

BOROUGH OF KUTZTOWN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

BOROUGH OF KUTZTOWN

TABLE OF CONTENTS

Independent Auditor's Report	1 - 3
Financial Statements	
Governmental-wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet - All Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	9
Statement of Net Position – All Proprietary Funds	10
Statement of Revenues, Expenditures and Changes in Net Position – All Proprietary Funds	11
Statement of Cash Flows - Proprietary Funds	12 - 13
Statement of Net Position - Fiduciary Funds	14
Statement of Additions, Deductions and Changes in Net Position - Fiduciary Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	16
Notes to Financial Statements	17 – 53
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	54 - 55
Schedule of Findings and Questioned Costs	56

BOROUGH OF KUTZTOWN

TABLE OF CONTENTS (CONTINUED)

Required Supplemental Information

Schedule of Changes in the Net Pension Liability and Related Ratios - Non-Uniform Pension Plan	57
Schedule of Changes in the Net Pension Liability and Related Ratios - Police Pension Plan	58
Schedule of Pension Contributions – Non-Uniformed Pension Plan	59
Schedule of Pension Contributions – Police Pension Plan	60
Schedule of Changes in the Net OPEB Liabilities and Related Ratios	61

Other Supplemental Information

Combining Balance Sheet – Special Revenue Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds	63
Combining Statement of Net Position - All Proprietary Funds	64
Combining Statement of Additions, Deductions and Changes in Net Position – All Proprietary Trust Funds	65

Individual Fund Statements and Schedules

Borough of Kutztown

General Fund	66 - 70
Electric Fund	71
Water Fund	72
Sewer Fund	73
Telecommunications Fund	74
Refuse and Recycling Fund	75
Highway Aid Fund	76
Fire Protection Tax Fund	76
Recreation Tax Fund	77
Road Tax Fund	77
Police Pension Trust Fund	78

Hutchinson, Gillahan & Freeh

Operating as a Division of MVA Audit PLLC

July 5, 2024

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Kutztown, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, the financial statements, referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Kutztown at December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Kutztown's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios, the Schedule of Net Position Contributions, and the Schedule of Net OPEB Liabilities and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the remaining required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an

opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Kutztown's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the basis of accounting described in the notes to the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Hutchinson, Gillahan & Freeh
and
MVA Audit PLLC

July 5, 2024

FINANCIAL STATEMENTS

BOROUGH OF KUTZTOWN

STATEMENT OF NET POSITION

As of December 31, 2023

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Authorities
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 3,800,323	\$ 9,195,830	\$ 12,996,153	\$ 2,238,823
Taxes receivable	5,808	-	5,808	-
Accounts receivable, net	61,329	1,325,142	1,386,471	126,276
Prepaid expenses	31,994	122,771	154,765	-
Net pension asset	-	-	-	-
Internal balances	11,864	537,049	- ⁽¹⁾	196,934
Due from component units/ primary government	-	-	-	149,274
Total current assets	3,911,318	11,180,792	14,543,197	2,711,307
Non-current assets				
Land	1,334,868	1,292,121	2,626,989	-
Buildings, net of depreciation	495,483	12,927,901	13,423,384	-
Infrastructure, net of depreciation	8,105,141	-	8,105,141	976,783
Machinery and equipment/infrastructure, net of depreciation	326,487	15,657,121	15,983,608	-
Unamortized bond costs	-	353,600	353,600	-
Total non-current assets	10,261,979	30,230,743	40,492,722	976,783
Total assets	\$ 14,173,297	\$ 41,411,535	\$ 55,035,919	\$ 3,688,090
Deferred outflows of resources	\$ 2,578,355	\$ 1,062,619	\$ 3,640,974	\$ -
LIABILITIES				
Current Liabilities				
Internal balances	\$ 537,049	\$ 11,864	\$ - ⁽¹⁾	\$ 196,934
Due to component unit / primary government	149,274	-	149,274	-
Accounts payable	258,495	324,835	583,330	101,036
Sales tax payable	-	3,174	3,174	-
Accrued salaries and benefits	90,960	-	90,960	-
Bonds payable	-	1,181,000	1,181,000	-
Interest payable	-	94,333	94,333	-
Customer deposits	421	175,250	175,671	39,969
Total current liabilities	1,036,199	1,790,456	2,277,742	337,939
Non-Current Liabilities				
Net other post employment liability	732,291	-	732,291	-
Net pension liability	510,342	1,120,569	1,630,911	-
Bonds payable	-	11,587,000	11,587,000	-
Total non-current liabilities	1,242,633	12,707,569	13,950,202	-
Total liabilities	\$ 2,278,832	\$ 14,498,025	\$ 16,227,944	\$ 337,939
Deferred inflows of resources	\$ 1,353,211	\$ 78,161	\$ 1,431,372	\$ -
NET POSITION				
Invested in capital assets, net of related debt	10,261,979	17,109,143	27,371,122	355,827
Restricted	820,821	-	820,821	977,928
Unrestricted	2,036,809	10,788,825	12,825,634	2,016,396
Total net position	\$ 13,119,609	\$ 27,897,968	\$ 41,017,577	\$ 3,350,151

(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, 2023

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Authorities
Governmental Activities								
General government	\$ 565,312	\$ 634,515	\$ 403,274	\$ -	\$ 472,477	\$ -	\$ 472,477	
Public safety	3,014,386	175,230	557,926	-	(2,281,230)	-	(2,281,230)	
Public works	685,949	6,168	-	229,296	(450,485)	-	(450,485)	
Culture and recreation	671,551	97,065	-	-	(574,486)	-	(574,486)	
Non-departmental	59,794	-	-	-	(59,794)	-	(59,794)	
Debt service payments	-	-	-	-	-	-	-	
Depreciation	416,665	-	-	-	(416,665)	-	(416,665)	
Total governmental activities	5,413,657	912,978	961,200	229,296	(3,310,183)	-	(3,310,183)	
Business-Type Activities								
Electric	4,041,368	6,514,946	-	-	-	2,473,578	2,473,578	
Water	2,244,363	2,696,986	-	-	-	452,623	452,623	
Sewer	2,078,847	3,060,680	-	-	-	981,833	981,833	
Telecom	1,103,496	585,139	-	-	-	(518,357)	(518,357)	
Refuse	1,114,569	1,080,135	-	5,687	-	(28,747)	(28,747)	
Total primary government	\$ 15,996,300	\$ 14,850,864	\$ 961,200	\$ 234,983	\$ (3,310,183)	\$ 3,360,930	\$ 50,747	
Component Units								
Municipal Authorities	\$ 1,441,916	\$ 1,628,709	\$ -	\$ -				\$ 186,793
GENERAL REVENUES:								
Property taxes levied for general purposes					\$ 919,064	\$ -	\$ 919,064	\$ -
Other taxes levied for general purposes					825,558	-	825,558	-
Grants, subsidies, and contributions not restricted					17,964	-	17,964	-
Investment and rental earnings					535,267	644,781	1,180,048	62,926
Pension and OPEB adjustment - revenue					644,826	1,750,093	2,394,919	-
Miscellaneous income					496,859	-	496,859	4,492
Transfers					1,268,281	(1,268,281)	-	-
Total general revenues, special items, extraordinary items, and transfers					4,707,819	1,126,593	5,834,412	67,418
Change in net position					1,397,636	4,487,523	5,885,159	254,211
Net position - beginning					11,721,973	23,410,445	35,132,418	3,095,940
Net position - ending					\$ 13,119,609	\$ 27,897,968	\$ 41,017,577	\$ 3,350,151

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

BOROUGH OF KUTZTOWN

BALANCE SHEET ALL GOVERNMENTAL FUNDS

As of December 31, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,102,684	\$ 697,639	\$ 3,800,323
Due from other funds	11,864	-	11,864
Taxes receivable	-	5,808	5,808
Prepaid expenses	31,994	-	31,994
Accounts receivable	61,329	-	61,329
Total assets	\$ 3,207,871	\$ 703,447	\$ 3,911,318
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	\$ 537,049	\$ -	\$ 537,049
Due to component units	149,274	-	149,274
Escrow deposits	421	-	421
Accounts payable	258,495	-	258,495
Accrued salaries and benefits	90,960	-	90,960
Deferred revenue	43,017	-	43,017
Total liabilities	1,079,216	-	1,079,216
Fund Balances			
- Nonspendable	-	-	-
- Restricted	117,374	703,447	820,821
- Committed	-	-	-
- Assigned	-	-	-
- Unassigned	2,011,281	-	2,011,281
Total fund balances	2,128,655	703,447	2,832,102
Total liabilities and fund balances	\$ 3,207,871	\$ 703,447	\$ 3,911,318

