430	77,213	13,051	65,270	22,775	198,739
SCADA and Equipment Lease	-	-	-	123,300	-	123,300
<b>TOTAL OPERATING REVENUES</b>	<b>6,469,932</b>	<b>2,108,703</b>	<b>2,030,728</b>	<b>793,994</b>	<b>965,995</b>	<b>12,369,352</b>
<b><u>OPERATING EXPENSES</u></b>						
Costs of Furnishing Utility	2,921,056	555,490	630,489	290,137	376,311	4,773,483
Employee Wages	555,952	426,033	360,131	299,178	239,819	1,881,113
Employee Benefits	326,747	291,027	225,142	170,304	156,347	1,169,567
Employee Pension	36,641	28,079	23,735	19,718	22,891	131,064
Insurance	96,024	139,683	115,549	26,364	24,747	402,367
Debt Service	71,802	200,051	165,662	-	-	437,515
Depreciation	88,820	404,016	515,909	308,877	80,257	1,397,879
<b>TOTAL OPERATING EXPENSES</b>	<b>4,097,042</b>	<b>2,044,379</b>	<b>2,036,617</b>	<b>1,114,578</b>	<b>900,372</b>	<b>10,192,988</b>
<b>OPERATING INCOME (LOSS)</b>	<b>2,372,890</b>	<b>64,324</b>	<b>(5,889)</b>	<b>(320,584)</b>	<b>65,623</b>	<b>2,176,364</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>						
Interest Earned	16,618	3,342	6,724	672	4,257	31,613
State Grants	-	-	-	-	-	-
Transfers from Other Funds	-	-	-	21,350	-	21,350
Transfers to Other Funds	(1,811,752)	-	-	-	-	(1,811,752)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(1,795,134)</b>	<b>3,342</b>	<b>6,724</b>	<b>22,022</b>	<b>4,257</b>	<b>(1,758,789)</b>
<b>CHANGES IN NET POSITION</b>	<b>577,756</b>	<b>67,666</b>	<b>835</b>	<b>(298,562)</b>	<b>69,880</b>	<b>417,575</b>
<b>NET POSITION, JANUARY 1, 2020</b>	<b>2,550,439</b>	<b>4,495,788</b>	<b>11,329,682</b>	<b>1,913,844</b>	<b>1,224,506</b>	<b>21,514,259</b>
<b>NET POSITION, DECEMBER 31, 2020</b>	<b>\$ 3,128,195</b>	<b>\$ 4,563,454</b>	<b>\$ 11,330,517</b>	<b>\$ 1,615,282</b>	<b>\$ 1,294,386</b>	<b>\$ 21,931,834</b>

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**INDIVIDUAL FUND STATEMENTS  
AND SCHEDULES**

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**BOROUGH OF KUTZTOWN**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended December 31, 2020**

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**REVENUES**

**TAXES:**

Real Estate Taxes - Current	\$ 480,051	
Real Estate Taxes - Prior	7,936	
Real Estate Transfer Tax	77,908	
Earned Income Tax	446,960	
Per Capita	9,133	
Local Services Tax	67,616	
Admissions Tax	251	
Mechanical Tax	675	
	<u>675</u>	\$ 1,090,530

**FINES AND FORFEITS:**

Motor Vehicle Violations	5,864	
Fines	25,167	
Criminal Violations	5,569	
Parking Tickets	19,123	55,723
	<u>19,123</u>	

**LICENSES AND PERMITS:**

Franchise Fee Cable	54,749	
Permits/Reports	158,206	212,955
	<u>158,206</u>	

**INTERGOVERNMENTAL:**

In Lieu of Taxes - PURTA	1,419	
Beverage Licenses	1,150	
Pension State Aid	329,897	
Allotment - Fireman's Relief	26,005	
State Grants	29,529	388,000
	<u>29,529</u>	

**CHARGES FOR SERVICES:**

General Government	3,233	
Public Safety	126,258	
Highways and Streets	-	
Culture and Recreation	4,000	133,491
	<u>4,000</u>	

**INVESTMENT AND RENTAL EARNINGS:**

Interest Income	10,950	
Rentals	401,720	412,670
	<u>401,720</u>	

**MISCELLANEOUS:**

Contributions and Donations	11,475	
Reimbursements	249,562	
Refund of Prior Year Expenditure	267,678	
Other	40,501	569,216
	<u>40,501</u>	

