

**REPORT ON
BOROUGH OF KUTZTOWN
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

BOROUGH OF KUTZTOWN

Financial Statements

For the Year Ended December 31, 2017

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BOROUGH OF KUTZTOWN

Financial Statements

For the Year Ended December 31, 2017

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FINANCIAL SECTION



July 6, 2018

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, 2017, 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.

Opinions

In our opinion, the financial statements, referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Borough of Kutztown at December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, and the Schedule of Net Pension Contributions 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 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 July 6, 2018, 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.

July 6, 2018

BASIC FINANCIAL STATEMENTS

BOROUGH OF KUTZTOWN
Statement of Net Position
As of December 31, 2017

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	UNITS AUTHORITIES
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 1,882,126	\$ 4,474,468	\$ 6,356,594	\$ 1,255,341
Taxes Receivable	6,467	-	6,467	-
Accounts Receivable (Net)	-	1,234,583	1,234,583	69,976
Prepaid Expenses	39,563	72,907	112,470	-
Net Pension Asset	245,025	-	245,025	-
Internal Balances	-	-	- (1)	105,078
Due from Component Units	-	-	-	58,759
TOTAL CURRENT ASSETS	2,173,181	5,781,958	7,955,139	1,489,154
NON-CURRENT ASSETS:				
Land	1,170,478	1,292,121	2,462,599	-
Buildings (Net of Depreciation)	981,250	12,376,220	13,357,470	-
Infrastructure (Net of Depreciation)	6,520,295	-	6,520,295	892,881
Machinery and Equipment/Infrastructure (Net of Depreciation)	193,240	21,379,915	21,573,155	-
Construction in Progress	-	172,995	172,995	-
Unamortized Bond Costs	-	531,025	531,025	-
TOTAL NON-CURRENT ASSETS	8,865,263	35,752,276	44,617,539	892,881
TOTAL ASSETS	\$ 11,038,444	\$ 41,534,234	\$ 52,572,678	\$ 2,382,035
DEFERRED OUTFLOWS OF RESOURCES				
	\$ 591,766	\$ 532,706	\$ 1,124,472	\$ -
LIABILITIES				
CURRENT LIABILITIES:				
Internal Balances	\$ -	\$ -	\$ - (1)	\$ 105,078
Due to Component Unit	58,759	-	58,759	-
Sales Tax Payable	-	9,618	9,618	-
Accounts Payable	60,452	679,156	739,608	57,236
Accrued Salaries and Benefits	70,162	77,278	147,440	-
Bonds Payable	135,000	1,025,000	1,160,000	-
Interest Payable	3,249	153,417	156,666	-
Customer Deposits	2,435	148,100	150,535	-
TOTAL CURRENT LIABILITIES	330,057	2,092,569	2,422,626	162,314
NON-CURRENT LIABILITIES:				
Net Other Post Employment Liability	116,925	172,454	289,379	-
Net Pension Liability	724,127	1,660,777	2,384,904	-
Bonds Payable	330,000	17,305,000	17,635,000	-
TOTAL NON-CURRENT LIABILITIES	1,171,052	19,138,231	20,309,283	-
TOTAL LIABILITIES	\$ 1,501,109	\$ 21,230,800	\$ 22,731,909	\$ 162,314
DEFERRED INFLOWS OF RESOURCES				
	\$ 295,874	\$ 10,698	\$ 306,572	\$ -
NET POSITION				
Invested in Capital Assets, Net of Related Debt	8,400,263	16,891,251	25,291,514	892,881
Restricted	426,753	-	426,753	321,655
Unrestricted	1,006,211	3,934,191	4,940,402	1,005,185
TOTAL NET POSITION	\$ 9,833,227	\$ 20,825,442	\$ 30,658,669	\$ 2,219,721

(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, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			COMPONENT UNITS
		CHARGES FOR SERVICES	GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	AUTHORITIES
GOVERNMENTAL ACTIVITIES:								
General Government	\$ 507,624	\$ 453,398	\$ 294,798	\$ -	\$ 240,572	\$ -	\$ 240,572	
Public Safety	2,537,638	257,455	40,765	-	(2,239,418)	-	(2,239,418)	
Public Works	671,780	-	-	145,836	(525,944)	-	(525,944)	
Culture and Recreation	599,707	75,286	-	-	(524,421)	-	(524,421)	
Community Development	-	-	-	-	-	-	-	
Non-Departmental	53,941	-	-	-	(53,941)	-	(53,941)	
Debt Service Payments	7,316	-	-	-	(7,316)	-	(7,316)	
Depreciation	427,290	-	-	-	(427,290)	-	(427,290)	
TOTAL GOVERNMENTAL ACTIVITIES	4,805,296	786,139	335,563	145,836	(3,537,758)	-	(3,537,758)	
BUSINESS-TYPE ACTIVITIES:								
Electric	4,319,041	6,544,259	-	-	-	2,225,218	2,225,218	
Water	1,832,396	1,936,151	-	-	-	103,755	103,755	
Sewer	1,995,643	1,901,291	-	-	-	(94,352)	(94,352)	
Telecom	1,690,163	1,152,523	-	-	-	(537,640)	(537,640)	
Refuse	889,680	970,880	-	4,103	-	85,303	85,303	
TOTAL PRIMARY GOVERNMENT	\$ 15,532,219	\$ 13,291,243	\$ 335,563	\$ 149,939	\$ (3,537,758)	\$ 1,782,284	\$ (1,755,474)	
COMPONENT UNITS								
Municipal Authorities	\$ 831,185	\$ 956,184	\$ -	\$ -				\$ 124,999
GENERAL REVENUES:								
Property Taxes Levied for General Purposes					\$ 775,705	\$ -	\$ 775,705	\$ -
Other Taxes Levied for General Purposes					675,704	-	675,704	-
Grants, Subsidies, & Contributions Not Restricted					17,634	-	17,634	-
Investment and Rental Earnings					415,903	257,862	673,765	3,145
Miscellaneous Income					749,319	-	749,319	41,148
Transfers					1,945,213	(1,945,213)	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					4,579,478	(1,687,351)	2,892,127	44,293
CHANGE IN NET POSITION					1,041,720	94,933	1,136,653	169,292
NET POSITION - BEGINNING					7,459,505	22,062,611	29,522,116	2,050,429
PRIOR PERIOD ADJUSTMENT					1,332,002	(1,332,102)	(100)	-
NET POSITION - ENDING					\$ 9,833,227	\$ 20,825,442	\$ 30,658,669	\$ 2,219,721

The Accompanying Notes are an integral part of these financial statements.

BOROUGH OF KUTZTOWN
Balance Sheet
All Governmental Funds
As of December 31, 2017

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>OTHER FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,458,771	\$ 318,646	\$ 104,709	\$ 1,882,126
Taxes Receivable	3,069	3,398	-	6,467
Prepaid Expenses	39,563	-	-	39,563
Unamortized Bond Issuance Costs	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Component Units KMA & KTA	-	-	-	-
TOTAL ASSETS	<u>\$ 1,501,403</u>	<u>\$ 322,044</u>	<u>\$ 104,709</u>	<u>\$ 1,928,156</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Due to Component Units	58,759	-	-	58,759
Customer Deposits	2,435	-	-	2,435
Accounts Payable	60,452	-	-	60,452
Accrued Salaries and Benefits	70,162	-	-	70,162
Interest Payable	<u>3,249</u>	<u>-</u>	<u>-</u>	<u>3,249</u>
TOTAL LIABILITIES	<u>195,057</u>	<u>-</u>	<u>-</u>	<u>195,057</u>
<u>FUND BALANCES:</u>				
- Nonspendable	-	-	-	-
- Restricted	-	322,044	104,709	426,753
- Committed	-	-	-	-
- Assigned	-	-	-	-
- Unassigned	<u>1,306,346</u>	<u>-</u>	<u>-</u>	<u>1,306,346</u>
TOTAL FUND BALANCES	<u>1,306,346</u>	<u>322,044</u>	<u>104,709</u>	<u>1,733,099</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,501,403</u>	<u>\$ 322,044</u>	<u>\$ 104,709</u>	<u>\$ 1,928,156</u>

Reconciliation to Statement of Net Assets:

Amounts recorded for governmental activities in the statement of net assets are the same as the amounts recorded in all governmental funds, since both financial statements are prepared on the modified cash basis of accounting.

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, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 1,733,099**

**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 \$17,437,504 and the accumulated depreciation is \$8,572,241. 8,865,263

Pension assets and related deferred outflows are not financial resources and , therefore, are not reported as assets in the governmental funds. 836,791

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	\$	(465,000)	
GASB 68 Liability		(1,020,001)	
Other Retirement Benefits		<u>(116,925)</u>	<u>(1,601,926)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 9,833,227**

The Accompanying Notes are an integral part of these financial statements.

BOROUGH OF KUTZTOWN
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
For the Year Ended December 31, 2017

	GENERAL	SPECIAL REVENUE	OTHER FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 1,106,414	\$ 343,505	\$ -	\$ 1,449,919
Licenses and Permits	195,168	-	-	195,168
Fines and Forfeits	131,142	-	-	131,142
Intergovernmental	337,053	145,836	-	482,889
Charges for Services	208,178	-	-	208,178
Miscellaneous	22,346	-	-	22,346
Reimbursements	251,651	-	-	251,651
Investment and Rental Earnings	412,135	3,067	701	415,903
TOTAL REVENUES	<u>2,664,087</u>	<u>492,408</u>	<u>701</u>	<u>3,157,196</u>
EXPENDITURES				
CURRENT:				
General Government	500,489	-	-	500,489
Public Safety	2,307,900	250,850	-	2,558,750
Public Works	875,825	3,396	-	879,221
Culture and Recreation	613,862	1,466	-	615,328
Community Development	-	-	-	-
Non-Departmental	53,941	-	-	53,941
DEBT SERVICE:				
Principal	131,650	-	-	131,650
Interest	7,316	-	-	7,316
TOTAL EXPENDITURES	<u>4,490,983</u>	<u>255,712</u>	<u>-</u>	<u>4,746,695</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,826,896)</u>	<u>236,696</u>	<u>701</u>	<u>(1,589,499)</u>
OTHER FINANCING SOURCES				
Refund of Prior Year Expenditures	744,607	-	-	744,607
Sale of Fixed Assets	-	-	-	-
Interfund Transfers In	2,527,456	9	-	2,527,465
Interfund Transfers Out	(275,675)	(306,577)	-	(582,252)
TOTAL OTHER FINANCING SOURCES	<u>2,996,388</u>	<u>(306,568)</u>	<u>-</u>	<u>2,689,820</u>
NET CHANGE IN FUND BALANCES	1,169,492	(69,872)	701	1,100,321
FUND BALANCES - BEGINNING	(1,335,624)	532,392	104,008	(699,224)
PRIOR PERIOD ADJUSTMENT	1,472,478	(140,476)	-	1,332,002
FUND BALANCES - ENDING	<u>\$ 1,306,346</u>	<u>\$ 322,044</u>	<u>\$ 104,709</u>	<u>\$ 1,733,099</u>

Reconciliation to Statement of Net Assets:

Amounts recorded for governmental activities in the statement of activities are the same as the amounts recorded in the statement of revenues, expenditures, and changes in fund balances of all governmental funds, since both statements are prepared on the modified cash basis of accounting.

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, 2017

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 1,100,321**

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	\$ (427,290)	
Asset Deletions	-	
Capital Outlays	<u>290,428</u>	(136,862)

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.

(53,389)

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.

131,650

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,041,720**

The Accompanying Notes are an integral part of these financial statements.