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, 2023

Total fund balances - governmental funds **\$ 2,832,102**

**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 \$21,273,354 and the accumulated depreciation is \$11,011,375. 10,261,979

Pension assets and related deferred outflows are not financial resources and , therefore, are not reported as assets in the governmental funds. 2,578,355

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:

Net Pension Liability	\$	(1,820,536)	
Other Retirement Benefits		<u>(732,291)</u>	<u>(2,552,827)</u>

Total net position - governmental activities **\$ 13,119,609**

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, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,348,740	\$ 394,262	\$ 1,743,002
Licenses and permits	173,237	-	173,237
Fines and forfeits	50,660	-	50,660
Intergovernmental	1,062,820	129,296	1,192,116
Charges for services	233,894	-	233,894
Miscellaneous	239,153	-	239,153
Reimbursements	455,187	-	455,187
Investment and rental earnings	526,874	8,393	535,267
Total revenues	<u>4,090,565</u>	<u>531,951</u>	<u>4,622,516</u>
EXPENDITURES			
Current			
General government	566,485	-	566,485
Public safety	3,074,824	-	3,074,824
Public works	1,853,374	-	1,853,374
Culture and recreation	671,551	-	671,551
Non-departmental	59,794	-	59,794
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>6,226,028</u>	<u>-</u>	<u>6,226,028</u>
Excess (deficiency) of revenues over expenditures	<u>(2,135,463)</u>	<u>531,951</u>	<u>(1,603,512)</u>
OTHER FINANCING SOURCES			
Refund of prior year expenditures	275,670	-	275,670
Interfund transfers in	1,857,347	-	1,857,347
Interfund transfers out	-	(589,066)	(589,066)
Total other financing sources	<u>2,133,017</u>	<u>(589,066)</u>	<u>1,543,951</u>
Net change in fund balance	(2,446)	(57,115)	(59,561)
Fund balances - beginning	<u>2,131,101</u>	<u>760,562</u>	<u>2,891,663</u>
Fund balances - ending	<u>\$ 2,128,655</u>	<u>\$ 703,447</u>	<u>\$ 2,832,102</u>

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

BOROUGH OF KUTZTOWN

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

Net change in fund balances - governmental funds \$ (59,561)

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	\$ (416,665)	
Capital Outlays	<u>1,227,863</u>	811,198

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.

645,999

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.

-

Change in net position of governmental activities \$ 1,397,636

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, 2023

	Major					
	Electric Fund	Water Fund	Sewer Fund	Telecom Fund	Refuse Fund	Total
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 4,535,215	\$ 1,320,536	\$ 2,531,979	\$ 48	\$ 808,052	\$ 9,195,830
Accounts receivable (net of allowance for doubtful accounts)	683,876	223,740	256,131	63,368	98,027	1,325,142
Prepaid expenses	31,134	28,937	35,591	14,821	12,288	122,771
Due from other	58,682	181,169	66,405	56,224	187,947	550,427
Total current assets	<u>5,308,907</u>	<u>1,754,382</u>	<u>2,890,106</u>	<u>134,461</u>	<u>1,106,314</u>	<u>11,194,170</u>
Non-Current Assets						
Land	-	477,407	813,292	1,422	-	1,292,121
Buildings (net of depreciation)	1,261,871	5,109,564	6,415,591	23,700	117,175	12,927,901
Machinery and equipment / infrastructure (net of depreciation)	1,100,156	4,883,609	8,338,608	947,912	386,836	15,657,121
Unamortized bond costs	15,922	262,787	74,891	-	-	353,600
Total non-current assets	<u>2,377,949</u>	<u>10,733,367</u>	<u>15,642,382</u>	<u>973,034</u>	<u>504,011</u>	<u>30,230,743</u>
Total assets	<u>\$ 7,686,856</u>	<u>\$ 12,487,749</u>	<u>\$ 18,532,488</u>	<u>\$ 1,107,495</u>	<u>\$ 1,610,325</u>	<u>\$ 41,424,913</u>
Deferred outflows of resources	<u>\$ 289,636</u>	<u>\$ 249,763</u>	<u>\$ 200,530</u>	<u>\$ 174,373</u>	<u>\$ 148,317</u>	<u>\$ 1,062,619</u>
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 228,683	\$ 30,688	\$ 49,059	\$ 1,600	\$ 14,805	\$ 324,835
Sales tax payable	3,174	-	-	-	-	3,174
Customer deposits	175,250	-	-	-	-	175,250
Due to other funds	7,585	17,657	-	-	-	25,242
Interest payable	6,653	55,379	32,301	-	-	94,333
Bonds payable	115,000	505,000	561,000	-	-	1,181,000
Total current liabilities	<u>536,345</u>	<u>608,724</u>	<u>642,360</u>	<u>1,600</u>	<u>14,805</u>	<u>1,803,834</u>
Non-Current Liabilities						
Net pension liability	305,431	263,384	211,466	183,882	156,406	1,120,569
Bonds payable	975,000	6,125,000	4,487,000	-	-	11,587,000
Total non-current liabilities	<u>1,280,431</u>	<u>6,388,384</u>	<u>4,698,466</u>	<u>183,882</u>	<u>156,406</u>	<u>12,707,569</u>
Total liabilities	<u>1,816,776</u>	<u>6,997,108</u>	<u>5,340,826</u>	<u>185,482</u>	<u>171,211</u>	<u>14,511,403</u>
Deferred inflows of resources	<u>\$ 23,711</u>	<u>\$ 14,028</u>	<u>\$ 11,263</u>	<u>\$ 20,829</u>	<u>\$ 8,330</u>	<u>\$ 78,161</u>
NET POSITION						
Invested in capital assets, net of related debt	1,272,027	3,840,580	10,519,491	973,034	504,011	17,109,143
Unrestricted net position	4,863,978	1,885,796	2,861,438	102,523	1,075,090	10,788,825
Total net position	<u>\$ 6,136,005</u>	<u>\$ 5,726,376</u>	<u>\$ 13,380,929</u>	<u>\$ 1,075,557</u>	<u>\$ 1,579,101</u>	<u>\$ 27,897,968</u>

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, 2023

	Major					
	Electric Fund	Water Fund	Sewer Fund	Telecom Fund	Refuse Fund	Total
OPERATING REVENUES						
Charges for services	\$ 6,470,650	\$ 2,587,850	\$ 2,996,786	\$ 572,387	\$ 972,656	\$ 13,600,329
Penalties	33,486	11,305	11,449	-	6,534	62,774
Other fees	-	29,689	52,445	-	-	82,134
Rental income	112,253	-	-	83,646	-	195,899
Other income	10,810	68,142	-	12,752	100,945	192,649
SCADA and equipment lease	-	-	-	123,300	-	123,300
Total operating revenues	<u>6,627,199</u>	<u>2,696,986</u>	<u>3,060,680</u>	<u>792,085</u>	<u>1,080,135</u>	<u>14,257,085</u>
OPERATING EXPENSES						
Costs of furnishing utility	2,867,613	736,109	680,946	292,337	443,797	5,020,802
Employee wages	548,638	463,765	366,229	320,643	318,292	2,017,567
Employee benefits	271,728	249,701	201,661	142,065	156,197	1,021,352
Employee pension	73,089	68,624	60,046	68,624	72,956	343,339
Insurance	111,839	143,415	122,670	28,979	31,706	438,609
Debt service	58,423	172,385	99,185	-	-	329,993
Depreciation	110,038	410,364	548,110	250,848	91,621	1,410,981
Total operating expenses	<u>4,041,368</u>	<u>2,244,363</u>	<u>2,078,847</u>	<u>1,103,496</u>	<u>1,114,569</u>	<u>10,582,643</u>
Operating income (loss)	<u>2,585,831</u>	<u>452,623</u>	<u>981,833</u>	<u>(311,411)</u>	<u>(34,434)</u>	<u>3,674,442</u>
NON-OPERATING REVENUES (EXPENSES)						
Interest earned	187,653	36,128	63,292	4,984	33,525	325,582
State grants	-	-	-	-	5,687	5,687
Pension & OPEB adjustment	512,441	397,350	338,004	278,461	223,837	1,750,093
Transfer from component unit	-	-	-	-	-	-
Transfers from other funds	-	-	-	53,200	-	53,200
Transfers to other funds	(1,321,481)	-	-	-	-	(1,321,481)
Total non-operating revenues (expenses)	<u>(621,387)</u>	<u>433,478</u>	<u>401,296</u>	<u>336,645</u>	<u>263,049</u>	<u>813,081</u>
Changes in net position	<u>1,964,444</u>	<u>886,101</u>	<u>1,383,129</u>	<u>25,234</u>	<u>228,615</u>	<u>4,487,523</u>
Net position, January 1, 2023	<u>4,171,561</u>	<u>4,840,275</u>	<u>11,997,800</u>	<u>1,050,323</u>	<u>1,350,486</u>	<u>23,410,445</u>
Net position, December 31, 2023	<u>\$ 6,136,005</u>	<u>\$ 5,726,376</u>	<u>\$ 13,380,929</u>	<u>\$ 1,075,557</u>	<u>\$ 1,579,101</u>	<u>\$ 27,897,968</u>