<b>TOTAL REVENUES</b>	<b>\$ 2,862,585</b>
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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, 2020**

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**EXPENDITURES**

**GENERAL GOVERNMENT**

**LEGAL:**

Solicitor \$ 21,894

**MAYOR, LEGISLATIVE, BOROUGH MANAGER:**

Employee Wages 117,099  
Employee Benefits 76,957  
Employee Pension 7,361  
Insurance 42,058  
Contracted Services 69,344  
Advertising, Printing and Postage 7,981  
Vehicle Expenses 60  
Operating/Office Expenses 10,152  
Dues, Meetings and Training 8,697  
Small Tools, Equipment and Building 16,098

**FINANCE AND ACCOUNTING:**

Salary -  
Employee Benefits -  
Employee Pension -  
Audit and Accounting Fees 20,975

**TAX COLLECTION:**

Employee Wages -  
Employee Benefits -  
Contracted Services 948

**ENGINEERING:**

Engineering Fees 7,200

**BUILDINGS AND PLANT:**

Employee Wages 1,271  
Employee Benefits 791  
Employee Pension 84  
Operating Supplies 7,881  
Heating and Utilities 45,104  
Insurance 9,257  
Repairs and Maintenance 8,043  
Contracted Services 3,816

**TOTAL GENERAL GOVERNMENT** \$ 483,071

**BOROUGH OF KUTZTOWN**  
**General Fund (Cont'd)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended December 31, 2020**

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**PUBLIC SAFETY**

**POLICE:**

Employee Wages	\$ 1,324,614
Employee Benefits	461,021
Employee Pension	158,687
Operating Supplies	55,476
Vehicle Maintenance and Repair	25,091
Uniforms	13,610
Training, Seminars, Certs	6,350
Ammunition	6,679
Insurance	49,022
Legal	1,500
Dues, Subs and Memberships	415
Small Tools and Equipment	3,652
Telephone/Communications	21,620
Postage, Printing and Advertising	3,891
Repairs and Maintenance	9,154
Refuse	34
Contracted Services	42,628
Capital Purchases	68,344

**FIRE AND AMBULANCE:**

Rent of Machine & Equipment	78,450
Insurance	-
Telephone/Communications	3,262
Contributions	-
Foreign Fire Tax Disbursement	26,005
Other Services	236

**INSPECTIONS AND ZONING:**

Employee Wages	113,613
Employee Benefits	92,848
Employee Pension	7,488
Vehicle Maintenance and Repair	514
Heating and Utilities	5,922
Operating Supplies	7,885
Telephone/Communications	5,157
Training, Seminars, Certs	431
Legal Services	7,296
Engineering Services	1,076
Small Tools and Equipment	92
Postage, Printing and Advertising	1,414
Insurance	734
Dues, Subs and Memberships	312
Rent of Building	13,750
Repairs and Maintenance	350
Contracted Services	78,289

**EMERGENCY MANAGEMENT:**

Training, Seminars, Certs	-
Operating Supplies	-
Postage, Printing and Advertising	2,488
Insurance	-
Contracted Services	204

<b>TOTAL PUBLIC SAFETY</b>	<b>\$ 2,699,604</b>
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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, 2020**

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**PUBLIC WORKS**

**STREET MAINTENANCE AND LIGHTING:**

Employee Wages	\$ 263,083
Employee Benefits	156,968
Employee Pension	17,339
Training, Seminars, Certs	153
Operating Supplies	6,545
Vehicle Maintenance and Repairs	15,197
Uniforms	2,588
Insurance	20,274
Small Tools and Equipment	1,696
Repairs and Maintenance Land & Equip	9,393
Engineering Services	9,816
Telephone/Communications	3,137
Postage, Printing and Advertising	1,013
Contracted Services	19,271
Rent of Building	37,184
Heating and Utilities	62,825
Dues, Subs and Memberships	994
Capital Improvements	501,150
Snow Removal Materials	10,542

**TOTAL PUBLIC WORKS** \$ 1,139,168

**CULTURE AND RECREATION**

**PARKS AND POOL:**

Employee Wages	221,570
Employee Benefits	107,360
Employee Pension	14,603
Training, Seminars, Certs	85
Operating Supplies	3,676
Small Tools and Equipment	1,612
Insurance	13,179
Vehicle Maintenance and Repairs	2,274
Telephone/Communications	-
Postage, Printing and Advertising	492
Heating and Utilities	15,967
Repairs and Maint Building, Land & Equip	44,515
Contracted Services	4,425
Contributions	-
YMCA Programs	-
Chemicals	2,767
Capital Purchases	-