BOROUGH OF KUTZTOWN
Combining Statement of Net Position
All Proprietary Funds
As of December 31, 2017

	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
ASSETS						
CURRENT ASSETS:						
Cash and Cash Equivalents	\$ 2,436,962	\$ 599,223	\$ 887,286	\$ 35,304	\$ 515,693	\$ 4,474,468
Investments	-	-	-	-	-	-
Accounts Receivable (Net of Allowance for Doubtful Accounts)	728,253	157,311	156,138	99,848	93,033	1,234,583
Prepaid Expenses	16,769	14,866	24,068	12,776	4,428	72,907
Due from Other Funds	-	-	-	-	-	-
TOTAL CURRENT ASSETS	3,181,984	771,400	1,067,492	147,928	613,154	5,781,958
NON-CURRENT ASSETS:						
Land	-	477,407	813,292	1,422	-	1,292,121
Buildings (Net of Depreciation)	818,611	5,714,858	5,657,945	70,500	114,306	12,376,220
Machinery and Equipment/Infrastructure (Net of Depreciation)	1,280,217	6,389,167	10,554,218	2,639,080	517,233	21,379,915
Construction In Progress	-	-	172,995	-	-	172,995
Unamortized Bond Costs	27,863	340,953	148,485	13,724	-	531,025
TOTAL NON-CURRENT ASSETS	2,126,691	12,922,385	17,346,935	2,724,726	631,539	35,752,276
TOTAL ASSETS	\$ 5,308,675	\$ 13,693,785	\$ 18,414,427	\$ 2,872,654	\$ 1,244,693	\$ 41,534,234
DEFERRED OUTFLOWS OF RESOURCES						
	\$ 138,553	\$ 108,283	\$ 115,524	\$ 96,791	\$ 73,555	\$ 532,706
LIABILITIES						
CURRENT LIABILITIES:						
Accounts Payable	\$ 550,563	\$ 26,066	\$ 46,159	\$ 42,930	\$ 13,438	\$ 679,156
Accrued Salaries and Benefits	22,019	17,590	15,995	12,339	9,335	77,278
Sales Tax Payable	9,574	-	-	44	-	9,618
Customer Deposits	144,700	-	-	3,400	-	148,100
Interest Payable	10,915	81,859	59,073	1,570	-	153,417
Bonds Payable	150,000	395,000	330,000	150,000	-	1,025,000
TOTAL CURRENT LIABILITIES	887,771	520,515	451,227	210,283	22,773	2,092,569
NON-CURRENT LIABILITIES:						
Other Post Employment Benefits	44,854	35,055	37,399	31,334	23,812	172,454
Net Pension Liability	431,955	337,586	360,160	301,759	229,317	1,660,777
Bonds Payable	1,820,000	8,560,000	6,775,000	150,000	-	17,305,000
TOTAL NON-CURRENT LIABILITIES	2,296,809	8,932,641	7,172,559	483,093	253,129	19,138,231
TOTAL LIABILITIES	3,184,580	9,453,156	7,623,786	693,376	275,902	21,230,800
DEFERRED INFLOWS OF RESOURCES						
	\$ 2,782	\$ 2,175	\$ 2,320	\$ 1,944	\$ 1,477	\$ 10,698
NET POSITION						
Invested in Capital Assets, Net of Related Debt	128,828	3,626,432	10,093,450	2,411,002	631,539	16,891,251
Restricted	-	-	-	-	-	-
Unrestricted Net Position	2,131,038	720,305	810,395	(136,877)	409,330	3,934,191
TOTAL NET POSITION	\$ 2,259,866	\$ 4,346,737	\$ 10,903,845	\$ 2,274,125	\$ 1,040,869	\$ 20,825,442

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, 2017

	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
<u>OPERATING REVENUES</u>						
Charges for Services	\$ 6,443,275	\$ 1,876,216	\$ 1,834,784	\$ 1,058,348	\$ 884,187	\$ 12,096,810
Penalties	42,413	9,726	9,394	78,193	6,431	146,157
Other Fees	-	17,644	29,734	-	-	47,378
Rental Income	95,944	2,876	-	-	-	98,820
Other Income	58,571	32,565	27,379	15,982	80,262	214,759
SCADA and Equipment Lease	-	-	-	132,420	-	132,420
TOTAL OPERATING REVENUES	6,640,203	1,939,027	1,901,291	1,284,943	970,880	12,736,344
<u>OPERATING EXPENSES</u>						
Costs of Furnishing Utility	3,271,097	508,248	501,724	776,245	372,124	5,429,438
Employee Wages	448,114	350,216	373,632	313,047	237,844	1,722,853
Employee Benefits	211,023	169,935	189,199	155,831	118,252	844,240
Employee Pension	66,480	57,232	104,578	83,528	51,136	362,954
Insurance	90,060	144,374	123,117	29,311	23,301	410,163
Debt Service	79,019	198,264	179,291	12,363	-	468,937
Depreciation	153,248	404,127	524,102	319,838	87,023	1,488,338
TOTAL OPERATING EXPENSES	4,319,041	1,832,396	1,995,643	1,690,163	889,680	10,726,923
OPERATING INCOME (LOSS)	2,321,162	106,631	(94,352)	(405,220)	81,200	2,009,421
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Interest Earned	17,679	2,204	4,605	115	2,019	26,622
State Grants	-	-	-	-	4,103	4,103
Premium/(Discount) on Bond Issue	-	-	-	-	-	-
Transfers from Other Funds	203,827	155	489,486	149,515	31	843,014
Transfers to Other Funds	(2,305,408)	(294,564)	(129,553)	(33,393)	(25,309)	(2,788,227)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,083,902)	(292,205)	364,538	116,237	(19,156)	(1,914,488)
CHANGES IN NET POSITION	237,260	(185,574)	270,186	(288,983)	62,044	94,933
NET POSITION, JANUARY 1, 2017	2,918,959	4,720,676	10,817,397	2,599,646	1,005,933	22,062,611
PRIOR PERIOD ADJUSTMENT	(896,353)	(188,365)	(183,738)	(36,538)	(27,108)	(1,332,102)
NET POSITION, DECEMBER 31, 2017	\$ 2,259,866	\$ 4,346,737	\$ 10,903,845	\$ 2,274,125	\$ 1,040,869	\$ 20,825,442

The Accompanying Notes are an integral part of these financial statements.

BOROUGH OF KUTZTOWN
Statement of Cash Flows
Proprietary Funds
As of December 31, 2017

	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Cash Received from Users	\$ 6,425,288	\$ 1,880,762	\$ 1,837,756	\$ 1,139,399	\$ 880,843	\$ 12,164,048
Cash Received from Other Operating Revenue	154,515	53,085	57,113	148,402	80,262	493,377
Cash Payments to Employees for Services	(698,898)	(562,174)	(608,458)	(503,879)	(400,300)	(9,530,834)
Cash Payments to Suppliers for Goods and Services	(3,189,252)	(505,814)	(492,443)	(775,903)	(374,628)	(5,338,040)
Cash Payments to Other Operating Expenses	(172,928)	(328,396)	(330,041)	(40,063)	(21,804)	(893,232)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,518,725	537,463	463,927	(32,044)	164,373	3,652,444
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>						
(Increase) Decrease in Due from Other Funds	-	-	-	-	-	-
Increase (Decrease) in Due to Other Funds	-	-	-	-	-	-
State Grants	-	-	-	-	4,103	4,103
Operating Transfers In	203,827	155	489,486	149,515	31	843,014
Operating Transfers Out	(2,305,408)	(294,564)	(129,553)	(33,393)	(25,309)	(2,788,227)
NET CASH PROVIDED BY (USED) FOR NON-CAPITAL FINANCING ACTIVITIES	(2,101,581)	(294,409)	359,933	116,122	(21,175)	(1,941,110)
<u>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</u>						
Loan Principal Payments/Proceeds	(329,300)	309,550	(368,600)	(145,000)	-	(533,350)
Purchase of Fixed Assets	(44,140)	-	(303,682)	-	(87,883)	(435,705)
Sale of Fixed Assets	-	-	-	-	-	-
Interest Paid on Long-Term Borrowings	-	-	-	-	-	-
(Increase) Decrease in Unamortized Bond Costs	1,991	(242,393)	10,606	980	-	(228,816)
NET CASH (USED) FOR CAPITAL FINANCING ACTIVITIES	(371,449)	67,157	(661,676)	(144,020)	(87,883)	(1,197,871)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Earnings on Investments	17,679	2,204	4,605	115	2,019	26,622
NET CASH PROVIDED BY INVESTING ACTIVITIES	17,679	2,204	4,605	115	2,019	26,622
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	63,374	312,415	166,789	(59,827)	57,334	540,085
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,373,588	286,808	720,497	95,131	458,359	3,934,383
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,436,962	\$ 599,223	\$ 887,286	\$ 35,304	\$ 515,693	\$ 4,474,468

The Accompanying Notes are an integral part of these financial statements.

BOROUGH OF KUTZTOWN
Statement of Cash Flows
Proprietary Funds
As of December 31, 2017

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

	ELECTRIC FUND	MAJOR WATER FUND	SEWER FUND	NON-MAJOR TELECOM FUND	REFUSE FUND	TOTAL
OPERATING INCOME (LOSS)	\$ 2,321,162	\$ 106,631	\$ (94,352)	\$ (405,220)	\$ 81,200	\$ 2,009,421
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Depreciation	153,248	404,127	524,102	319,838	87,023	1,488,338
CHANGE IN ASSETS AND LIABILITIES:						
(Increase) Decrease in Accounts Receivable	(53,439)	(5,180)	(6,422)	3,957	(9,775)	(70,859)
(Increase) Decrease in Prepaid Expenses	1,683	2,228	2,230	1,919	1,497	9,557
(Increase) Decrease in Deferred Outflows	(24,784)	(16,629)	(33,954)	(28,200)	(11,245)	(114,812)
Increase (Decrease) in Accounts Payable	81,845	2,434	9,281	342	(2,504)	91,398
Increase (Decrease) in Accrued Salaries and Benefits	1,830	3,371	1,269	884	(967)	6,387
Increase (Decrease) in Sales Tax Payable	1,164	-	-	1	-	1,165
Increase (Decrease) in Interest Payable	(5,532)	12,014	(29,863)	(308)	-	(23,689)
Increase (Decrease) in GASB 68 Pension and OPEB Liability	50,500	29,200	91,904	76,075	19,644	267,323
Increase (Decrease) in Deferred Inflows	(827)	(733)	(268)	(232)	(500)	(2,560)
Increase (Decrease) in Customer Deposits	(8,125)	-	-	(1,100)	-	(9,225)
TOTAL ADJUSTMENTS	<u>197,563</u>	<u>430,832</u>	<u>558,279</u>	<u>373,176</u>	<u>83,173</u>	<u>1,643,023</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,518,725</u>	<u>\$ 537,463</u>	<u>\$ 463,927</u>	<u>\$ (32,044)</u>	<u>\$ 164,373</u>	<u>\$ 3,652,444</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, 2017

	POLICE PENSION TRUST FUNDS
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 162,029
Investments, at Fair Value	5,595,429
TOTAL ASSETS	<u>\$ 5,757,458</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ -</u>
<u>LIABILITIES</u>	
Pension Taxes Payable	\$ -
TOTAL LIABILITIES	<u>\$ -</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>\$ -</u>
 <u>NET POSITION</u>	
Restricted for Employee Benefits	<u>5,757,458</u>
TOTAL NET POSITION	<u>\$ 5,757,458</u>

The Accompanying Notes are an integral part of these financial statements.