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

BOROUGH OF KUTZTOWN

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

As of December 31, 2023

	Major					
	Electric Fund	Water Fund	Sewer Fund	Telecom Fund	Refuse Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from users	\$ 6,674,632	\$ 2,617,304	\$ 3,025,353	\$ 654,879	\$ 985,697	\$ 13,957,865
Cash received from other operating revenue	123,063	97,831	152,445	136,052	100,945	610,336
Cash payments to employees for services	(1,398,453)	(1,179,440)	(965,939)	(798,758)	(771,281)	(5,113,871)
Cash payments to suppliers for goods and services	(3,215,695)	(745,444)	(701,091)	(298,309)	(445,753)	(5,406,292)
Cash payments to other operating expenses	(190,422)	(335,284)	(235,800)	(31,605)	(40,385)	(833,496)
Net cash provided (used) by operating activities	<u>1,993,125</u>	<u>454,967</u>	<u>1,274,968</u>	<u>(337,741)</u>	<u>(170,777)</u>	<u>3,214,542</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
(Increase) decrease in due from other funds	(55,497)	(53,377)	55,395	1,144	(76,322)	(128,657)
Increase (decrease) in due to other funds	-	-	-	-	-	-
State grants	-	-	-	-	5,687	5,687
Pension & OPEB adjustment	512,441	397,350	338,004	278,461	223,837	1,750,093
Transfer from component unit	-	-	-	-	-	-
Operating transfers in	-	-	-	53,200	-	53,200
Operating transfers out	(1,321,481)	-	-	-	-	(1,321,481)
Net cash provided by (used) for non-capital financing activities	<u>(864,537)</u>	<u>343,973</u>	<u>393,399</u>	<u>332,805</u>	<u>153,202</u>	<u>358,842</u>
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES						
Loan principal payments / proceeds	(110,000)	(495,683)	(557,317)	-	-	(1,163,000)
Purchase / sale of fixed assets	-	-	(46,055)	-	(83)	(46,138)
(Increase) decrease in unamortized bond costs	1,990	21,400	10,436	-	-	33,826
Net cash (used) for capital financing activities	<u>(108,010)</u>	<u>(474,283)</u>	<u>(592,936)</u>	<u>-</u>	<u>(83)</u>	<u>(1,175,312)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Earnings on investments	187,653	36,128	63,292	4,984	33,525	325,582
Net cash provided by investing activities	<u>187,653</u>	<u>36,128</u>	<u>63,292</u>	<u>4,984</u>	<u>33,525</u>	<u>325,582</u>
Net increase (decrease) in cash and cash equivalents	1,208,231	360,785	1,138,723	48	15,867	2,723,654
Cash and cash equivalents - beginning of year	3,326,984	959,751	1,393,256	-	792,185	6,472,176
Cash and cash equivalents - end of year	<u>\$ 4,535,215</u>	<u>\$ 1,320,536</u>	<u>\$ 2,531,979</u>	<u>\$ 48</u>	<u>\$ 808,052</u>	<u>\$ 9,195,830</u>

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

BOROUGH OF KUTZTOWN

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

As of December 31, 2023

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

	Major					
	Electric Fund	Water Fund	Sewer Fund	Telecom Fund	Refuse Fund	Total
OPERATING INCOME (LOSS)	\$ 2,585,831	\$ 452,623	\$ 981,833	\$ (311,411)	\$ (34,434)	\$ 3,674,442
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities						
Depreciation	110,038	410,364	548,110	250,848	91,621	1,410,981
Change in Assets and Liabilities						
(Increase) decrease in accounts receivable	162,122	18,149	17,118	(1,154)	6,507	202,742
(Increase) decrease in grants receivable	-	-	100,000	-	-	100,000
(Increase) decrease in prepaid expenses	(19,520)	(14,790)	(11,740)	(2,626)	(8,679)	(57,355)
(Increase) decrease in deferred outflows	(123,366)	(119,985)	(90,538)	(83,448)	(74,952)	(492,289)
Increase (decrease) in accounts payable	(348,082)	(9,335)	(20,145)	(5,972)	(1,956)	(385,490)
Increase (decrease) in interest payable	(640)	(4,694)	(2,205)	-	-	(7,539)
Increase (decrease) in GASB 68 Pension and OPEB liability	63,458	74,518	51,395	51,558	49,639	290,568
Increase (decrease) in deferred inflows	(445,090)	(351,883)	(298,860)	(235,536)	(198,523)	(1,529,892)
Increase (decrease) in customer deposits	5,200	-	-	-	-	5,200
Total adjustments	<u>(592,706)</u>	<u>2,344</u>	<u>293,135</u>	<u>(26,330)</u>	<u>(136,343)</u>	<u>(459,900)</u>
Net cash provided (used) by operating activities	<u>\$ 1,993,125</u>	<u>\$ 454,967</u>	<u>\$ 1,274,968</u>	<u>\$ (337,741)</u>	<u>\$ (170,777)</u>	<u>\$ 3,214,542</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, 2023

	<u>Police Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 196,228
Investments, at fair value	<u>7,521,354</u>
Total assets	<u>\$ 7,717,582</u>
 Deferred outflows of resources	 <u>\$ -</u>
LIABILITIES	
Pension taxes payable	\$ 2,494
Total liabilities	<u>\$ 2,494</u>
 Deferred inflows of resources	 <u>\$ -</u>
 NET POSITION	
Restricted for employee benefits	<u>7,715,088</u>
 Total net position	 <u>\$ 7,715,088</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, 2023

	Police Pension Trust Funds
ADDITIONS:	
State aid	\$ 69,581
Employee contributions	109,294
Investment earnings	
Interest and dividends	178,939
Realized gains (losses)	173,989
Change in fair value from investments	671,214
Total additions	<u>1,203,017</u>
 DEDUCTIONS:	
Administrative charges	1,992
Investment expenses	72,407
Employee benefits	409,685
Total deductions	<u>484,084</u>
 Changes in net position	718,933
 Net position - beginning of year	<u>6,996,155</u>
 Net position - end of year	<u><u>\$ 7,715,088</u></u>

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

BOROUGH OF KUTZTOWN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with	Budget to	Actual
	Original	Final	(Budgetary	Final Budget	GAAP	Amounts
			Basis)	Positive	Difference	GAAP
				(Negative)		Basis
RESOURCES (INFLOW):						
Taxes	\$ 1,083,900	\$ 1,083,900	\$ 1,348,740	\$ 264,840	\$ -	\$ 1,348,740
Licenses and permits	214,900	214,900	173,237	(41,663)	-	173,237
Fines and forfeits	131,000	131,000	50,660	(80,340)	-	50,660
Intergovernmental	344,150	344,150	1,062,820	718,670	-	1,062,820
Charges for services	220,900	220,900	233,894	12,994	-	233,894
Miscellaneous	42,600	42,600	239,153	196,553	-	239,153
Reimbursements	1,258,719	1,258,719	455,187	(803,532)	-	455,187
Investment and rental earnings	397,500	397,500	526,874	129,374	-	526,874
Refund of prior year expenditures	100	100	275,670	275,570	-	275,670
Transfers from other funds	1,869,091	1,869,091	1,857,347	(11,744)	-	1,857,347
Total resources	5,562,860	5,562,860	6,223,582	660,722	-	6,223,582
CHARGES TO APPROPRIATIONS (OUTFLOWS):						
General Government						
Legal	9,000	9,000	15,682	(6,682)	-	15,682
Mayor, legislative, Borough Manager	358,401	358,401	408,291	(49,890)	-	408,291
Finance and Accounting	7,000	7,000	20,650	(13,650)	-	20,650
Tax Collection	3,597	3,597	1,745	1,852	-	1,745
Engineering	-	-	34,516	(34,516)	-	34,516
Buildings and Plant	111,229	111,229	85,601	25,628	-	85,601
Public Safety						
Police	2,320,114	2,320,114	2,334,561	(14,447)	-	2,334,561
Fire and ambulance	95,194	95,194	255,674	(160,480)	-	255,674
Inspections and permits	405,566	405,566	484,114	(78,548)	-	484,114
Emergency management	3,400	3,400	475	2,925	-	475
Public Works						
Street maintenance and lighting	1,487,433	1,487,433	1,853,374	(365,941)	-	1,853,374
Culture and Recreation						
Parks and pools	751,681	751,681	671,551	80,130	-	671,551
Non-Departmental						
Debt service	1,820	1,820	-	1,820	-	-
Miscellaneous	49,100	49,100	59,794	(10,694)	-	59,794
Transfer to other funds	-	-	-	-	-	-
Total charges to appropriations	5,603,535	5,603,535	6,226,028	(622,493)	-	6,226,028
Excess (Deficiency) of Inflows Over Outflows	(40,675)	(40,675)	(2,446)	38,229	-	(2,446)
Fund balance - January 1, 2023	40,675	40,675	2,131,101	2,090,426	-	2,131,101
Fund balance - December 31, 2023	\$ -	\$ -	\$ 2,128,655	\$ 2,128,655	\$ -	\$ 2,128,655

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

Note 1 – Significant Accounting Policies

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

Reporting Entity

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

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

Discretely Presented Components Units

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. *Basis of Presentation*

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

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

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

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

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

B. Basis of Accounting

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

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

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

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

C. *Fund Accounting*

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

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

General Fund

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

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

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

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

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

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

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

Refuse Fund - This fund accounts for the financial transactions related to providing waste removal to the residents of the Borough.