**TOTAL CULTURE AND RECREATION** \$ 432,525

**BOROUGH OF KUTZTOWN**  
**General Fund (Cont'd)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended December 31, 2020**

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**DEBT SERVICE**

Debt Principal	\$ 80,000
Interest Expense	3,505
Amortization and Other Issuance Costs	<u>-</u>

**TOTAL DEBT SERVICE** \$ 83,505

**UNCLASSIFIED EXPENDITURES**

C, G & S to Non-Profits	42,012
Other Miscellaneous	<u>1,811</u>

**TOTAL UNCLASSIFIED EXPENDITURES** \$ 43,823

**TOTAL EXPENDITURES** 4,881,696

**DEFICIENCY OF REVENUES OVER EXPENDITURES** (2,019,111)

**OTHER FINANCING SOURCES AND  
OTHER FINANCING USES**

Sale of Fixed Assets	-	
Refund of Prior Year Expenditures	-	
Interfund Transfers In	2,303,528	
Interfund Transfers Out	<u>-</u>	<u>2,303,528</u>

**NET CHANGE IN FUND BALANCES** 284,417

**FUND BALANCE - JANUARY 1, 2020** 1,312,282

**FUND BALANCE - DECEMBER 31, 2020** **\$ 1,596,699**



**BOROUGH OF KUTZTOWN**  
**Electric Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended December 31, 2020**

	<u>BUDGET</u>	<u>ACTUAL</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 6,556,980	\$ 6,327,062
Penalties	20,000	30,477
Rental Income	85,818	91,963
Other Income	8,300	20,430
<b>TOTAL OPERATING REVENUES</b>	<u>6,671,098</u>	<u>6,469,932</u>
<b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Utility	3,789,410	2,921,056
Employee Wages	500,181	555,952
Employee Benefits	238,206	326,747
Employee Pension	44,334	36,641
Insurance	79,802	96,024
Debt Service	230,800	71,802
Depreciation	-	88,820
<b>TOTAL OPERATING EXPENSES</b>	<u>4,882,733</u>	<u>4,097,042</u>
<b>OPERATING INCOME</b>	<u>1,788,365</u>	<u>2,372,890</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest Earned	4,000	16,618
Transfers from Other Funds	-	-
Transfers to Other Funds	<u>(1,790,402)</u>	<u>(1,811,752)</u>
<b>TOTAL NON-OPERATING (EXPENSES)</b>	<u>(1,786,402)</u>	<u>(1,795,134)</u>
<b>CHANGES IN NET POSITION</b>	1,963	577,756
<b>NET POSITION, JANUARY 1, 2020</b>	<u>(1,963)</u>	<u>2,550,439</u>
<b>NET POSITION, DECEMBER 31, 2020</b>	<u>\$ -</u>	<u>\$ 3,128,195</u>

**BOROUGH OF KUTZTOWN**  
**Water Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended December 31, 2020**

	<u>BUDGET</u>	<u>ACTUAL</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 1,995,598	\$ 2,013,999
Penalties	1,000	7,133
Other Fees	12,000	10,358
Rental Income	5,000	-
Other Income	57,600	77,213
<b>TOTAL OPERATING REVENUES</b>	<u>2,071,198</u>	<u>2,108,703</u>
<b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Utility	625,996	555,490
Employee Wages	420,952	426,033
Employee Benefits	210,643	291,027
Employee Pension	40,188	28,079
Insurance	133,619	139,683
Debt Service	641,800	200,051
Depreciation	-	404,016
<b>TOTAL OPERATING EXPENSES</b>	<u>2,073,198</u>	<u>2,044,379</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(2,000)</u>	<u>64,324</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest Earned	2,000	3,342
Transfers from Other Funds	-	-
Transfers to Other Funds	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>2,000</u>	<u>3,342</u>
<b>CHANGES IN NET POSITION</b>	-	67,666
<b>NET POSITION, JANUARY 1, 2020</b>	<u>-</u>	<u>4,495,788</u>
<b>NET POSITION, DECEMBER 31, 2020</b>	<u>\$ -</u>	<u>\$ 4,563,454</u>