BOROUGH OF KUTZTOWN
Statement of Additions, Deductions and Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2017

	PENSION BENEFIT TRUST FUNDS
ADDITIONS:	
State Aid	\$ 81,099
Employee Contributions	51,125
Miscellaneous	-
INVESTMENT EARNINGS:	
Interest and Dividends	108,165
Realized Gains (Losses)	104,890
Change in Fair Value of Investments	649,629
TOTAL ADDITIONS	<u>994,908</u>
 DEDUCTIONS:	
Administrative Charges	13,829
Investment Expenses	53,445
Employee Benefits	202,586
TOTAL DEDUCTIONS	<u>269,860</u>
 CHANGES IN NET POSITION	 725,048
 NET POSITION - BEGINNING OF YEAR	 <u>5,032,410</u>
 NET POSITION - END OF YEAR	 <u>\$ 5,757,458</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, 2017

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL				
<u>RESOURCES (INFLOW):</u>						
Taxes	\$ 988,900	\$ 988,900	\$ 1,106,414	\$ 117,514	\$ -	\$ 1,106,414
Licenses and Permits	189,900	189,900	195,168	5,268	-	195,168
Fines and Forfeits	156,000	156,000	131,142	(24,858)	-	131,142
Intergovernmental	263,150	263,150	337,053	73,903	-	337,053
Charges for Services	217,400	217,400	208,178	(9,222)	-	208,178
Miscellaneous	30,500	30,500	22,346	(8,154)	-	22,346
Reimbursements	175,301	175,301	251,651	76,350	-	251,651
Investment and Rental Earnings	426,600	426,600	412,135	(14,465)	-	412,135
Refund of Prior Year Expenditures	100	100	744,607	744,507	-	744,607
Transfers from Other Funds	2,094,897	2,094,897	2,527,456	432,559	-	2,527,456
TOTAL RESOURCES	4,542,748	4,542,748	5,936,150	1,393,402	-	5,936,150
<u>CHARGES TO APPROPRIATIONS (OUTFLOWS):</u>						
General Government						
Legal	9,000	9,000	33,199	(24,199)	-	33,199
Mayor, Legislative, Borough Manager	298,662	298,662	343,076	(44,414)	-	343,076
Finance and Accounting	28,634	28,634	28,740	(106)	-	28,740
Tax Collection	8,787	8,787	1,856	6,931	-	1,856
Engineering	500	500	913	(413)	-	913
Buildings and Plant	162,281	162,281	92,705	69,576	-	92,705
Public Safety						
Police	1,940,858	1,940,858	1,876,841	64,017	-	1,876,841
Fire and Ambulance	64,194	64,194	79,117	(14,923)	-	79,117
Inspections & Permits	379,453	379,453	350,293	29,160	-	350,293
Emergency Management	3,400	3,400	1,649	1,751	-	1,649
Public Works						
Street Maintenance and Lighting	797,381	797,381	875,825	(78,444)	-	875,825
Culture and Recreation						
Parks and Pool	601,555	601,555	613,862	(12,307)	-	613,862
Non-Departmental						
Debt Service	192,000	192,000	138,966	53,034	-	138,966
Miscellaneous	56,000	56,000	53,941	2,059	-	53,941
Transfer to Other Funds	-	-	275,675	(275,675)	-	275,675
TOTAL CHARGES TO APPROPRIATIONS	4,542,705	4,542,705	4,766,658	(223,953)	-	4,766,658
Excess (Deficiency) of Inflows Over Outflows	43	43	1,169,492	1,169,449	-	1,169,492
FUND BALANCE - JANUARY 1, 2017	(43)	(43)	(1,335,624)	(1,335,581)	-	(1,335,624)
PRIOR PERIOD ADJUSTMENT	-	-	1,472,478	1,472,478	-	1,472,478
FUND BALANCE - DECEMBER 31, 2017	\$ -	\$ -	\$ 1,306,346	\$ 1,306,346	\$ -	\$ 1,306,346

The Accompanying Notes are an integral part of these financial statements.

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

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 insure 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, 2017

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 four 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, 2017

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 waste water 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 agency funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Borough's own programs. The Borough has one (1) trust fund, consisting of the Police Pension Fund, and do not involve measurement of results of operations.

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

D. Measurement Focus

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

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

E. Budgets and Budgetary Accounting

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

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Refuse Fund, Water Fund, Electric Fund, Sewer Fund, Telecommunications Fund and Highway Aid Fund. All annual appropriations lapse at fiscal year-end. Budgets 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, waste, and telecommunication funds. Expenditures exceeded revenues in the general, highway aid and sewer 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, expect that budgetary basis expenditures include any encumbrances issued for goods or services not received at year-end and not terminated.

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

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

F. Use of Estimates

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

G. 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 2017 is \$192,023,700 at a rate of 4.1 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 lienied 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:

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

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

Capital Assets

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

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

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

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

Deferred Outflows/Inflows of Resources

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.

BOROUGH OF KUTZTOWN
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Year Ended December 31, 2017

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.

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 assets – 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 \$8,865,263. The difference of (\$53,389) 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.

BOROUGH OF KUTZTOWN
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- b) Capital related differences include: (1) the differences between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities; and, (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording of depreciation expense on those items as recorded in the statement of activities.
- c) Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability; principal payments are recorded as a reduction of liabilities.

Explanation of Differences between Governmental Fund Statements and Borough-Wide Statements

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	TOTAL FOR STATEMENT OF ACTIVITIES
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Property Taxes	\$ 775,705	\$ -	\$ -	\$ -	\$ 775,705
Other Taxes Levied for General Purposes	675,704	-	-	-	675,704
Grants, Subsidies & Contributions	17,634	-	-	-	17,634
Investment and Rental Earnings	415,903	-	-	-	415,903
Miscellaneous	4,712	-	-	-	4,712
Charges for Services	786,139	-	-	-	786,139
Refund of Prior Years Expense	744,607	-	-	-	744,607
Transfers In	2,527,465	-	-	-	2,527,465
STATE SOURCES:					
Operating Grants and Contributions	481,399	-	-	-	481,399
FEDERAL SOURCES:					
Operating Grants and Contributions	-	-	-	-	-
TOTAL REVENUES	6,429,268	-	-	-	6,429,268
EXPENDITURES/EXPENSES AND OTHER USES					
General Government	500,489	7,135	-	-	507,624
Public Safety	2,558,750	11,108	(32,220)	-	2,537,638
Public Works	879,221	13,962	(221,403)	-	671,780
Culture and Recreation	615,328	21,184	(36,805)	-	599,707
Community Development	-	-	-	-	-
Non-Departmental	53,941	-	-	-	53,941
Debt Service Payments	138,966	-	-	(131,650)	7,316
Depreciation	-	-	-	427,290	427,290
Transfers Out	582,252	-	-	-	582,252
TOTAL EXPENDITURES/EXPENSES	5,328,947	53,389	(290,428)	295,640	5,387,548
NET CHANGE FOR THE YEAR	\$ 1,100,321	\$ (53,389)	\$ 290,428	\$ (295,640)	\$ 1,041,720

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

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, 2017, \$3,282,477 of the Borough's bank balance of \$3,694,506 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	3,282,477
TOTAL	<u>\$ 3,282,477</u>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 3,282,477
Plus: Insured Amount	412,029
Deposit in Transit	36,701
Less: Outstanding Checks	<u>(196,317)</u>
Carrying Amount - Bank Balances	3,534,890
Plus: Petty Cash	900
Deposits in Investment Pool Considered Cash Equivalents	2,982,833
Deposits in Money Market Mutual Funds Considered Cash Equivalent	-
TOTAL CASH PER FINANCIAL STATEMENTS	<u>\$ 6,518,623</u>

Restricted Cash

The cash balance includes \$162,029 held for pension benefits.

Note 5 - Investments

The permitted investments for Pennsylvania Boroughs are defined in the Borough Code 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.

BOROUGH OF KUTZTOWN
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Year Ended December 31, 2017

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

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.

BOROUGH OF KUTZTOWN
Notes To Financial Statements
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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 uses 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 7.5% per year (actuarial assumption). The fund will be expected to out-perform this target return over a complete market cycle of 3 to 5 years. Equity investments will range between 35% and 65% of the total portfolio. An exchange traded fund will be utilized to achieve diversification. A portion of the funds will also be invested within a money market account and a fixed income manager.

As of December 31, 2017, the Borough had the following investments:

<i>Investments</i>	<i>Maturities</i>	<i>Fair Value</i>
PA Local Government Investment Trust/PA Invest Pool		\$ 2,982,833
Municipal Bond	10 mos - 29 years	914,230
U.S. Government Agency Bonds	3 years 6 mos - 22 years 2 mos	213,942
Corporate Bonds	1 year 5 mos - 16 years 1 mo	99,644
Common Stocks		2,751,620
ETF's and CEF's		1,615,993
TOTAL		\$ 8,578,262

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, 2017, the Borough's significant investments were rated as:

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

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

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 49.18%, 28.88%, 16.34%, 1.78%, and 3.82%, respectively represent the Police Pension Trust Funds investments.

Custodial Credit Risk

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

Foreign Currency Risk

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

Reconciliation to Financial Statements

Total Investments Above	\$ 8,578,262
Less: Deposits in Investment Pool Considered Cash Equivalents	(2,982,833)
Total Investments Per Financial Statements	\$ 5,595,429

Restricted Investments

The investments include \$5,595,429 held for future pension obligation for the police pension plan.

Note 6 - Receivables

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

	General Fund	Non- Major Funds	Electric Fund	Water Fund	Sewer Fund	Telecom Fund	Refuse Fund	Component Unit	Total
Receivables									
Taxes	\$ 3,069	\$ 3,398	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,467
Accounts	-	-	728,253	157,311	156,138	99,848	93,033	69,976	1,304,559
Intergovernmental	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Gross Receivables	3,069	3,398	728,253	157,311	156,138	99,848	93,033	69,976	1,311,026
Less: Allowance for Uncollectibles	-	-	-	-	-	-	-	-	-
Net Receivables	\$ 3,069	\$ 3,398	\$ 728,253	\$ 157,311	\$ 156,138	\$ 99,848	\$ 93,033	\$ 69,976	\$ 1,311,026

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

Note 7 – Capital Assets

Capital asset balances and activity for the year ending December 31, 2017, were:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 1,170,478	\$ -	\$ -	\$ 1,170,478
Construction in Progress	-	-	-	-
Total Capital Assets not being depreciated	1,170,478	-	-	1,170,478
Capital Assets being Depreciated:				
Buildings	2,343,172	-	-	2,343,172
Machinery, Equipment and Vehicles	1,595,494	61,909	-	1,657,403
Infrastructure	12,037,929	228,519	-	12,266,448
Total Capital Assets being depreciated	15,976,595	290,428	-	16,267,023
Less: Accumulated Depreciation for:				
Buildings	(1,287,982)	(73,940)	-	(1,361,922)
Machinery, Equipment and Vehicles	(1,395,819)	(68,344)	-	(1,464,163)
Infrastructure	(5,461,147)	(285,006)	-	(5,746,153)
Total Accumulated Depreciation	(8,144,948)	(427,290)	-	(8,572,238)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	7,831,647	(136,862)	-	7,694,785
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 9,002,125	\$ (136,862)	\$ -	\$ 8,865,263
Business-Type Activities:				
Capital Assets not being depreciated:				
Land	\$ 1,292,121	\$ -	\$ -	\$ 1,292,121
Construction in Progress	-	172,995	-	172,995
Total Capital Assets not being depreciated	1,292,121	172,995	-	1,465,116
Capital Assets being Depreciated:				
Buildings	1,767,271	-	-	1,767,271
Machinery, Equipment and Vehicles	46,365,040	137,381	(161,731)	46,340,690
Infrastructure	12,533,904	125,329	-	12,659,233
Total Capital Assets being depreciated	60,666,215	262,710	(161,731)	60,767,194
Less: Accumulated Depreciation for:				
Buildings	(680,830)	(40,893)	-	(721,723)
Machinery, Equipment and Vehicles	(23,943,452)	(1,179,054)	161,731	(24,960,775)
Infrastructure	(1,060,170)	(268,391)	-	(1,328,561)
Total Accumulated Depreciation	(25,684,452)	(1,488,338)	161,731	(27,011,059)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	34,981,763	(1,225,628)	-	33,756,135
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 36,273,884	\$ (1,225,628)	\$ -	\$ 35,221,251

The depreciation was charged to the governmental activities as follows:

Depreciation – Unallocated **\$ 427,290**

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

Depreciation – Unallocated **\$1,488,338**

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

Note 8 – Transfers

The Borough also made the following interfund transfers during the year ended December 31, 2017.