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

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

Year Ended December 31, 2023

D. Measurement Focus

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

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

E. Budgets and Budgetary Accounting

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

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

Encumbrances

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

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

Year Ended December 31, 2023

F. Use of Estimates

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

G. Implementation of New Accounting Standards

The Governmental Accounting Standards Board (GASB) issued the following standards that were scheduled to take effect for calendar year 2023:

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

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

GASB Statement No. 99, *Omnibus 2022* – Effective for the year 2023

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

H. Future Changes in Accounting Standards

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

GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62 – Effective for the year 2024

GASB Statement No. 101, *Compensated Absences* – Effective for the year 2024

GASB Statement No. 102, *Certain Risk Disclosures* – Effective for the year 2025

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

I. Assets, Liabilities and Net Assets***Cash and Cash Equivalents***

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

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,

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

- 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 2023 is \$197,689,820 at a rate of 4.6 mills. Real estate taxes are levied on March 1 and are payable by June 30.

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

Fund Balance Classifications

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

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

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

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, are 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 and Inflows of Resources

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

Deferred Outflows related to Pensions (See detailed Pension Note):	
Police	\$ 2,001,013
Non-Uniform	434,489
Deferred Outflow related to OPEB (See detailed OPEB Note):	142,853
Total deferred outflows of resources	<u>\$ 2,578,355</u>

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

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

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

Deferred Inflows related to Pensions (See detailed Pension Note):	
Police	\$ 974,298
Non-Uniform	24,403
Deferred Inflows related to OPEB (See detailed OPEB Note):	311,493
Deferred Revenue	43,017
Total deferred inflows of resources	\$ 1,353,211

Long-Term Obligations

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

Net Assets

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

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

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

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

The governmental fund balance sheet includes a reconciliation between “fund balance-total governmental funds” and “net position – governmental activities” as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in government activities are not financial resources and therefore are not reported as assets in governmental funds”. The cost of the capital assets net of depreciation totals \$10,261,979. The difference of (\$1,820,536) is related to changes in GASB 68 pension adjustments. The difference of (\$732,291) is related to changes in GASB 68 OPEB adjustments. Another element of the reconciliation is the Deferred Outflows related to Pensions and OPEB totaling \$2,578,355.

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:

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

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

	Total Governmental Funds	Long-Term Revenues / Expenses	Capital Related Items	Long-Term Debt Transactions	Total for Statement of Activities
REVENUES AND OTHER SOURCES					
Local Sources					
Property taxes	\$ 919,064	\$ -	\$ -	\$ -	\$ 919,064
Other taxes levied for general purposes	825,558	-	-	-	825,558
Grants, subsidies and contributions	117,964	-	-	-	117,964
Investment and rental earnings	535,267	-	-	-	535,267
Pension and OPEB adjustment - revenue	-	644,826	-	-	644,826
Miscellaneous	221,189	275,670	-	-	496,859
Charges for services	912,978	-	-	-	912,978
Refund of prior years expenses	275,670	(275,670)	-	-	-
Transfers in	1,857,347	(589,066)	-	-	1,268,281
State Sources					
Operating grant and contributions	1,090,496	-	-	-	1,090,496
Federal Sources					
Operating grant and contributions	-	-	-	-	-
Total revenues	<u>6,755,533</u>	<u>55,760</u>	<u>-</u>	<u>-</u>	<u>6,811,293</u>
EXPENDITURES/EXPENSES AND OTHER USES					
General government	566,485	(1,173)	-	-	565,312
Public safety	3,074,824	-	(60,438)	-	3,014,386
Public works	1,853,374	-	(1,167,425)	-	685,949
Culture and recreation	671,551	-	-	-	671,551
Non-departmental	59,794	-	-	-	59,794
Debt service payments	-	-	-	-	-
Depreciation	-	-	416,665	-	416,665
Transfers out	589,066	(589,066)	-	-	-
Total expenditures / expenses	<u>6,815,094</u>	<u>(590,239)</u>	<u>(811,198)</u>	<u>-</u>	<u>5,413,657</u>
Net change for the year	<u>\$ (59,561)</u>	<u>\$ 645,999</u>	<u>\$ 811,198</u>	<u>\$ -</u>	<u>\$ 1,397,636</u>

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

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, 2023, \$4,078,288 of the Borough's bank balance of \$4,519,653 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the Borough's name	4,078,288
Total	\$ 4,078,288

Reconciliation to Financial Statements

Uninsured Amount Above	\$ 4,078,288
Plus: Insured Amount	441,365
Deposit in Transit	78,759
Less: Outstanding Checks	(375,142)
Carrying Amount - Bank Balances	4,223,270
Plus: Petty Cash	900
Deposits in Investment Pool Considered Cash Equivalents	8,968,211
Total cash per financial statements	\$ 13,192,381

Restricted Cash

The cash balance includes \$196,228 held for pension benefits.

Note 5 - Investments

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

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

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

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

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

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

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

As of December 31, 2023, the Borough had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
PA Local Government Investment Trust/PA Invest Pool		\$ 8,968,211
Municipal Bond	1 years 3 mos - 32 years 5 mos	1,402,933
U.S. Government Agency Bonds	4 years 3 mos - 8 years 9 mos	605,585
Mutual Funds		298,760
Common Stocks		3,941,058
ETF's and CEF's		1,273,018
Total		\$ 16,489,565

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, 2023, the Borough's significant investments were rated as:

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

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

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, Mutual Funds, and U.S. Government Agency Bonds represent 52.4%, 16.93%, 18.65%, 3.97%, and 8.05%, 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	\$ 16,489,565
Less: Deposits in Investment Pool Considered Cash Equivalents	(8,968,211)
Total Investments Per Financial Statements	\$ 7,521,354

Restricted Investments

The investments include \$7,521,354 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 Units	Total
Receivables									
Taxes	\$ -	\$ 5,808	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,808
Accounts	61,329	-	683,876	223,740	256,131	63,368	98,027	126,276	1,512,747
Intergovernmental	-	-	-	-	-	-	-	-	-
Gross Receivables	61,329	5,808	683,876	223,740	256,131	63,368	98,027	126,276	1,518,555
Less: Allowance for Uncollectibles	-	-	-	-	-	-	-	-	-
Net Receivables	\$ 61,329	\$ 5,808	\$ 683,876	\$ 223,740	\$ 256,131	\$ 63,368	\$ 98,027	\$ 126,276	\$ 1,518,555