**BOROUGH OF KUTZTOWN**  
**Sewer Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended December 31, 2020**

	<u>BUDGET</u>	<u>ACTUAL</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 1,988,874	\$ 1,943,196
Penalties	1,000	6,930
Other Fees	-	67,551
Other Income	<u>12,400</u>	<u>13,051</u>
<b>TOTAL OPERATING REVENUES</b>	<u>2,002,274</u>	<u>2,030,728</u>
<b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Utility	761,739	630,489
Employee Wages	371,590	360,131
Employee Benefits	168,504	225,142
Employee Pension	33,616	23,735
Insurance	122,510	115,549
Debt Service	590,058	165,662
Depreciation	<u>-</u>	<u>515,909</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>2,048,017</u>	<u>2,036,617</u>
<b>OPERATING INCOME</b>	<u>(45,743)</u>	<u>(5,889)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest Earned	1,000	6,724
Transfers from Other Funds	45,000	-
Transfers to Other Funds	<u>-</u>	<u>-</u>
<b>TOTAL NON-OPERATING (EXPENSES)</b>	<u>46,000</u>	<u>6,724</u>
<b>CHANGES IN NET POSITION</b>	257	835
<b>NET POSITION, JANUARY 1, 2020</b>	<u>(257)</u>	<u>11,329,682</u>
<b>NET POSITION, DECEMBER 31, 2020</b>	<u>\$ -</u>	<u>\$ 11,330,517</u>

**BOROUGH OF KUTZTOWN**  
**Telecommunications Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended December 31, 2020**

	<u>BUDGET</u>	<u>ACTUAL</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 707,000	\$ 523,422
Rental Income	70,164	82,002
SCADA and Equipment Lease	134,120	123,300
Other Income	5,000	65,270
<b>TOTAL OPERATING REVENUES</b>	<u>916,284</u>	<u>793,994</u>
<b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Service	404,745	290,137
Employee Wages	313,511	299,178
Employee Benefits	115,505	170,304
Employee Pension	31,630	19,718
Insurance	24,657	26,364
Debt Service	-	-
Depreciation	-	308,877
<b>TOTAL OPERATING EXPENSES</b>	<u>890,048</u>	<u>1,114,578</u>
<b>OPERATING (LOSS)</b>	<u>26,236</u>	<u>(320,584)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest Earned	100	672
Transfers to Other Funds	-	-
Transfers from Other Funds	-	21,350
<b>TOTAL NON-OPERATING REVENUES</b>	<u>100</u>	<u>22,022</u>
<b>CHANGES IN NET POSITION</b>	26,336	(298,562)
<b>NET POSITION, JANUARY 1, 2020</b>	<u>(26,336)</u>	<u>1,913,844</u>
<b>NET POSITION, DECEMBER 31, 2020</b>	<u>\$ -</u>	<u>\$ 1,615,282</u>

**BOROUGH OF KUTZTOWN**  
**Refuse and Recycling Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended December 31, 2020**

	<u>BUDGET</u>	<u>ACTUAL</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 954,894	\$ 937,916
Penalties	-	5,304
Other Income	8,000	22,775
<b>TOTAL OPERATING REVENUES</b>	<u>962,894</u>	<u>965,995</u>
<b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Service	441,850	376,311
Employee Wages	337,356	239,819
Employee Benefits	173,939	156,347
Employee Pension	36,838	22,891
Insurance	17,042	24,747
Depreciation	-	80,257
<b>TOTAL OPERATING EXPENSES</b>	<u>1,007,025</u>	<u>900,372</u>
<b>OPERATING (LOSS)</b>	<u>(44,131)</u>	<u>65,623</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest Earned	200	4,257
State Grants	4,800	-
Transfers to Other Funds	-	-
Transfer from Other Funds	40,000	-
<b>TOTAL NON-OPERATING REVENUES</b>	<u>45,000</u>	<u>4,257</u>
<b>CHANGES IN NET POSITION</b>	869	69,880
<b>NET POSITION, JANUARY 1, 2020</b>	<u>(869)</u>	<u>1,224,506</u>
<b>NET POSITION, DECEMBER 31, 2020</b>	<u><u>\$ -</u></u>	<u><u>\$ 1,294,386</u></u>