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 2,527,456	\$ 275,675
Fire Protection Tax Fund (Special Revenue)	-	2
Recreation Tax Fund (Special Revenue)	9	62,000
Road Tax Fund (Special Revenue)	-	144,575
Highway Aid Fund (Special Revenue)	-	100,000
Refuse Fund (Enterprise)	31	25,309
Water Fund (Enterprise)	155	294,564
Electric Fund (Enterprise)	203,827	2,305,408
Sewer Fund (Enterprise)	489,486	129,553
Telecom Fund (Enterprise)	149,515	33,393
TOTAL	\$ 3,370,479	\$ 3,370,479

Note 9 – Long-Term Debt Commitment

Long-Term Liability balances and activity for the year ended December 31, 2017, were:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr
Governmental Activities:					
Bonds Payable					
Capital Projects	\$ 596,650	\$ 45,000	\$ 176,650	\$ 465,000	\$ 135,000
Total Governmental Activities					
Long-Term Liabilities	\$ 596,650	\$ 45,000	\$ 176,650	\$ 465,000	\$ 135,000
Business-Type Activities					
Bonds Payable					
Capital Projects	\$ 18,863,350	\$ 7,605,000	\$ 8,138,350	\$ 18,330,000	\$ 1,025,000
Total Business-Type Activities					
Long-Term Liabilities	\$ 18,863,350	\$ 7,605,000	\$ 8,138,350	\$ 18,330,000	\$ 1,025,000

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

Total interest paid during the year:

Governmental Activities	Paid
General Obligation Bonds	\$ 7,316
Total Interest Paid By Governmental Activities	\$ 7,316

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

Business-Type Activities	Paid
General Obligation Bonds	\$ 421,854
Total Interest Paid by Business-Type Activities	\$ 421,854

The total interest cost incurred and charged to expense in 2017 was \$429,170.

Long-Term Debt

At December 31, 2017, 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.	\$ 2,010,000
General Obligation Bonds, Series of 2013B M&T Bank, Initial issue \$5,570,000 interest rates from 0.350% to 4.0% per annum until November, 2037. During the 2017 year the remaining \$4,985,000 of the outstanding bonds were refinanced into the General Obligations Bonds Series of 2017A.	-
General Obligation Bonds Series of 2011B M&T Bank, Initial issue \$8,730,000 interest rates from 4.125% to 5% per annum until August, 2032. During the 2016 year, \$6,160,000 of the outstanding bonds were refinanced into the General Obligation Bonds - Series of 2016. During the 2017 year, the remaining \$2,395,000 of the outstanding bonds were refinanced into the General Obligations Bonds Series of 2017.	-
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.	6,560,000
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.	2,575,000
General Obligation Bonds, Series of 2017, S&T Bank, Initial issue \$2,435,000 at an interest rate of 2.82% per annum until August, 2032.	2,435,000
General Obligation Bonds, Series of 2017A, S&T Bank, Initial Issue \$5,215,000 at an interest rate of 2.82% per annum until August, 2037.	5,215,000
TOTAL	\$ 18,795,000

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

At December 31, 2017, the division of debt between the governmental and business-type activities was as follows:

Governmental	\$ 465,000
Business-Type	18,330,000
Total	\$ 18,795,000

The following summarizes debt activity for the Borough for 2017:

	Outstanding January 1, 2017	Issued	Retired	Outstanding December 31, 2017	Due in One Year
General Obligation Bonds 2013A	\$ 2,250,000	\$ -	\$ 240,000	\$ 2,010,000	\$ 245,000
General Obligation Bonds 2013B	4,985,000	-	4,985,000	-	-
General Obligation Bonds 2011B	2,415,000	-	2,415,000	-	-
General Obligation Bonds 2016	6,565,000	-	5,000	6,560,000	240,000
General Obligation Bonds 2016A	3,245,000	-	670,000	2,575,000	465,000
General Obligation Bonds 2017	-	2,435,000	-	2,435,000	-
General Obligation Bonds 2017B	-	5,215,000	-	5,215,000	210,000
TOTAL	\$ 19,460,000	\$ 7,650,000	\$ 8,315,000	\$ 18,795,000	\$ 1,160,000

Aggregate maturities required on debt at December 31, 2017 are as follows:

Fiscal Year	Principal	Interest
2018	\$ 1,160,000	\$ 484,545
2019	1,220,000	473,767
2020	1,095,000	445,282
2021	1,115,000	420,333
2022	1,055,000	394,444
2023-2027	5,375,000	1,778,623
2028-2032	6,210,000	645,350
2032-2037	1,565,000	167,650
TOTAL	\$ 18,795,000	\$ 4,809,994

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

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

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 2017	GOB Series 2017A	Total Payments
2018	\$ 245,000	\$ 240,000	\$ 465,000	\$ -	\$ 210,000	\$ 1,160,000
2019	250,000	345,000	415,000	-	210,000	1,220,000
2020	100,000	350,000	425,000	-	220,000	1,095,000
2021	105,000	360,000	430,000	-	220,000	1,115,000
2022	110,000	370,000	330,000	20,000	225,000	1,055,000
2023-2027	600,000	2,335,000	300,000	905,000	1,235,000	5,375,000
2028-2032	600,000	2,560,000	210,000	1,510,000	1,330,000	6,210,000
2033-2037	-	-	-	-	1,565,000	1,565,000
TOTAL	\$ 2,010,000	\$ 6,560,000	\$ 2,575,000	\$ 2,435,000	\$ 5,215,000	\$ 18,795,000
Less: Payable Within One Year	245,000	240,000	465,000	-	210,000	1,160,000
Long-Term Debt Outstanding	\$ 1,765,000	\$ 6,320,000	\$ 2,110,000	\$ 2,435,000	\$ 5,005,000	\$ 17,635,000

Principal and Interest Requirements Fiscal Year	GOB Series 2013A	GOB Series 2016	GOB Series 2016A	GOB Series 2017	GOB Series 2017A	Total Payments
2018	\$ 327,321	\$ 388,767	\$ 512,315	\$ 65,615	\$ 350,527	\$ 1,644,545
2019	325,800	490,959	457,200	68,667	351,141	1,693,767
2020	168,437	489,059	458,900	68,667	355,219	1,540,282
2021	170,192	492,059	455,400	68,667	349,015	1,535,333
2022	171,307	494,859	346,800	88,667	347,811	1,449,444
2023-2027	833,035	2,832,043	524,400	1,214,636	1,749,509	7,153,623
2028-2032	676,167	2,759,758	-	1,672,750	1,746,675	6,855,350
2033-2037	-	-	-	-	1,732,650	1,732,650
TOTAL	\$ 2,672,259	\$ 7,947,504	\$ 2,755,015	\$ 3,247,669	\$ 6,982,547	\$ 23,604,994

Comprised of the following Fund Allocations	GOB Series 2013A	GOB Series 2016	GOB Series 2016A	GOB Series 2017	GOB Series 2017A	Total Payments	Less Payable in One Year	Long-Term Debt
General Fund	\$ -	\$ -	\$ 420,000	\$ 45,000	\$ -	\$ 465,000	\$ 135,000	\$ 330,000
Water Fund	-	-	1,390,000	2,350,000	5,215,000	8,955,000	395,000	8,560,000
Electric Fund	1,710,000	-	220,000	40,000	-	1,970,000	150,000	1,820,000
Sewer Fund	-	6,560,000	545,000	-	-	7,105,000	330,000	6,775,000
Telecommunication Fund	300,000	-	-	-	-	300,000	150,000	150,000
TOTALS	\$ 2,010,000	\$ 6,560,000	\$ 2,575,000	\$ 2,435,000	\$ 5,215,000	\$ 18,795,000	\$ 1,160,000	\$ 17,635,000

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

Note 10 – Prior Period Adjustment

The Borough had for many years carried balances on the balance sheet in various funds as due to/from other funds. It was finally determined after much research that included review of existing records, review of the accounting software and discussions with management and the members of the governing body that those balance may have been improperly valued. This was specifically due to accounting errors related to the allocation of revenue and expenses from the consolidated cash accounts. Over the many years that this problem has existed it resulted in an over/understatement of revenues and expenses in the various funds in particular transactions between the general fund and the various other governmental and enterprise funds. As a result of these changes the following fund balance were adjusted as follows:

	Increase/(Decrease)
	Fund Balance
General Fund	\$ 1,472,478
Fire Protection Fund	(11,490)
Recreation Tax Fund	(51,162)
Road Tax Fund	(77,824)
Electric Fund	(896,353)
Water Fund	(188,365)
Sewer Fund	(183,738)
Telecom Fund	(36,538)
Refuse Fund	(27,108)

Note 11 - Pension Plan Obligations

Non-Uniformed Pension Plan

Plan Description

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 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

Basis of Accounting: 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.

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

Method Used to Value Investments: 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, 2017, the date of the most recent actuarial valuation and December 31, 2017, the plan-year end, plan membership consisted of the following:

	1/1/2017
Inactive employees or beneficiaries currently receiving benefits	31
Inactive entitled to but not yet receiving benefits	5
Active employees	<u>45</u>
TOTAL	<u>81</u>

Contributions and Funding Policy

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

The plan's funding policy provides for periodic employer contributions, determined actuarially, that are sufficient to accumulate assets to pay benefits when due. The Borough is required to contribute each year the Minimum Municipal Obligation (MMO), which is determined the previous year based on the most recent actuarial valuation. The Borough may allocate General Municipal Pension System State Aid toward 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 \$326,728.

Net Pension Liability

The net pension liability for December 31, 2017 was measured as of December 31, 2016, and the total pension liability was determined by rolling forward the liabilities from the January 1, 2015 actuarial valuation to the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

The total pension liability as of December 31, 2017 was determined using the following economic assumptions, applied to all periods included in the measurement.

Inflation: 3.0%
Salary Increases: Salary Scale
Investment Return: 5.25% (including inflation)
Post-Retirement Cost: 3%
Actuarial Cost Method: Entry Age Normal
Amortization Method: Level Dollar Close
Amortization Period: 6 Years

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

Mortality rates were based on the RP-2000 Mortality tables for males and females.

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 is summarized in the following table. This information was provided by the plan's investment consultants, PMRS.

Determination of Long-Term Expected Rate of Return

Asset Class	Target Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
Domestic Equity-Large Cap	25%	9.4%	6.9%
Domestic Equity-Small Cap	15%	10.0%	6.8%
International Equity-Developed Markets	15%	6.7%	4.0%
International Equity-Emerging Markets	10%	10.9%	7.6%
Real Estate	20%	10.0%	7.1%
Fixed Income	15%	5.4%	2.4%
TOTAL	100.00%	8.8%	5.8%
Long-Term Expected Rate of Return			7.50%

In addition to determining the System's Long-Term Expected Rate of Return, PMRS also develops a Long-Term Expected Rate of Return for individual participating municipalities. The Long-Term Expected Rate of Return for individual participating municipalities is also referred to as the Regular Interest Rate. Under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), the Board is obligated to apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. Therefore, under the law, the Long-Term Expected Rate of Return for individual participating municipalities is equal to the Regular Interest Rate. As of December 31, 2016, this rate is equal to 5.25%.

Discount Rate:

The discount rate used to measure the total pension liability was 7.5%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability.