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

Note 7 – Capital Assets

Capital asset balances and activity for the year ending December 31, 2023, were:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 1,334,868	\$ -	\$ -	\$ 1,334,868
Total Capital Assets not being depreciated	1,334,868	-	-	1,334,868
Capital Assets being Depreciated:				
Buildings	2,144,572	-	-	2,144,572
Machinery, Equipment and Vehicles	2,091,968	60,437	-	2,152,405
Infrastructure	14,474,083	1,167,426	-	15,641,509
Total Capital Assets being depreciated	18,710,623	1,227,863	-	19,938,486
Less: Accumulated Depreciation for:				
Buildings	(1,605,964)	(43,125)	-	(1,649,089)
Machinery, Equipment and Vehicles	(1,760,263)	(65,655)	-	(1,825,918)
Infrastructure	(7,228,483)	(307,885)	-	(7,536,368)
Total Accumulated Depreciation	(10,594,710)	(416,665)	-	(11,011,375)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	8,115,913	811,198	-	8,927,111
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 9,450,781	\$ 811,198	\$ -	\$ 10,261,979
Business-Type Activities:				
Capital Assets not being depreciated:				
Land	\$ 1,292,121	\$ -	\$ -	\$ 1,292,121
Total Capital Assets not being depreciated	1,292,121	-	-	1,292,121
Capital Assets being Depreciated:				
Buildings	1,767,271	-	-	1,767,271
Machinery, Equipment and Vehicles	47,142,273	46,055	(164,000)	47,024,328
Infrastructure	15,219,305	-	-	15,219,305
Total Capital Assets being depreciated	64,128,849	46,055	(164,000)	64,010,904
Less: Accumulated Depreciation for:				
Buildings	(926,181)	(40,893)	-	(967,074)
Machinery, Equipment and Vehicles	(30,486,045)	(1,045,162)	164,000	(31,367,207)
Infrastructure	(2,766,675)	(324,926)	-	(3,091,601)
Total Accumulated Depreciation	(34,178,901)	(1,410,981)	164,000	(35,425,882)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	29,949,948	(1,364,926)	-	28,585,022
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 31,242,069	\$ (1,364,926)	\$ -	\$ 29,877,143

The depreciation was charged to the governmental activities as follows:

Depreciation – Unallocated \$ 416,665

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

Depreciation – Unallocated \$1,410,981

BOROUGH OF KUTZTOWN**NOTES TO FINANCIAL STATEMENT****Year Ended December 31, 2023****Note 8 – Interfund Transactions**

The Borough had the following interfund payables and receivables as of December 31, 2023:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 11,864	\$ 537,049
Refuse Fund (Enterprise)	187,947	-
Water Fund (Enterprise)	181,169	17,657
Electric Fund (Enterprise)	58,682	7,585
Sewer Fund (Enterprise)	66,405	-
Telecom Fund (Enterprise)	56,224	-
Total	<u>\$ 562,291</u>	<u>\$ 562,291</u>

The Borough also made the following interfund transfers during the year ended December 31, 2023. The COVID funds that the Borough received were deducted from the annual amount that normally gets transferred from the Electric Fund to the General Fund.

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 1,857,347	\$ -
Fire Protection Tax Fund (Special Revenue)	-	150,000
Recreation Tax Fund (Special Revenue)	-	69,553
Road Tax Fund (Special Revenue)	-	228,810
Highway Aid Fund (Special Revenue)	-	140,703
Electric Fund (Enterprise)	-	1,321,481
Telecom Fund (Enterprise)	53,200	-
Total	<u>\$ 1,910,547</u>	<u>\$ 1,910,547</u>

Note 9 – Long-Term Debt Commitment

Long-Term Liability balances and activity for the year ended December 31, 2023, were:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr
Governmental Activities:					
Bonds Payable					
Capital Projects	\$ -	\$ -	\$ -	\$ -	\$ -
Total Governmental Activities					
Long-Term Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities					
Bonds Payable					
Capital Projects	\$ 13,931,000	\$ -	\$ 1,163,000	\$ 12,768,000	\$ 1,181,000
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 13,931,000</u>	<u>\$ -</u>	<u>\$ 1,163,000</u>	<u>\$ 12,768,000</u>	<u>\$ 1,181,000</u>

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

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

Total interest paid during the year:

Governmental Activities	Paid
General Obligation Bonds	\$ -
Total Interest Paid By Governmental Activities	\$ -
Business-Type Activities	Paid
General Obligation Bonds	\$ 303,705
Total Interest Paid by Business-Type Activities	\$ 303,705

The total interest cost incurred and charged to expense in 2023 was \$296,167.

Long-Term Debt

At December 31, 2023, debt consisted of the following:

General Obligation Bonds, Series 2013A; M&T Bank, Initial issue \$2,835,000 interest rates from 1.038% to 4.962% per annum until November, 2031.	\$ 1,090,000
General Obligation Bonds, Series of 2019; Wilmington Trust, Initial Issue \$7,515,000 at an interest rate of 1.40% to 2.70% per annum until August, 2037.	6,420,000
General Obligation Note, Series of 2020; First National Bank, Initial Issue \$675,000 at an interest rate of 2.12% per annum until August, 2030.	485,000
General Obligation Note, Series of 2021; Peoples Security Bank & Trust, initial issue \$7,030,000 at and interest rate of 1.55% to 2.00% per annum until August, 2032	4,773,000
Total	\$ 12,768,000

At December 31, 2023, the division of debt between the governmental and business-type activities was as follows:

Governmental	\$ -
Business-Type	12,768,000
Total	\$ 12,768,000

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

The following summarizes debt activity for the Borough for 2023:

	Outstanding			Outstanding	Due in One
	January 1, 2023	Issued	Retired	December 31, 2023	Year
General Obligation Bonds 2013A	\$ 1,200,000	\$ -	\$ 110,000	\$ 1,090,000	\$ 115,000
General Obligation Bonds 2019	6,710,000	-	290,000	6,420,000	295,000
General Obligation Note 2020	550,000	-	65,000	485,000	65,000
General Obligation Note 2021	5,471,000	-	698,000	4,773,000	706,000
Total	\$ 13,931,000	\$ -	\$ 1,163,000	\$ 12,768,000	\$ 1,181,000

Aggregate maturities required on debt at December 31, 2023 are as follows:

Fiscal Year	Principal	Interest
2024	\$ 1,181,000	\$ 280,796
2025	1,219,000	257,344
2026	1,242,000	232,094
2027	1,268,000	206,286
2028	1,300,000	179,858
2029-2033	5,258,000	491,330
2034-2037	1,300,000	87,235
Total	\$ 12,768,000	\$ 1,734,943

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

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

Combined Long-Term Debt

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

Principal Requirements Fiscal Year	GOB Series 2013A	GOB Series 2019	GON Series 2020	GON Series 2021	Total Payments
2024	\$ 115,000	\$ 295,000	\$ 65,000	\$ 706,000	\$ 1,181,000
2025	120,000	530,000	65,000	504,000	1,219,000
2026	125,000	535,000	70,000	512,000	1,242,000
2027	130,000	550,000	70,000	518,000	1,268,000
2028	140,000	560,000	70,000	530,000	1,300,000
2029-2033	460,000	2,650,000	145,000	2,003,000	5,258,000
2034-2037	-	1,300,000	-	-	1,300,000
Total	\$ 1,090,000	\$ 6,420,000	\$ 485,000	\$ 4,773,000	\$ 12,768,000
Less: Payable Within One Year	115,000	295,000	65,000	706,000	1,181,000
Long-Term Debt Outstanding	\$ 975,000	\$ 6,125,000	\$ 420,000	\$ 4,067,000	\$ 11,587,000

Principal and Interest Requirements Fiscal Year	GOB Series 2013A	GOB Series 2019	GON Series 2020	GON Series 2021	Total Payments
2024	\$ 167,067	\$ 439,466	\$ 75,282	\$ 779,982	\$ 1,461,797
2025	166,835	668,566	73,904	567,039	1,476,344
2026	166,375	662,966	77,526	567,227	1,474,094
2027	165,687	667,266	76,042	565,291	1,474,286
2028	169,772	666,266	74,558	569,262	1,479,858
2029-2033	506,394	2,993,994	149,664	2,099,278	5,749,330
2034-2037	-	1,387,234	-	-	1,387,234
Total	\$ 1,342,130	\$ 7,485,758	\$ 526,976	\$ 5,148,079	\$ 14,502,943

Comprised of the following Fund Allocations	GOB Series 2013A	GOB Series 2019	GON Series 2020	GON Series 2021	Total Payments	Less Payable in One Year	Long-Term Debt
Water Fund	\$ -	\$ 6,420,000	\$ -	\$ 210,000	\$ 6,630,000	\$ 505,000	\$ 6,125,000
Electric Fund	1,090,000	-	-	-	1,090,000	115,000	975,000
Sewer Fund	-	-	485,000	4,563,000	5,048,000	561,000	4,487,000
Totals	\$ 1,090,000	\$ 6,420,000	\$ 485,000	\$ 4,773,000	\$ 12,768,000	\$ 1,181,000	\$ 11,587,000

Note 10 - Pension Plan Obligations

Non-Uniformed Pension Plan

Plan Description

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Plan Membership

As of January 1, 2023, the date of the most recent actuarial valuation, the plan-year end, plan membership consisted of the following:

	<u>1/1/2023</u>
Inactive employees or beneficiaries currently receiving benefits	33
Inactive entitled to but not yet receiving benefits	9
Active employees	<u>45</u>
Total	<u>87</u>

Contributions and Funding Policy

Employees who are members in the plan are required to contribute 8.25% of their salaries to the plan. Interest is credited to each member's account each year at 5.25% 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 OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

Borough contributed the funds necessary to meet the obligations of the non-uniform plan in the amount of \$352,138.