**BOROUGH OF KUTZTOWN**  
**Highway Aid Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended December 31, 2020**

<b>FUND BALANCE - JANUARY 1, 2020</b>		\$ 140,927
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
<b>INTERGOVERNMENTAL:</b>		
Liquid Fuels Tax	\$ 152,149	
<b>INVESTMENT EARNINGS:</b>		
Interest Earnings	1,087	153,236
	<u>          </u>	<u>          </u>
<b>TOTAL FUNDS AVAILABLE</b>		294,163
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>PUBLIC WORKS:</b>		
Storm Sewer Replacement	\$ 33,994	
<b>OTHER FINANCING USES:</b>		
Transfer To Other Funds	190,244	224,238
	<u>          </u>	<u>          </u>
<b>FUND BALANCE - DECEMBER 31, 2020</b>		<b><u>\$ 69,925</u></b>

**Fire Protection Tax Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended December 31, 2020**

<b>FUND BALANCE - JANUARY 1, 2020</b>		\$ 217,254
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
Real Estate Tax	\$ 122,367	
Interest Earnings	-	
<b>OTHER FINANCING SOURCES:</b>		
Transfer from Other Funds	-	122,367
	<u>          </u>	<u>          </u>
<b>TOTAL FUNDS AVAILABLE</b>		339,621
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>PUBLIC SAFETY:</b>		
Salaries & Wages	\$ -	
Employee Benefits	-	
Other Services	-	
C,G & S To Non-Profits	-	
<b>OTHER FINANCING USES:</b>		
Transfer To Other Funds	20,000	20,000
	<u>          </u>	<u>          </u>
<b>PRIOR PERIOD ADJUSTMENT</b>		<u>-</u>
<b>FUND BALANCE - DECEMBER 31, 2020</b>		<b><u>\$ 319,621</u></b>

**BOROUGH OF KUTZTOWN**  
**Recreation Tax Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended December 31, 2020**

<b>FUND BALANCE - JANUARY 1, 2020</b>		\$ 85,987
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
Real Estate Tax	\$ 77,302	
Interest Earnings	-	
<b>OTHER FINANCING SOURCES:</b>		
Transfer From Other Funds	-	77,302
<b>TOTAL FUNDS AVAILABLE</b>		163,289
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>CULTURE AND RECREATION:</b>		
Salaries & Wages	\$ -	
Employee Benefits	-	
Other Services	-	
<b>OTHER FINANCING USES:</b>		
Transfer To Other Funds	79,420	79,420
<b>PRIOR PERIOD ADJUSTMENT</b>		-
<b>FUND BALANCE - DECEMBER 31, 2020</b>		<b>\$ 83,869</b>

**Road Tax Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended December 31, 2020**

<b>FUND BALANCE - JANUARY 1, 2020</b>		\$ 231,473
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
Real Estate Tax	\$ 188,254	
Interest Earnings	-	
<b>OTHER FINANCING SOURCES:</b>		
Transfer From Other Funds	-	188,254
<b>TOTAL FUNDS AVAILABLE</b>		419,727
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>PUBLIC WORKS:</b>		
Salaries & Wages	\$ -	
Employee Benefits	-	
Other Services	-	
<b>OTHER FINANCING USES:</b>		
Transfer To Other Funds	223,462	223,462
<b>PRIOR PERIOD ADJUSTMENT</b>		-
<b>FUND BALANCE - DECEMBER 31, 2020</b>		<b>\$ 196,265</b>

**BOROUGH OF KUTZTOWN**  
**Police Pension Trust Fund**  
**Statement of Additions and Deductions**  
**For the Year Ended December 31, 2020**

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<b>NET POSITION - BEGINNING OF YEAR</b>		\$ 6,448,082
<b>ADDITIONS:</b>		
State Aid	\$ 158,687	
Employee Contributions	52,233	
Miscellaneous	-	
<b>INVESTMENT EARNINGS:</b>		
Interest and Dividends	113,162	
Realized Gains (Losses)	325,943	
Change in Fair Value of Investments	849,074	
<b>TOTAL ADDITIONS</b>	1,499,099	
	-----	
<b>DEDUCTIONS:</b>		
Administrative Charges	6,169	
Investment Expenses	69,472	
Employee Benefits	213,522	
<b>TOTAL DEDUCTIONS</b>	289,163	
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<b>CHANGE IN NET POSITION</b>		1,209,936
		-----
<b>NET POSITION - END OF YEAR</b>		<b>\$ 7,658,018</b>
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