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

Changes in the Net Pension Liability

The schedule below shows the changes in the Net Pension Liability during the most recent year. (Measurement Year Ending 12/31/16)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/2015	\$ 12,417,200	\$ 10,375,637	\$ 2,041,563
Adjustments	-	-	-
Changes for the year:			
Service Cost	279,381	-	279,381
Interest	676,308	-	676,308
Changes of Assumptions	360,183	-	360,183
Differences between expected and actual experience	148,378	-	148,378
Employer Contributions	-	248,758	(248,758)
PMRS Assesment Contributions	-	1,700	(1,700)
Employee Contributions	-	144,183	(144,183)
PMRS Investment Income	-	610,623	(610,623)
Market Value Investment Income	-	147,220	(147,220)
Benefit Payments (including contribution refunds)	(811,004)	(811,004)	-
PMRS Administration Expenses	-	(1,660)	1,660
Additional Administration Expenses	-	(29,915)	29,915
Net Changes	653,246	309,905	343,341
Balances at 12/31/2016	<u>\$ 13,070,446</u>	<u>\$ 10,685,542</u>	<u>\$ 2,384,904</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	\$ 14,607,796	\$ 13,070,446	\$ 11,769,634
Plan Fiduciary Net Position	10,685,542	10,685,542	10,685,542
Net Pension Liability	<u>\$ 3,922,254</u>	<u>\$ 2,384,904</u>	<u>\$ 1,084,092</u>
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	73.15%	81.75%	90.79%

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

Components of Pension Expense for Year Ended December 31, 2017 (Measurement Year Ending 12/31/16)

Service Cost	\$ 279,381
Interest on the Total Pension Liability	676,308
Differences between Expected and Actual Experience	93,502
Changes in Assumptions	56,207
Employee Contributions	(144,183)
Projected Earnings on Pension Plan Investments	(610,623)
Difference between Projected and Actual Earnings on Investments	48,100
Pension Plan Administrative Expense	31,575
Insurance Premiums	-
Other Changes in Net Fiduciary Position	-
Total Pension Expense	\$ 430,267

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2017, the actuarially determined pension expense is \$430,267. The Borough has deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2017:

Deferred Outflows and Inflows of Resources Related to Pension

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Projected and Actual Experience	\$ 330,013	\$ 69
Changes in Actuarial Assumptions	300,152	15,293
Net Difference in Projected and Actual Earnings on Plan Investments	134,811	-
Totals	\$ 764,976	\$ 15,362

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

2017	\$ 197,809
2018	197,808
2019	217,763
2020	51,478
2021	84,756
Thereafter	-

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

Reconciliation of Pension Expense with Net Pension Liability

Change in Net Pension Liability	\$ 343,341
Change in Deferred (Outflows) of Resources	(159,691)
Change in Deferred Inflows of Resources	(3,841)
Employer Contributions	326,728
Total Pension Expense	\$ 506,537

Police Pension Plan

Plan Description

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.

All full-time police 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. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: 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.

Method Used to Value Investments: 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, 2017, the date of the most recent actuarial valuation and December 31, 2017, the plan-year end, plan membership consisted of the following:

	12/31/2017
Inactive Members or Beneficiaries Currently Receiving Benefits	7
Inactive Members Entitled to but not yet Receiving Benefits	-
Active Plan Members	12
TOTAL	19

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

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 non-uniform plan in the amount of \$81,099.

Net Pension Liability

The net pension liability for December 31, 2017 was measured as of December 31, 2016, and the total pension liability was determined by rolling forward the liabilities from the January 1, 2015 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 as of January 1, 2015 was determined using the following economic assumptions, applied to all periods included in the measurement.

Inflation: 3.0%

Salary Increases: 5.0% (Ave. including inflation)

Investment Return: 7.75% (including inflation)

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level Dollar Closed

Amortization Period: Not Applicable

Mortality rates were based on the RP-2000 Mortality tables for males and females.

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.

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

The target allocation and best estimates of arithmetic real rates of return for each major asset class is summarized in the following table. This information was provided by the plan's investment consultants, Conrad Siegel.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	60.00%	5.50% - 7.50%
International Equity	10.00%	4.5% - 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's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability.

Changes in the Net Pension Liability

The schedule below shows the changes in the Net Pension Liability during the most recent year. (Measurement Year December 31, 2016)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 1/1/2016	\$ 4,488,623	\$ 4,883,744	\$ (395,121)
Changes during 2016:			
Service Cost	139,939	-	139,939
Interest	351,351	-	351,351
Changes for Experience	-	-	-
Changes for Assumptions	-	-	-
Employer Contributions	-	85,978	(85,978)
Employee Contributions	-	48,604	(48,604)
Net Investment Income	-	212,912	(212,912)
Benefit Payments (including contribution refunds)	(190,002)	(190,002)	-
Insurance Premiums	-	-	-
Administration Expenses	-	(6,300)	6,300
Other Changes	-	-	-
Net Changes	301,288	151,192	150,096
Balances at 12/31/2016	\$ 4,789,911	\$ 5,034,936	\$ (245,025)

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

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 6.75%	Current Discount Rate 7.75%	1% Increase in Discount Rate 8.75%
Plan's Net Pension Liability	\$ 313,302	\$ (245,025)	\$ (715,185)

Components of Pension Expense for Year Ended December 31, 2017 (Measurement Year Ending December 31, 2016)

Service Cost	\$ 139,939
Interest on the Total Pension Liability	351,351
Differences between Expected and Actual Experience	(35,508)
Changes in Assumptions	(6,094)
Employee Contributions	(48,604)
Projected Earnings on Pension Plan Investments	(376,099)
Difference between Projected and Actual Earnings on Investments	108,953
Pension Plan Administrative Expense	6,300
Insurance Premiums	-
Other Changes in Net Fiduciary Position	-
Total Pension Expense	\$ 140,238

Pension Expense and Deferred Outflows and inflows of Resources

For the year ended December 31, 2017, the actuarially determined pension expense is \$140,238. The Borough has deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Projected and Actual Experience	\$ -	\$ 248,556
Net Difference in Projected and Actual Earnings on Plan Investments	359,497	-
Changes in Actuarial Assumptions	-	42,654
Totals	\$ 359,497	\$ 291,210

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

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

2018	\$ 67,351
2019	67,351
2020	(8,965)
2021	(41,602)
2022	(41,602)
Thereafter	(41,602)

Reconciliation of Pension Expense with Net Pension Liability

Change in Net Pension Asset, Net of Other Changes	\$ -
Change in Deferred (Outflows) of Resources	-
Change in Deferred Inflows of Resources	-
Employer Contributions	81,099
Total Pension Expense	\$ 81,099

Note 12 – Postemployment Benefits Other than Pension:

Plan Description

The Borough offers, through its health care plan, a single-employer defined benefit plan for health care coverage for all retiree only equal to 50% of the cost to the following employees:

1. Any full-time police officer, but not their dependent, who retires after completing 25 years of service and attaining the age of 50. The retiree is eligible for one year of coverage for every five (5) years of service, with coverage ceasing at age 65.
2. Full-time hourly employees. The retiree is eligible for one-year of coverage for every five (5) years of service, with coverage ceasing at age 65.
3. Full-time salaried/confidential employees. The retiree is eligible for one-year of coverage for every three years of service, with coverage ceasing at age 65.

The coverage includes medical, prescription, dental and vision benefits from the date of retirement until the participant is eligible for Medicare. The plan does not issue a separate report.

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

As of, the date of the most recent valuation (January 1, 2015), participants in the plans were as follows:

	Non-Uniformed Employees	Police
Active Participants	41	11
Retired Participants	2	0

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.

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

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, including assumptions regarding trends in health care premiums, demographic assumptions, mortality, employment or age adjustments. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actual assumptions include a 4.5% rate of return and health care cost trend rates of 6.0% in 2015, 5.5% in 2016 through 2020; decreasing gradually thereafter. 50% of the employees are assumed to elect coverage. The actuarial cost method is entry age normal. An assumption for salary increases (5%) is used only for spreading contributions over future pay under the entry age normal cost method.

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

Trend Information

Projected OPEB costs and obligations are as follows:

(Note: The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits).

	1/1/09	1/1/10	1/1/11	1/1/12	1/1/13	1/1/14	1/1/15	1/1/16	1/1/17
Annual Required Contribution (ARC)	\$ 57,685	\$ 57,685	\$ 57,685	\$ 72,577	\$ 72,577	\$ 56,739	\$ 62,527	\$ 62,527	\$ 62,527
Contribution Made to Plan	5,180	6,035	12,653	37,021	47,441	46,099	34,584	40,471	34,349
	52,505	51,650	45,032	35,556	25,136	10,640	27,943	22,056	28,178
Interest on OPEB Obligation	-	1,885	4,546	6,497	7,991	9,005	10,049	11,141	11,951
Adjustment to ARC	-	(3,224)	(8,007)	(8,864)	(10,901)	3,853	(13,709)	(15,199)	(16,304)
	52,505	50,311	41,571	33,189	22,226	23,498	24,283	17,998	23,825
Net OPEB Obligation Beginning of Year	-	<u>52,505</u>	<u>102,816</u>	<u>144,387</u>	<u>177,576</u>	<u>199,802</u>	<u>223,300</u>	<u>247,583</u>	<u>265,581</u>
Net OPEB Obligation End of Year	\$ 52,505	\$ 102,816	\$ 144,387	\$ 177,576	\$ 199,802	\$ 223,300	\$ 247,583	\$ 265,581	\$ 289,406

The January 1, 2015 ARC (based on the latest available valuation) information is as follows:

ARC	Police	Non-Uniformed	Total
Normal cost	\$ 4,846	\$ 29,325	\$ 34,171
Interest	218	1,320	1,538
Total Normal Cost	\$ 5,064	\$ 30,645	\$ 35,709
Amortization of Unfunded Accrued Liability	4,252	22,566	26,818
ARC	\$ 9,316	\$ 53,211	\$ 62,527
Covered Payroll	\$ 90,177	\$ 2,039,824	\$ 2,941,581
ARC as % of Payroll	1.03%	2.61%	2.13%

The schedules of funding progress are included in the required supplementary information section of the accompanying financial statements.

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

Note 13 – GASB 61 - Condensed Component Unit Data

Condensed Statement of Net Position

	Kutztown Municipal Authority	Kutztown Transportation Authority
ASSETS:		
Cash and Cash Equivalents	\$ 1,179,774	\$ 75,567
Account Receivable	69,976	-
Due from Component Unit	58,759	
Due from Other funds	105,078	-
Capital Assets, Net of Accumulated Depreciation	892,881	-
TOTAL ASSETS:	2,306,468	75,567
LIABILITIES:		
Accounts Payable	57,236	-
Customer Deposits	-	-
Due to Other Funds	105,078	-
Due to Borough of Kutztown	-	-
TOTAL LIABILITIES:	162,314	-
NET POSITION:		
Invested in Capital Assets, net of related Debt	892,881	-
Reserved for Operations	320,630	1,032
Unrestricted	930,643	74,535
TOTAL NET POSITION:	\$ 2,144,154	\$ 75,567

Condensed Statement of Activities

	Kutztown Municipal Authority	Kutztown Transportation Authority
EXPENSES:		
<i>Major Function:</i>		
Water	\$ 677,348	\$ -
Sewer	151,003	-
Transportation	-	2,834
TOTAL EXPENSES	\$ 828,351	\$ 2,834
PROGRAM REVENUES;		
<i>By Type -</i>		
Water	\$ 797,829	\$ -
Sewer	148,622	-
Legal Settlement (Sewer)	41,073	
Miscellaneous	564	75
Transportation	-	10,162
Interest Income	2,145	7
TOTAL REVENUES:	990,233	10,244
Change in Net Position	161,882	7,410
Beginning Net Position:	1,982,272	68,157
Ending Net Position:	\$ 2,144,154	\$ 75,567

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

Condensed Statement of Cash Flows

	Kutztown Municipal Authority	Kutztown Transportation Authority
NET CASH PROVIDED (USED) BY:		
Operating Activities	\$ 69,386	\$ 7,403
Noncapital Financing Activities	-	(75)
Investing Activities	43,782	7
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	113,168	7,335
Beginning Cash and Cash Equivalents	1,066,606	68,232
Ending Cash and Cash Equivalents	\$ 1,179,774	\$ 75,567

Note 14 – Other Commitments

In June 2012, the Borough of Kutztown adopted an ordinance increasing the indebtedness of the Borough through the issuance of a general obligation note for \$199,742. After issuance, the note was sold to Berks County. The indebtedness was required to fulfill a Berks county wide mandate to the emergency system radios. The Borough does not own any of the radio equipment purchased by the issuance of the debt; it is in the possession of the related fire and emergency service providers. The interest rate on the Note is 9% interest and the repayments are due annually for seven years from June 1, 2013 to 2019 in the amount of \$28,535. The debt is not recorded on the Borough's balance sheet because there is no corresponding asset derived from the mandated transaction. The payments are recorded as part of the expenditures for the related services provided by the fire and emergency service providers. The outstanding balance at year-end is \$57,066.