Net Pension Liability

The net pension liability for December 31, 2023 was measured as of December 31, 2022, and the total pension liability was measured as of December 31, 2022, based on the actuarial valuation as of January 1, 2023 and then projected to this date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which contributions were reported. Therefore, the Actuarially Determined contribution for calendar year 2022 is based upon the January 1, 2023 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2021 contribution rates:

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

Long-Term Expected Rate of Return:

The PMRS System's long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimates of expected future nominal rates of return (net of investment expenses) are developed for each asset class. These returns are combined to produce the System's Long-Term Expected Real Rate of Return by calculating the weighted average return for each asset class using each respective target asset allocation percentage and multiplying by the expected future nominal rate of return, while also factoring in covariance across asset classes, then deducting expected inflation (2.5%). Best estimates of geometric real rates of return for each utilized asset class re included in the pension plan's target asset allocation as of December 31, 2022 and summarized in the table below labeled "System Nominal Net and Real Rates of Return by Asset Class."

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

System Nominal and Real Rates of Return by Asset Class

Asset Class	Target Allocation	Nominal Rate of Return	Long-Term
			Expected Real Rate of Return
Domestic Equity (Large-Capitalized Firms)	24.5%	7.50%	5.00%
Domestic Equity (Small Capitalized Firms)	8.0%	8.20%	5.70%
International Equities (International Developed Markets)	14.5%	7.60%	5.10%
International Equities (Emerging Markets)	3.0%	8.01%	5.51%
Global Equities	5.0%	7.03%	4.53%
Real Estate	10.0%	7.42%	4.92%
Timber	5.0%	6.50%	4.00%
Fixed Income (Core Investment Grade)	24.0%	4.60%	2.10%
Fixed Income (Opportunistic Credit)	5.0%	8.00%	5.50%
Cash	1.0%	2.20%	(0.30%)
Total	100.00%	7.43%	4.93%

Based on the aforementioned methodology, the Board established the System's Long-Term Expected Rate of Return at 7.43%.

In addition to determining the System's Long-Term Nominal Expected Rate of Return, the PMRS Board, under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), is obligated to develop and apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. The rationale for the difference between the System's Long-Term Nominal Expected Rate of Return and the individual participating municipalities' Regular Interest Rate is described in the following section "Discount Rate." As of December 31, 2022, this rate is equal to 5.25%.

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

Confidence Levels for System Nominal and Real Rates of Return

Confidence Interval	Nominal Rate of	Long-Term Expected
	Return	Real Rate of Return
95%	4.18%	1.68%
90%	4.87%	2.37%
85%	5.51%	3.01%
80%	5.86%	3.36%
75%	6.10%	3.60%
70%	6.45%	3.95%
60%	6.99%	4.49%

Year Ended December 31, 2023

Discount Rate

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

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

A formula using these factors is as follows:

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

The Board then considers the Regular Interest Rate / Discount Rate derived from the above formula against a variety of qualitative factors such as the desire to minimize Regular Interest Rate / Discount Rate volatility, probability of achieving the Regular Interest Rate, varying levels of asset allocation and liquidity, trending of annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The Regular Interest Rate / Discount Rate adopted by the Board and used to measure the individual participating municipalities' total pension liability was 5.25% as of December 31, 2022.

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

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

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2021	\$ 16,381,007	\$ 17,568,692	\$ (1,187,685)
Changes for the year:			
Service Cost	382,997	-	382,997
Interest	862,416	-	862,416
Changes in Benefits	-	-	-
Changes of Assumptions	-	-	-
Differences between expected and actual experience	(100,905)	-	(100,905)
Contributions - Employer	-	350,438	(350,438)
Contributions - PMRS Assessment	-	1,700	(1,700)
Contributions - Employee	-	223,449	(223,449)
PMRS Investment Income	-	769,621	(769,621)
Market Value Investment Income*	-	(2,924,771)	2,924,771
Transfers	-	-	-
Benefit Payments	(682,818)	(682,818)	-
PMRS Administration Expense	-	(1,700)	1,700
Additional Administration Expense	-	(40,665)	40,665
Net Changes	461,690	(2,304,746)	2,766,436
Balances at 12/31/2022	\$ 16,842,697	\$ 15,263,946	\$ 1,578,751

* Reflects the net investment income/(loss) of (\$3,022,072) and the income/(loss) due to the difference between expected and actual asset values of \$97,301, which includes the impact from allocation of assets in support of the underlying retiree liabilities.

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

	1% Decrease 4.25%	Discount Rate 5.25%	1% Increase 6.25%
Total Pension Liability	\$ 19,028,453	\$ 16,842,697	\$ 15,002,888
Plan Fiduciary Net Position	15,263,946	15,263,946	15,263,946
Net Pension Liability	\$ 3,764,507	\$ 1,578,751	\$ (261,058)
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	80.22%	90.63%	101.74%

BOROUGH OF KUTZTOWN**NOTES TO FINANCIAL STATEMENT****Year Ended December 31, 2023*****Components of Pension Expense for Year Ended December 31, 2023 (Measurement Year Ending 12/31/22)***

Service Cost	\$ 382,997
Interest on the Total Pension Liability	862,416
Recognition of Liability Gains and Losses	74,805
Changes in Assumptions	60,402
Employee Contributions	(223,449)
Projected Earnings on Pension Plan Investments	(769,621)
Recognition of Investment Gains and Losses	(62,699)
Pension Plan Administrative Expense	42,365
Change of Benefits	-
Other Changes in Net Fiduciary Position	-
Total Pension Expense	\$ 367,216

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2023, the actuarially determined pension expense is \$367,216. The Borough has deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2023:

Deferred Outflows and Inflows of Resources Related to Pension

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between Expected and Actual Experience	\$ 84,087	\$ 200,571
Changes in Actuarial Assumptions	-	181,204
MMO	18,477	428,899
Net Difference between Projected and Actual Earnings on Plan Investments	-	-
Contributions Subsequent to the Measurement Date	-	686,434
Totals	\$ 102,564	\$ 1,497,108

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

2023	\$ (130,441)
2024	149,606
2025	413,635
2026	568,137
2027	(16,815)
Thereafter	-

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

Reconciliation of Pension Expense with Net Pension Liability

Change in Net Pension Liability	\$ 2,766,436
Change in Deferred (Outflows) of Resources	(534,409)
Change in Deferred Inflows of Resources	(2,216,949)
Employer Contributions	352,138
Total Pension Expense	<u>\$ 367,216</u>

Police Pension Plan

Plan Description

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Eligibility

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

Normal Retirement

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

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

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

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

Late Retirement

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

Year Ended December 31, 2023

Early Retirement

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

Disability Retirement

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

Cost-of-Living Increase

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

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

Death Benefits

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

Vesting

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

Accrued Pension

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

Contributions

Members contribute 5.0% of compensation.

Member contributions are credited with 5.25% annual simple interest.

Service Rules

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

Plan Membership:

As of January 1, 2023, the date of the most recent actuarial valuation and December 31, 2022, the plan-year end, plan membership consisted of the following:

	<u>12/31/2022</u>
Inactive Members or Beneficiaries Currently Receiving Benefits	7
Inactive Members Entitled to but not yet Receiving Benefits	-
Active Plan Members	<u>12</u>
Total	<u>19</u>

Contributions and Funding Policy

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

The plan's funding policy provides for periodic employer contributions, determined actuarially, that are sufficient to accumulate assets to pay benefits when due. The Borough is required to contribute each year the Minimum Municipal Obligation (MMO), which is determined the previous year based on the most recent actuarial valuation. The Borough may allocate General Municipal Pension System State Aid toward the Minimum Municipal Obligation; however, the Borough is ultimately responsible for funding the MMO. The Borough contributed the funds necessary to meet obligations of the police pension plan in the amount of \$59,599.

Net Pension Liability

The net pension liability for December 31, 2023 was measured as of December 31, 2022 and the total pension liability was determined by rolling forward the liabilities from the January 1, 2023 actuarial valuation. No significant events or changes in assumptions occurred between the valuate date and the fiscal year end.