Note 15 - Contingencies

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

Note 16 – 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 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.

BOROUGH OF KUTZTOWN
Notes To Financial Statements
Year Ended December 31, 2017

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 17 – 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	52,729
Fire Protection Fund	125,140
Recreation Tax Fund	90,822
Road Tax Fund	53,353
Unemployment Compensation Escrow Fund	104,709
TOTAL	\$ 426,753

Note 18 – Subsequent Events

The subsequent events have been evaluated through July 6, 2018, which is the date of the financial statements were available to be issued.



HUTCHINSON, GILLAHAN & FREEH, P.C.
ACCOUNTANTS, AUDITORS & CONSULTANTS

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, 2017, 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 July 6, 2018.

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.

BOROUGH COUNCIL

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.

July 6, 2018

BOROUGH OF KUTZTOWN
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

SECTION I – AUDIT FINDINGS

Material Weakness

17.01 – 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.

Significant Deficiencies

17.02 – 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 are aware that the current accounting software system does create serious limitations on the way transactions are processed.
<i>Corrective Action Plan:</i>	We are considering a search for a more efficient accounting software program.

SECTION II – SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Material Weakness

16.01 – General Ledger Accounts Reconciliations

<i>Condition:</i>	General Ledger accounts should be reconciled on a monthly basis.
<i>Comments:</i>	This condition has not been corrected and is cited as a current year material weakness as finding 17.01.

Significant Deficiencies

16.02 – Segregation of Duties

<i>Condition:</i>	Recording of Revenues and Expenses
<i>Comments:</i>	This condition has not been corrected and is cited as a current year significant deficiency as finding 17.02.

REQUIRED SUPPLEMENTAL INFORMATION

BOROUGH OF KUTZTOWN
Required Supplementary Information
December 31, 2017

Schedule of Changes in the Net Pension Liability and Related Ratios
Non-Uniform Pension Plan
Last Ten Years*

	Measurement Year Ending		
	12/31/2016	12/31/2015	12/31/2014
<u>Total Pension Liability</u>			
Service Cost	\$ 279,381	\$ 293,645	\$ 309,223
Interest Cost	676,308	665,766	629,985
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience*	148,378	(103)	412,732
Changes of Assumptions	360,183	(22,941)	-
Transfers	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(811,004)	(652,185)	(718,313)
Net Change in Total Pension Liability	653,246	284,182	633,627
Total Pension Liability - Beginning	12,417,200	12,133,018	11,499,391
Total Pension Liability - Ending	\$ 13,070,446	\$ 12,417,200	\$ 12,133,018
<u>Plan Fiduciary Net Position</u>			
Contributions - Employer	248,758	239,405	81,890
Contributions - PMRS Assessment	1,700	1,720	-
Contributions - Employee	144,183	136,830	130,236
PMRS Investment Income	610,623	571,531	563,912
Market Value Investment Income	147,220	(487,496)	99,776
Transfers	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(811,004)	(652,185)	(718,313)
PMRS Administrative Expense	(1,660)	(1,720)	(1,640)
Additional Administrative Expense	(29,915)	(23,826)	(21,626)
Net Change in Plan Fiduciary Net Position	\$ 309,905	\$ (215,741)	\$ 134,235
Plan Fiduciary Net Position - Beginning	10,375,637	10,591,378	10,457,143
Plan Fiduciary Net Position - Ending	\$ 10,685,542	\$ 10,375,637	\$ 10,591,378
Net Pension Liability - Ending	\$ 2,384,904	\$ 2,041,563	\$ 1,541,640
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 51.75%	 83.56%	 87.29%
Covered Employee Payroll	\$ 2,314,341	\$ 2,196,450	\$ 2,324,479
Net Pension Liability as a Percentage of Covered Employee Payroll	103.05%	92.95%	66.32%

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

BOROUGH OF KUTZTOWN
Required Supplementary Information
December 31, 2017

Schedule of Changes in the Net Pension Liability and Related Ratios
Police Pension Plan
Last Ten Years*

	Measurement Year Ending		
	12/31/2016	12/31/2015	12/31/2014
<u>Total Pension Liability</u>			
Service Cost	\$ 139,939	\$ 133,275	\$ 130,581
Interest Cost	351,351	328,582	332,098
Changes for Experience	-	(319,572)	-
Changes of Assumptions	-	(54,842)	-
Benefit Payments, including Refunds of Member Contributions	(190,002)	(159,444)	(113,222)
Net Change in Total Pension Liability	301,288	(72,001)	349,457
Total Pension Liability - Beginning	4,488,623	4,560,624	4,211,167
Total Pension Liability - Ending	\$ 4,789,911	\$ 4,488,623	\$ 4,560,624
<u>Plan Fiduciary Net Position</u>			
Contributions - Employer	85,978	179,232	168,437
Contributions - Member	48,604	48,205	48,132
Net Investment Income	212,912	(4,999)	252,593
Benefit Payments, including Refunds of Member Contributions	(190,002)	(159,444)	(113,222)
Administrative Expense	(6,300)	(8,700)	-
Net Change in Plan Fiduciary Net Position	\$ 151,192	\$ 54,294	\$ 355,940
Plan Net Position - Beginning	4,883,744	4,829,450	4,437,510
Plan Net Position - Ending	\$ 5,034,936	\$ 4,883,744	\$ 4,793,450
Borough's Net Pension Liability (Asset)	\$ (245,025)	\$ (395,121)	\$ (268,826)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	105.12%	108.8%	105.0%
Covered Employee Payroll	\$ 992,971	\$ 983,083	\$ 901,757
Borough's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	8.66%	18.23%	18.68%

*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, 2017

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
2007	\$ 120,400	\$ 120,400	\$ -	\$ 1,982,042	2.11%
2008	131,371	131,371	-	2,014,166	6.52%
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%

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 2016 is based upon the January 1, 2013 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, 2017

Schedule of Pension Contributions
Police Pension Plan
Last Ten Fiscal Years

Year-Ended December 31,	Actuarially Determined Contribution	Contributions from Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
2007	\$ 77,496	\$ 77,496	\$ -	\$ 649,250	11.94%
2008	91,327	91,327	-	698,866	13.07%
2009	104,763	104,763	-	737,267	14.21%
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%

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:	1/1/2015
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%
Investment Rate of Return	7.75%
Retirement Age:	Attainment of age 53 and completion of 25 years of service
Mortality:	RP 2000 Table. This table does not include projected mortality improvements.
Changes in Benefit Terms:	None since 1/1/2015.

BOROUGH OF KUTZTOWN
Required Supplementary Information
December 31, 2017

Other Postemployment Benefits Plan – Non-Uniformed
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2015	\$ -	\$ 367,577	\$ 367,577	0.0%	\$ 2,039,824	18.02%
1/1/2012	-	429,894	429,894	0.0%	2,083,782	20.63%
1/1/2009	-	300,975	300,975	0.0%	1,904,137	15.81%

Other Postemployment Benefit Plan – Police
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2015	\$ -	\$ 69,259	\$ 69,259	0.0%	\$ 901,757	7.68%
1/1/2012	-	77,254	77,254	0.0%	753,406	10.25%
1/1/2009	-	75,930	75,930	0.0%	609,983	12.45%

OTHER SUPPLEMENTAL INFORMATION

BOROUGH OF KUTZTOWN
Combining Balance Sheet
All Special Revenue Funds
For the Year Ended December 31, 2017

	NON-MAJOR				TOTAL
	FIRE PROTECTION FUND	RECREATION TAX FUND	ROAD TAX FUND	HIGHWAY AID FUND	SPECIAL REVENUE FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 124,385	\$ 90,066	\$ 51,466	\$ 52,729	\$ 318,646
Real Estate Taxes Receivable	755	756	1,887	-	3,398
Due from Other Funds	-	-	-	-	-
TOTAL ASSETS	\$ 125,140	\$ 90,822	\$ 53,353	\$ 52,729	\$ 322,044
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	125,140	90,822	53,353	52,729	322,044
TOTAL FUND BALANCES	125,140	90,822	53,353	52,729	322,044
TOTAL LIABILITIES AND FUND BALANCES	\$ 125,140	\$ 90,822	\$ 53,353	\$ 52,729	\$ 322,044

BOROUGH OF KUTZTOWN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Special Revenue Funds
For the Year Ended December 31, 2017

	NON-MAJOR				TOTAL
	FIRE PROTECTION FUND	RECREATION TAX FUND	ROAD TAX FUND	HIGHWAY AID FUND	SPECIAL REVENUE FUNDS
REVENUES					
Real Estate Taxes	\$ 76,335	\$ 76,335	\$ 190,835	\$ -	\$ 343,505
Liquid Fuels Tax	-	-	-	145,836	145,836
Investment Earnings	726	574	614	1,153	3,067
TOTAL REVENUES	<u>77,061</u>	<u>76,909</u>	<u>191,449</u>	<u>146,989</u>	<u>492,408</u>
EXPENDITURES					
General Government	-	-	-	-	-
Public Safety	250,850	-	-	-	250,850
Public Works	-	-	3,396	-	3,396
Culture and Recreation	-	1,466	-	-	1,466
Community Development	-	-	-	-	-
Debt Service	-	-	-	-	-
TOTAL EXPENDITURES	<u>250,850</u>	<u>1,466</u>	<u>3,396</u>	<u>-</u>	<u>255,712</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(173,789)</u>	<u>75,443</u>	<u>188,053</u>	<u>146,989</u>	<u>236,696</u>
OTHER FINANCING SOURCES (SOURCES)					
Transfers In	-	9	-	-	9
Transfers Out	(2)	(62,000)	(144,575)	(100,000)	(306,577)
TOTAL OTHER FINANCING SOURCES	<u>(2)</u>	<u>(61,991)</u>	<u>(144,575)</u>	<u>(100,000)</u>	<u>(306,568)</u>
NET CHANGES IN FUND BALANCE	<u>(173,791)</u>	<u>13,452</u>	<u>43,478</u>	<u>46,989</u>	<u>(69,872)</u>
FUND BALANCES - BEGINNING	<u>310,421</u>	<u>128,532</u>	<u>87,699</u>	<u>5,740</u>	<u>532,392</u>
PRIOR PERIOD ADJUSTMENT	<u>(11,490)</u>	<u>(51,162)</u>	<u>(77,824)</u>	<u>-</u>	<u>(140,476)</u>
FUND BALANCES - ENDING	<u>\$ 125,140</u>	<u>\$ 90,822</u>	<u>\$ 53,353</u>	<u>\$ 52,729</u>	<u>\$ 322,044</u>

BOROUGH OF KUTZTOWN
Combining Statement of Net Position
All Proprietary Funds
As December 31, 2017

	MAJOR				NON-MAJOR	
	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
ASSETS						
CURRENT ASSETS:						
Cash and Cash Equivalents	\$ 2,436,962	\$ 599,223	\$ 887,286	\$ 35,304	\$ 515,693	\$ 4,474,468
Investments	-	-	-	-	-	-
Accounts Receivable (Net of Allowance for Doubtful Accounts)	728,253	157,311	156,138	99,848	93,033	1,234,583
Prepaid Expenses	16,769	14,866	24,068	12,776	4,428	72,907
Due from Other Funds	-	-	-	-	-	-
TOTAL CURRENT ASSETS	3,181,984	771,400	1,067,492	147,928	613,154	5,781,958
NON-CURRENT ASSETS:						
Land	-	477,407	813,292	1,422	-	1,292,121
Buildings (Net of Depreciation)	818,611	5,714,858	5,657,945	70,500	114,306	12,376,220
Machinery and Equipment (Net of Depreciation)	1,280,217	6,389,167	10,554,218	2,639,080	517,233	21,379,915
Construction In Progress	-	-	172,995	-	-	172,995
Unamortized Bond Costs	27,863	340,953	148,485	13,724	-	531,025
TOTAL NON-CURRENT ASSETS	2,126,691	12,922,385	17,346,935	2,724,726	631,539	35,752,276
TOTAL ASSETS	\$ 5,308,675	\$ 13,693,785	\$ 18,414,427	\$ 2,872,654	\$ 1,244,693	\$ 41,534,234
DEFERRED OUTFLOWS OF RESOURCES						
	\$ 138,553	\$ 108,283	\$ 115,524	\$ 96,791	\$ 73,555	\$ 532,706
LIABILITIES						
CURRENT LIABILITIES:						
Accounts Payable	\$ 550,563	\$ 26,066	\$ 46,159	\$ 42,930	\$ 13,438	\$ 679,156
Accrued Salaries and Benefits	22,019	17,590	15,995	12,339	9,335	77,278
Sales Tax Payable	9,574	-	-	44	-	9,618
Customer Deposits	144,700	-	-	3,400	-	148,100
Interest Payable	10,915	81,859	59,073	1,570	-	153,417
Notes Payable	150,000	395,000	330,000	150,000	-	1,025,000
TOTAL CURRENT LIABILITIES	887,771	520,515	451,227	210,283	22,773	2,092,569
NON-CURRENT LIABILITIES:						
Other Post Employment Benefits	44,854	35,055	37,399	31,334	23,812	172,454
Net Pension Liability	431,955	337,586	360,160	301,759	229,317	1,660,777
Notes Payable	1,820,000	8,560,000	6,775,000	150,000	-	17,305,000
TOTAL NON-CURRENT LIABILITIES	2,296,809	8,932,641	7,172,559	483,093	253,129	19,138,231
TOTAL LIABILITIES	3,184,580	9,453,156	7,623,786	693,376	275,902	21,230,800
DEFERRED INFLOWS OF RESOURCES						
	\$ 2,782	\$ 2,175	\$ 2,320	\$ 1,944	\$ 1,477	\$ 10,698
NET POSITION						
Invested in Capital Assets, Net of Related Debt	128,828	3,626,432	10,093,450	2,411,002	631,539	16,891,251
Restricted	-	-	-	-	-	-
Unrestricted Net Position	2,131,038	720,305	810,395	(136,877)	409,330	3,934,191
TOTAL NET POSITION	\$ 2,259,866	\$ 4,346,737	\$ 10,903,845	\$ 2,274,125	\$ 1,040,869	\$ 20,825,442

BOROUGH OF KUTZTOWN
Combining Statement of Additions, Deductions and Changes in Net Position
All Proprietary Funds
For the Year Ended December 31, 2017

	MAJOR				NON-MAJOR	
	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
<u>OPERATING REVENUES</u>						
Charges for Services	\$ 6,443,275	\$ 1,876,216	\$ 1,834,784	\$ 1,058,348	\$ 884,187	\$ 12,096,810
Penalties	42,413	9,726	9,394	78,193	6,431	146,157
Other Fees	-	17,644	29,734	-	-	47,378
Rental Income	95,944	2,876	-	-	-	98,820
Other Income	58,571	32,565	27,379	15,982	80,262	214,759
SCADA and Equipment Lease	-	-	-	132,420	-	132,420
TOTAL OPERATING REVENUES	6,640,203	1,939,027	1,901,291	1,284,943	970,880	12,736,344
<u>OPERATING EXPENSES</u>						
Costs of Furnishing Utility	3,271,097	508,248	501,724	776,245	372,124	5,429,438
Employee Wages	448,114	350,216	373,632	313,047	237,844	1,722,853
Employee Benefits	211,023	169,935	189,199	155,831	118,252	844,240
Employee Pension	66,480	57,232	104,578	83,528	51,136	362,954
Insurance	90,060	144,374	123,117	29,311	23,301	410,163
Debt Service	79,019	198,264	179,291	12,363	-	468,937
Depreciation	153,248	404,127	524,102	319,838	87,023	1,488,338
TOTAL OPERATING EXPENSES	4,319,041	1,832,396	1,995,643	1,690,163	889,680	10,726,923
OPERATING INCOME (LOSS)	2,321,162	106,631	(94,352)	(405,220)	81,200	2,009,421
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Interest Earned	17,679	2,204	4,605	115	2,019	26,622
State Grants	-	-	-	-	4,103	4,103
Premium/(Discount) on Bond Issue	-	-	-	-	-	-
Transfers from Other Funds	203,827	155	489,486	149,515	31	843,014
Transfers to Other Funds	(2,305,408)	(294,564)	(129,553)	(33,393)	(25,309)	(2,788,227)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,083,902)	(292,205)	364,538	116,237	(19,156)	(1,914,488)
CHANGES IN NET POSITION	237,260	(185,574)	270,186	(288,983)	62,044	94,933
NET POSITION, JANUARY 1, 2017	2,918,959	4,720,676	10,817,397	2,599,646	1,005,933	22,062,611
PRIOR PERIOD ADJUSTMENT	(896,353)	(188,365)	(183,738)	(36,538)	(27,108)	(1,332,102)
NET POSITION, DECEMBER 31, 2017	\$ 2,259,866	\$ 4,346,737	\$ 10,903,845	\$ 2,274,125	\$ 1,040,869	\$ 20,825,442

**INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

BOROUGH OF KUTZTOWN
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2017

REVENUES

TAXES:

Real Estate Taxes - Current	\$	426,484	
Real Estate Taxes - Prior		5,716	
Real Estate Transfer Tax		128,520	
Earned Income Tax		421,795	
Per Capita		8,713	
Local Services Tax		79,718	
Admissions Tax		35,000	
Mechanical Tax		<u>468</u>	\$ 1,106,414

FINES AND FORFEITS:

Motor Vehicle Violations	15,765	
Fines	37,945	
Criminal Violations	36,456	
Parking Tickets	<u>40,976</u>	131,142

LICENSES AND PERMITS:

Franchise Fee Cable	28,047	
Permits/Reports	<u>167,121</u>	195,168

INTERGOVERNMENTAL:

Public Utility Realty Tax	-	
In Lieu of Taxes	1,490	
Beverage Licenses	1,150	
Pension State Aid	293,648	
Allotment - Fireman's Relief	26,523	
State Grants	<u>14,242</u>	337,053

CHARGES FOR SERVICES:

General Government	6,579	
Public Safety	126,313	
Highways and Streets	-	
Culture and Recreation	<u>75,286</u>	208,178

INVESTMENT AND RENTAL EARNINGS:

Interest Income	6,290	
Rentals	<u>405,845</u>	412,135

MISCELLANEOUS:

Contributions and Donations	17,634	
Reimbursements	251,651	
Refund of Prior Year Expenditure	744,607	
Other	<u>4,712</u>	<u>1,018,604</u>

TOTAL REVENUES **\$ 3,408,694**

BOROUGH OF KUTZTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2017

EXPENDITURES

GENERAL GOVERNMENT

LEGAL:

Solicitor \$ 33,199

MAYOR, LEGISLATIVE, BOROUGH MANAGER:

Employee Wages 82,902
Employee Benefits 71,015
Employee Pension 29,491
Insurance 55,494
Contracted Services 53,054
Advertising, Printing and Postage 7,459
Vehicle Expenses 2,573
Operating/Office Expenses 16,242
Dues, Meetings and Training 14,504
Small Tools, Equipment and Building 10,342

FINANCE AND ACCOUNTING:

Salary 19,150
Employee Benefits 1,465
Employee Pension -
Audit and Accounting Fees 8,125

TAX COLLECTION:

Employee Wages 450
Employee Benefits -
Contracted Services 1,406

ENGINEERING:

Engineering Fees 913

BUILDINGS AND PLANT:

Employee Wages 2,544
Employee Benefits 1,316
Employee Pension 1,125
Operating Supplies 3,453
Heating and Utilities 48,109
Insurance 7,183
Repairs and Maintenance 21,994
Contracted Services 6,981

TOTAL GENERAL GOVERNMENT \$ 500,489

BOROUGH OF KUTZTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2017

PUBLIC SAFETY

POLICE:

Employee Wages	\$ 1,175,335
Employee Benefits	345,284
Employee Pension	81,099
Operating Supplies	8,658
Vehicle Maintenance and Repair	21,242
Uniforms	10,853
Training, Seminars, Certs	6,579
Ammunition	7,853
Insurance	46,964
Legal	465
Dues, Subs and Memberships	1,282
Small Tools and Equipment	20,056
Telephone/Communications	79,802
Postage, Printing and Advertising	3,211
Repairs and Maintenance	4,649
Refuse	454
Contracted Services	30,835
Capital Purchases	32,220

FIRE AND AMBULANCE:

Rent of Machine & Equipment	58,450
Insurance	-
Telephone/Communications	20,667
Other Services	-

INSPECTIONS AND ZONING:

Employee Wages	128,247
Employee Benefits	82,303
Employee Pension	11,708
Vehicle Maintenance and Repair	1,618
Heating and Utilities	5,350
Operating Supplies	2,870
Telephone/Communications	5,400
Training, Seminars, Certs	993
Legal Services	9,829
Engineering Services	4,725
Small Tools and Equipment	3,178
Postage, Printing and Advertising	2,281
Insurance	535
Dues, Subs and Memberships	895
Rent of Building	15,000
Repairs and Maintenance	-
Contracted Services	75,361

EMERGENCY MANAGEMENT:

Training, Seminars, Certs	-
Operating Supplies	-
Postage, Printing and Advertising	166
Insurance	-
Contracted Services	1,483

TOTAL PUBLIC SAFETY

\$ 2,307,900

BOROUGH OF KUTZTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2017

PUBLIC WORKS

STREET MAINTENANCE AND LIGHTING:

Employee Wages	\$ 205,799
Employee Benefits	101,274
Employee Pension	30,638
Training, Seminars, Certs	343
Operating Supplies	10,598
Vehicle Maintenance and Repairs	10,349
Uniforms	2,198
Insurance	21,817
Small Tools and Equipment	3,485
Repairs and Maintenance Land & Equip	48,355
Engineering Services	9,448
Telephone/Communications	3,291
Postage, Printing and Advertising	373
Contracted Services	36,479
Rent of Building	37,184
Heating and Utilities	61,987
Capital Improvements	269,789
Snow Removal Materials	22,418

TOTAL PUBLIC WORKS \$ 875,825

CULTURE AND RECREATION

PARKS AND POOL:

Employee Wages	312,123
Employee Benefits	77,352
Employee Pension	40,936
Training, Seminars, Certs	50
Operating Supplies	6,255
Small Tools and Equipment	228
Insurance	19,197
Vehicle Maintenance and Repairs	3,624
Telephone/Communications	-
Postage, Printing and Advertising	2,364
Heating and Utilities	45,938
Repairs and Maint Building, Land & Equip	71,583
Contracted Services	20,932
YMCA Programs	6,500
Chemicals	6,780

TOTAL CULTURE AND RECREATION \$ 613,862

BOROUGH OF KUTZTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2017

DEBT SERVICE

Debt Principal	\$ 131,650
Interest Expense	7,316
Amortization and Other Issuance Costs	<u>-</u>