Actuarial Assumptions

The total pension liability in the January 1, 2023 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2021	\$ 6,546,600	\$ 8,680,787	\$ (2,134,187)
Service Cost	218,555	-	218,555
Interest Cost	515,471	-	515,471
Changes for Benefit Terms	-	-	-
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	59,599	(59,599)
Contributions - Member	-	62,619	(62,619)
Net Investment Income	-	(1,569,637)	1,569,637
Benefit Payments, including refunds of member contributions	(227,834)	(227,834)	-
Administration Expense	-	(4,900)	4,900
Other Changes	-	-	-
Net Changes	506,192	(1,680,153)	2,186,345
Balances at 12/31/2022	\$ 7,052,792	\$ 7,000,634	\$ 52,158

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

Sensitivity of the Net Pension liability to changes in the discount rate

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Plan's Net Pension Liability	\$ 930,338	\$ 52,158	\$ (682,304)

Components of Pension Expense for Year Ended December 31, 2023 (Measurement Year Ending December 31, 2022)

Service Cost	\$ 218,555
Interest on the Total Pension Liability	515,471
Change of Benefit Terms	-
Differences between Expected and Actual Experience ¹	(94,565)
Changes in Assumptions ¹	25,292
Employee Contributions	(62,619)
Projected Earnings on Pension Plan Investments	(668,478)
Difference between Projected and Actual Earnings on Investments ²	242,988
Pension Plan Administrative Expense	4,900
Other Changes in Net Fiduciary Position	-
Total Pension Expense	\$ 181,544

¹ Each year's gain or loss is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are provided pensions through this pension plan.

² Each year's gain or loss is recognized over a 5-year period.

Pension Expense and Deferred Outflows and inflows of Resources

For the year ended December 31, 2023, the actuarially determined pension expense is \$181,544. The Borough has deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2023:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Totals	\$ 2,001,013	\$ 974,298

Year Ended December 31, 2023

Note 11 – Postemployment Benefits Other than Pension:***Plan Description******Police***

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

Full-Time Hourly Employees:

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

Full-time Salaried/Confidential Employees:

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

Summary of Significant Accounting Policies

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

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.

Percent of Eligible Retirees Electing Coverage in Plan

50% of employees are assumed to elect coverage.

Per Capita Claims Cost

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

BOROUGH OF KUTZTOWN**NOTES TO FINANCIAL STATEMENT****Year Ended December 31, 2023**

The resulting costs are as follows:

Age	Medical, RX, Dental, and Vision			
	Combined			
	Males		Females	
45-49	\$	8,411	\$	11,985
50-54		11,021		13,498
55-59		13,343		14,106
60-64		17,301		16,150

Retiree Contributions

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

Health Care Cost Trend Rate

7.0% in 2023 with 0.5% decrease per year until 5.5% in 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets

Equal to the Market Value of Assets

Actuarial Cost Method – Entry Age Normal

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

Participant Data

Based on census information as of January 1, 2022.

Demographic Information	Police	Non-Uniformed Employees	Total
Active Participants	12	43	55
Vested Former Participants	-	-	-
Retired Participants	-	1	1
TOTAL	12	44	56
Annual Payroll of Active Participants	\$ 1,193,376	\$ 2,657,543	\$ 3,850,919

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

Financial Information	Non-Uniformed		
	Police	Employees	Total
Total OPEB Liability	\$ 129,433	\$ 602,858	\$ 732,291
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability (Asset)	129,433	602,858	732,291
Deferred Outflows of Resources	26,331	116,522	142,853
Deferred Inflows of Resources	93,691	217,802	311,493
Plan Fiduciary Net Position as a % of Total OPEB Liability	0.00%	0.00%	0.00%
Net OPEB Liability as of % of Covered-Employee Payroll	10.85%	22.68%	19.02%
OPEB Expense	\$ 6,504	\$ 51,620	\$ 58,124

Deferred Outflows of Resources	Non-Uniformed		
	Police	Employees	Total
Differences between Expected and Actual Experiences	\$ -	\$ -	\$ -
Changes of Assumptions	16,721	66,835	83,556
Benefit Payments subsequent to the Measurement Date (1/1/2023)	9,610	49,687	59,297
Total deferred outflows	\$ 26,331	\$ 116,522	\$ 142,853

Deferred Inflows of Resources	Non-Uniformed		
	Police	Employees	Total
Differences between Expected and Actual Experiences	\$ 74,162	\$ 119,492	\$ 193,654
Changes of Assumptions	19,529	98,310	117,839
Total deferred inflows	\$ 93,691	\$ 217,802	\$ 311,493

BOROUGH OF KUTZTOWN**NOTES TO FINANCIAL STATEMENT****Year Ended December 31, 2023*****Sensitivity of the Net OPEB liability to changes in the discount rate***

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

Net OPEB Liability (Asset)	Non-Uniformed		Total
	Police	Employees	
1% increase (5.31%)	\$ 121,862	\$ 566,116	\$ 687,978
Current Discount Rate (4.31%)	129,433	602,858	732,291
1% Decrease (3.31%)	137,411	641,782	779,193

Sensitivity of the Net OPEB liability to changes in the Healthcare Cost Trends Rate

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

Net OPEB Liability (Asset)	Non-Uniformed		Total
	Police	Employees	
1% Increase	\$ 143,141	\$ 671,923	\$ 815,064
Current Rates	126,433	602,858	732,291
1% Decrease	117,383	544,195	661,578

Deferred Outflows of Resources

Date	Initial Balance	Annual Recognition	Remaining Balance	Remaining Recognition Period	Type
January 1, 2018	\$ 28,564	\$ 2,040	\$ 16,324	8 Years	Assumption Change
January 1, 2020	23,474	1,956	15,650	8 years	Assumption Change
January 1, 2021	68,778	5,732	51,582	9 years	Assumption Change
Total	\$ 120,816	\$ 9,728	\$ 83,556		

BOROUGH OF KUTZTOWN**NOTES TO FINANCIAL STATEMENT****Year Ended December 31, 2023****Deferred Inflows of Resources**

Date	Initial Balance	Annual Recognition	Remaining Balance	Remaining Recognition Period	Type
January 1, 2019	\$ 23,649	\$ 1,689	\$ 15,204	9 years	Assumption Change
January 1, 2020	61,726	5,144	41,150	8 years	Experience Change
January 1, 2021	183,004	15,250	152,504	10 years	Experience Change
January 1, 2022	13,788	1,149	11,490	10 years	Assumption Change
January 1, 2023	99,431	8,286	91,145	11 years	Assumption Change
Total	\$ 381,598	\$ 31,518	\$ 311,493		

Supplemental Information for Assumptions**Discount Rate**

Based on the S&P Municipal Bond 20-year High Grade Rate Index as of 1/1/2023.

Salary

Due to the entry age normal cost method, an assumption for salary increases is used only for spreading contributions over future pay. Based on expected long-term salary increases for active participants considering the effects of future inflation.

Withdrawal

Historical rates of withdrawal were considered as well as future expectations of withdrawal for the affected population.

Mortality

Uses the most recent study of public sector data prepared by the Society of Actuaries and takes into account the occupational makeup of the participant group.

Disability

Not applicable since the plan does not provide disability benefits.

Retirement

Due to the plan size and design, use of a single retirement age was assumed.

Percent of Eligible Retirees Electing Coverage in Plan

Plan experience was considered as well as future expectations.

Percent Married at Retirement

Plan experience was considered as well as future expectations.

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

Spouse Age

A conservative assumption was made as compared to current marital statistics for the general population.

Per Capita Claims Cost

An age/gender cost curve model which utilizes a normative database that is based on insurance rates and general plan experience and use in conjunction with the premium rates is used to develop the costs.

Health Care Cost Trend Rate

Developed using short-term expectations and the Society of Actuaries' Getzen Model of Long-Run Medical Cost Trends.

Note 12 – GASB 61 - Condensed Component Unit Data

Condensed Statement of Net Position

	Kutztown Municipal Authority	Kutztown Transportation Authority
ASSETS:		
Cash and cash equivalents	\$ 2,149,392	\$ 89,431
Accounts receivable	126,276	-
Due from primary government	149,274	-
Due from other funds	196,934	-
Capital assets, net of accumulated depreciation	<u>976,783</u>	<u>-</u>
Total assets	3,598,659	89,431
LIABILITIES:		
Account payable	101,036	-
Developer deposits held	39,969	-
Due to other funds	<u>196,934</u>	<u>-</u>
Total liabilities	337,939	-
NET POSITION:		
Invested in capital assets, net of related debt	355,827	-
Restricted	976,783	1,145
Unrestricted	<u>1,928,110</u>	<u>88,286</u>
Total net position	<u>\$ 3,260,720</u>	<u>\$ 89,431</u>

BOROUGH OF KUTZTOWN**NOTES TO FINANCIAL STATEMENT****Year Ended December 31, 2023****Condensed Statement of Activities**

	Kutztown Municipal Authority	Kutztown Transportation Authority
EXPENSES:		
<i>Major Function:</i>		
Water	\$ 1,238,917	\$ -
Sewer	172,744	-
Transportation	-	30,255
Total expenses	\$ 1,411,661	\$ 30,255
PROGRAM REVENUES:		
<i>By Type -</i>		
Water	\$ 1,408,870	\$ -
Sewer	217,645	-
Grant Income	-	-
Miscellaneous	4,492	-
Transportation	-	2,194
Interest Income	60,167	2,759
Total revenues	1,691,174	4,953
Change in Net Position	279,513	(25,302)
Beginning Net Position:	2,981,207	114,733
Ending Net Position:	\$ 3,260,720	\$ 89,431

Condensed Statement of Cash Flows

	Kutztown Municipal Authority	Kutztown Transportation Authority
NET CASH PROVIDED (USED) BY:		
Operating activities	\$ 220,897	\$ (19,925)
Non-operating activities	-	-
Investing activities	60,167	2,759
Net increase (decrease) in cash and cash equivalents	281,064	(17,166)
Beginning Cash and Cash Equivalents	1,868,328	106,597
Ending Cash and Cash Equivalents	\$ 2,149,392	\$ 89,431

BOROUGH OF KUTZTOWN

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 2023

Note 13 - Contingencies

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

Note 14 – Risk Management

The Borough is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. For insured programs, there were no significant reductions insurance coverage during the year. Settlement amounts, if any, have not exceeded insurance coverage for the year.