TOTAL DEBT SERVICE \$ 138,966

UNCLASSIFIED EXPENDITURES

C, G & S to Non-Profits	26,009
Foreign Fire Tax Disbursement	26,523
Other Miscellaneous	<u>1,409</u>

TOTAL UNCLASSIFIED EXPENDITURES \$ 53,941

TOTAL EXPENDITURES 4,490,983

DEFICIENCY OF REVENUES OVER EXPENDITURES (1,082,289)

**OTHER FINANCING SOURCES AND
OTHER FINANCING USES**

Sale of Fixed Assets	-	
Refund of Prior Year Expenditures	-	
Interfund Transfers In	2,527,456	
Interfund Transfers Out	<u>(275,675)</u>	<u>2,251,781</u>

NET CHANGE IN FUND BALANCES 1,169,492

FUND BALANCE - JANUARY 1, 2017 (1,335,624)

PRIOR PERIOD ADJUSTMENT 1,472,478

FUND BALANCE - DECEMBER 31, 2017 \$ 1,306,346

BOROUGH OF KUTZTOWN
Electric Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2017

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 6,476,980	\$ 6,443,275
Penalties	20,000	42,413
Rental Income	189,818	95,944
Other Income	8,300	58,571
TOTAL OPERATING REVENUES	<u>6,695,098</u>	<u>6,640,203</u>
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Utility	3,776,510	3,271,097
Employee Wages	435,678	448,114
Employee Benefits	185,961	211,023
Employee Pension	42,095	66,480
Insurance	79,802	90,060
Debt Service	350,000	79,019
Depreciation	-	153,248
TOTAL OPERATING EXPENSES	<u>4,870,046</u>	<u>4,319,041</u>
OPERATING INCOME	<u>1,825,052</u>	<u>2,321,162</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	4,000	17,679
Transfers from Other Funds		203,827
Transfers to Other Funds	(1,755,405)	(2,305,408)
TOTAL NON-OPERATING (EXPENSES)	<u>(1,751,405)</u>	<u>(2,083,902)</u>
CHANGES IN NET POSITION	73,647	237,260
NET POSITION, JANUARY 1, 2017	(73,647)	2,918,959
PRIOR PERIOD ADJUSTMENT	-	(896,353)
NET POSITION, DECEMBER 31, 2017	<u>\$ -</u>	<u>\$ 2,259,866</u>

BOROUGH OF KUTZTOWN
Water Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2017

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 1,940,571	\$ 1,876,216
Penalties	1,000	9,726
Other Fees	12,000	17,644
Rental Income	5,000	2,876
Other Income	2,600	32,565
TOTAL OPERATING REVENUES	<u>1,961,171</u>	<u>1,939,027</u>
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Utility	564,036	508,248
Employee Wages	360,725	350,216
Employee Benefits	174,753	169,935
Employee Pension	38,158	57,232
Insurance	133,619	144,374
Debt Service	683,000	198,264
Depreciation	-	404,127
TOTAL OPERATING EXPENSES	<u>1,954,291</u>	<u>1,832,396</u>
OPERATING INCOME (LOSS)	<u>6,880</u>	<u>106,631</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	15,000	2,204
Premium on Bond Issue	-	-
Transfers from Other Funds	-	155
Transfers to Other Funds	-	(294,564)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>15,000</u>	<u>(292,205)</u>
CHANGES IN NET POSITION	21,880	(185,574)
NET POSITION, JANUARY 1, 2017	(21,880)	4,720,676
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(188,365)</u>
NET POSITION, DECEMBER 31, 2017	<u><u>\$ -</u></u>	<u><u>\$ 4,346,737</u></u>

BOROUGH OF KUTZTOWN
Sewer Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2017

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 1,779,114	\$ 1,834,784
Penalties	1,000	9,394
Other Fees	-	29,734
Other Income	2,900	27,379
TOTAL OPERATING REVENUES	<u>1,783,014</u>	<u>1,901,291</u>
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Utility	854,821	501,724
Employee Wages	322,670	373,632
Employee Benefits	141,914	189,199
Employee Pension	32,425	104,578
Insurance	122,510	123,117
Debt Service	510,000	179,291
Depreciation	-	524,102
TOTAL OPERATING EXPENSES	<u>1,984,340</u>	<u>1,995,643</u>
OPERATING INCOME	<u>(201,326)</u>	<u>(94,352)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	1,000	4,605
Receipt of Debt Repayment	200,000	-
Discount on Bond Issue	-	-
Transfers from Other Funds	-	489,486
Transfers to Other Funds	-	(129,553)
TOTAL NON-OPERATING (EXPENSES)	<u>201,000</u>	<u>364,538</u>
CHANGES IN NET POSITION	(326)	270,186
NET POSITION, JANUARY 1, 2017	326	10,817,397
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(183,738)</u>
NET POSITION, DECEMBER 31, 2017	<u>\$ -</u>	<u>\$ 10,903,845</u>

BOROUGH OF KUTZTOWN
Telecommunications Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2017

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 974,000	\$ 1,058,348
Rental Income	70,164	78,193
SCADA and Equipment Lease	134,120	132,420
Other Income	5,000	15,982
TOTAL OPERATING REVENUES	<u>1,183,284</u>	<u>1,284,943</u>
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Service	821,005	776,245
Employee Wages	284,077	313,047
Employee Benefits	115,505	155,831
Employee Pension	30,032	83,528
Insurance	22,793	29,311
Debt Service	162,000	12,363
Depreciation	-	319,838
TOTAL OPERATING EXPENSES	<u>1,435,412</u>	<u>1,690,163</u>
OPERATING (LOSS)	<u>(252,128)</u>	<u>(405,220)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	100	115
Transfers to Other Funds	-	(33,393)
Transfers from Other Funds	-	149,515
TOTAL NON-OPERATING REVENUES	<u>100</u>	<u>116,237</u>
CHANGES IN NET POSITION	(252,028)	(288,983)
NET POSITION, JANUARY 1, 2017	252,028	2,599,646
PRIOR PERIOD ADJUSTMENT	-	(36,538)
NET POSITION, DECEMBER 31, 2017	<u>\$ -</u>	<u>\$ 2,274,125</u>

BOROUGH OF KUTZTOWN
Refuse and Recycling Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2017

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 864,949	\$ 884,187
Penalties	-	6,431
Other Income	8,000	80,262
TOTAL OPERATING REVENUES	<u>872,949</u>	<u>970,880</u>
	-----	-----
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Service	357,662	372,124
Employee Wages	307,416	237,844
Employee Benefits	161,390	118,252
Employee Pension	35,365	51,136
Insurance	17,042	23,301
Depreciation	-	87,023
TOTAL OPERATING EXPENSES	<u>878,875</u>	<u>889,680</u>
	-----	-----
OPERATING (LOSS)	<u>(5,926)</u>	<u>81,200</u>
	-----	-----
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	200	2,019
State Grants	4,800	4,103
Transfers to Other Funds	-	(25,309)
Transfer from Other Funds	-	31
TOTAL NON-OPERATING REVENUES	<u>5,000</u>	<u>(19,156)</u>
	-----	-----
CHANGES IN NET POSITION	(926)	62,044
NET POSITION, JANUARY 1, 2017	926	1,005,933
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(27,108)</u>
	-----	-----
NET POSITION, DECEMBER 31, 2017	<u>\$ -</u>	<u>\$ 1,040,869</u>
	-----	-----

**Borough of Kutztown
Highway Aid Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2017**

FUND BALANCE - JANUARY 1, 2017		\$ 5,740
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
INTERGOVERNMENTAL:		
Liquid Fuels Tax	\$ 145,836	
INVESTMENT EARNINGS:		
Interest Earnings	1,153	146,989
		<u>152,729</u>
TOTAL FUNDS AVAILABLE		152,729
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
PUBLIC WORKS:		
Highway Construction	\$ -	
OTHER FINANCING USES:		
Transfer To Other Funds	100,000	100,000
		<u>52,729</u>
FUND BALANCE - DECEMBER 31, 2017		\$ 52,729

**Fire Protection Tax Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2017**

FUND BALANCE - JANUARY 1, 2017		\$ 310,421
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Real Estate Tax	\$ 76,335	
Interest Earnings	726	
OTHER FINANCING SOURCES:		
Transfer from Other Funds	-	77,061
		<u>387,482</u>
TOTAL FUNDS AVAILABLE		387,482
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
PUBLIC SAFETY:		
Salaries & Wages	\$ 754	
Employee Benefits	58	
Other Services	38	
C,G & S To Non-Profits	250,000	
OTHER FINANCING USES:		
Transfer To Other Funds	2	250,852
		<u>(11,490)</u>
PRIOR PERIOD ADJUSTMENT		(11,490)
FUND BALANCE - DECEMBER 31, 2017		\$ 125,140

BOROUGH OF KUTZTOWN
Recreation Tax Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2017

FUND BALANCE - JANUARY 1, 2017		\$ 128,532
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Real Estate Tax	\$ 76,335	
Interest Earnings	574	
OTHER FINANCING SOURCES:		
Transfer From Other Funds	9	76,918
TOTAL FUNDS AVAILABLE		205,450
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
CULTURE AND RECREATION:		
Salaries & Wages	\$ 1,204	
Employee Benefits	92	
Other Services	170	
OTHER FINANCING USES:		
Transfer To Other Funds	62,000	63,466
PRIOR PERIOD ADJUSTMENT		(51,162)
FUND BALANCE - DECEMBER 31, 2017		\$ 90,822

Road Tax Fund
Statement of Additions Received and Deductions Paid
For the Year Ended December 31, 2017

FUND BALANCE - JANUARY 1, 2017		\$ 87,699
<u>REVENUES AND OTHER FINANCING SOURCES</u>		
Real Estate Tax	\$ 190,835	
Interest Earnings	614	
OTHER FINANCING SOURCES:		
Transfer From Other Funds	-	191,449
TOTAL FUNDS AVAILABLE		279,148
<u>EXPENDITURES AND OTHER FINANCING USES</u>		
PUBLIC WORKS:		
Salaries & Wages	\$ 3,015	
Employee Benefits	231	
Other Services	150	
OTHER FINANCING USES:		
Transfer To Other Funds	144,575	147,971
PRIOR PERIOD ADJUSTMENT		(77,824)
FUND BALANCE - DECEMBER 31, 2017		\$ 53,353

BOROUGH OF KUTZTOWN
Unemployment Compensation Escrow Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2017

FUND BALANCE - JANUARY 1, 2017		\$	104,008
<u>REVENUES AND OTHER FINANCING SOURCES</u>			
Interest Earnings	\$	701	
OTHER FINANCING SOURCES:			
Transfer From Other Funds		<u>-</u>	<u>701</u>
TOTAL FUNDS AVAILABLE			104,709
<u>EXPENDITURES AND OTHER FINANCING USES</u>			
<u>GENERAL GOVERNMENT</u>			
Salaries & Wages	\$	-	
Employee Benefits		-	
Other Services		-	
OTHER FINANCING USES:			
Transfer To Other Funds		<u>-</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2017		\$	<u><u>104,709</u></u>

BOROUGH OF KUTZTOWN
Police Pension Trust Fund
Statement of Additions and Deductions
For the Year Ended December 31, 2017

NET POSITION - BEGINNING OF YEAR		\$ 5,032,410
ADDITIONS:		
State Aid	\$ 81,099	
Employee Contributions	51,125	
Miscellaneous	-	
INVESTMENT EARNINGS:		
Interest and Dividends	108,165	
Realized Gains (Losses)	104,890	
Change in Fair Value of Investments	649,629	
TOTAL ADDITIONS	<u>994,908</u> -----	
DEDUCTIONS:		
Administrative Charges	13,829	
Investment Expenses	53,445	
Employee Benefits	202,586	
TOTAL DEDUCTIONS	<u>269,860</u>	
CHANGE IN NET POSITION		<u>725,048</u>
NET POSITION - END OF YEAR		<u><u>\$ 5,757,458</u></u>