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

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

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

Note 15 – Fund Balances

Detailed information about aggregated fund balances.

Restricted Fund Balances

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

Highway Aid Fund	\$ 86,393
Fire Protection Fund	384,310
Recreation Tax Fund	63,547
Road Tax Fund	169,197
General Fund	117,374
Total	<u>\$ 820,821</u>

Note 16 – Subsequent Events

The subsequent events have been evaluated through July 5, 2024, which is the date of the financial statements were available to be issued.

Hutchinson, Gillahan & Freeh

Operating as a Division of MVA Audit PLLC

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, 2023, 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 5, 2024.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Borough of Kutztown's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,

Hutchinson, Gillahan & Freeh
and
MVA Audit PLLC

July 5, 2024

BOROUGH OF KUTZTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2023

SECTION I – AUDIT FINDINGS

Material Weakness

23.01 – General Ledger Accounts Reconciliations

<i>Criteria:</i>	General Ledger accounts should be reconciled on a monthly basis.
<i>Condition:</i>	Certain General ledger accounts are not reconciled on a monthly basis.
<i>Context:</i>	It was noted during the course of the audit that the General Ledger Accounts were not reconciled on a monthly basis and that certain General Ledger Accounts were not fully reconciled prior to the start of the audit. As a result, many journal entries, some significant in dollar amount, were required to completely reconcile the account balances.
<i>Effect:</i>	Monthly financial reports provided to the Borough Council are not complete and accurate.
<i>Causes:</i>	Lack of personnel in the administration offices to assist the Borough Finance Director with account reconciliations.
<i>Recommendations:</i>	All General Ledger accounts should be reconciled on at least a monthly basis.
<i>View of Responsible Officials:</i>	Due to limited personnel resources available in the administrative offices it is difficult to reconcile all the General Ledger accounts on a monthly basis.
<i>Corrective Action Plan:</i>	We are currently training staff to reconcile General Ledger Account balances that fall under the accounting duties that have been assigned to them and implemented a new accounting software to help ease the process.
<i>Corrective Action Plan:</i>	We implemented a more efficient accounting software program during a prior year to help correct this issue. However, the weaknesses have not yet been fully corrected over the course of the 2023 year. We intend to fully evaluate and correct the weaknesses during the 2024 year.

SECTION II – SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Material Weakness

22.01 – 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 23.01.

REQUIRED SUPPLEMENTAL INFORMATION

BOROUGH OF KUTZTOWN
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
NON-UNIFORM PENSION PLAN

Last Ten Years*

	Measurement Year Ending								
	12/30/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total Pension Liability									
Service Cost	\$ 382,997	\$ 359,891	\$ 346,235	\$ 318,625	\$ 317,276	\$ 303,765	\$ 279,381	\$ 293,645	\$ 309,223
Interest Cost	862,416	813,258	753,399	731,017	700,474	683,899	676,308	665,766	629,985
Changes of Benefit Terms	-	420,173	-	-	-	-	-	-	-
Differences Expected vs. Actual Experience*	(100,905)	-	326,845	-	222,893	-	148,378	(103)	412,732
Changes of Assumptions	-	-	362,410	-	-	-	360,183	(22,941)	-
Transfers	-	-	-	(4,764)	-	-	-	-	-
Benefit Payments	(682,818)	(677,423)	(647,739)	(649,250)	(666,292)	(704,131)	(811,004)	(652,185)	(718,313)
Net Change in Total Pension Liability	461,690	915,899	1,141,150	395,628	574,351	283,533	653,246	284,182	633,627
Total Pension Liability - Beginning	16,381,007	15,465,108	14,323,958	13,928,330	13,353,979	13,070,446	12,417,200	12,133,018	11,499,391
Total Pension Liability - Ending	\$ 16,842,697	\$ 16,381,007	\$ 15,465,108	\$ 14,323,958	\$ 13,928,330	\$ 13,353,979	\$ 13,070,446	\$ 12,417,200	\$ 12,133,018
Plan Fiduciary Net Position									
Contributions - Employer	350,438	401,442	376,914	372,026	329,320	324,658	248,758	239,405	81,890
Contributions - PMRS Assessment	1,700	1,720	1,660	1,680	1,640	1,680	1,700	1,720	-
Contributions - Employee	223,449	165,834	167,115	159,286	156,066	149,420	144,183	136,830	130,236
PMRS Investment Income	769,621	735,595	681,997	650,219	597,194	580,709	610,623	571,531	563,912
Market Value Investment Income	(2,924,771)	1,346,872	1,320,152	1,585,977	(1,014,726)	1,293,827	147,220	(487,496)	99,776
Transfers	-	-	-	(4,764)	-	-	-	-	-
Benefit Payments	(682,818)	(677,423)	(647,739)	(649,250)	(666,292)	(704,131)	(811,004)	(652,185)	(718,313)
PMRS Administrative Expense	(1,700)	(1,720)	(1,660)	(1,680)	(1,640)	(1,620)	(1,660)	(1,720)	(1,640)
Additional Administrative Expense	(40,665)	(41,663)	(29,714)	(22,475)	(26,650)	(26,706)	(29,915)	(23,826)	(21,626)
Net Change in Plan Fiduciary Net Position	\$ (2,304,746)	\$ 1,930,657	\$ 1,868,725	\$ 2,091,019	\$ (625,088)	\$ 1,617,837	\$ 309,905	\$ (215,741)	\$ 134,235
Plan Fiduciary Net Position - Beginning	17,568,692	15,638,035	13,769,310	11,678,291	12,303,379	10,685,542	10,375,637	10,591,378	10,457,143
Plan Fiduciary Net Position - Ending	\$ 15,263,946	\$ 17,568,692	\$ 15,638,035	\$ 13,769,310	\$ 11,678,291	\$ 12,303,379	\$ 10,685,542	\$ 10,375,637	\$ 10,591,378
Net Pension Liability - Ending	\$ 1,578,751	\$ (1,187,685)	\$ (172,927)	\$ 554,648	\$ 2,250,039	\$ 1,050,600	\$ 2,384,904	\$ 2,041,563	\$ 1,541,640
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.63%	107.25%	101.12%	96.13%	83.85%	92.13%	81.75%	83.56%	87.29%
Covered Employee Payroll	\$ 2,708,467	\$ 2,661,869	\$ 2,778,315	\$ 2,556,757	\$ 2,505,074	\$ 2,398,399	\$ 2,314,341	\$ 2,196,450	\$ 2,324,479
Net Pension Liability as a Percentage of Covered Employee Payroll	58.29%	(44.62%)	(6.22%)	21.69%	89.82%	43.80%	103.05%	92.95%	66.32%

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

BOROUGH OF KUTZTOWN
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION PLAN

Last Ten Years*

	Measurement Year Ending								
	12/30/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total Pension Liability									
Service Cost	\$ 218,555	\$ 208,148	\$ 198,462	\$ 189,011	\$ 172,852	\$ 164,621	\$ 139,939	\$ 133,275	\$ 130,581
Interest Cost	515,471	478,636	454,592	422,834	396,822	371,059	351,351	328,582	332,098
Changes for Experience	-	(137,745)	-	(173,715)	-	(225,370)	-	(319,572)	-
Changes of Assumptions	-	-	-	138,574	-	159,888	-	(54,842)	-
Benefit Payments, including Refunds of									
Member Contributions	(227,834)	(215,972)	(213,522)	(209,505)	(220,598)	(202,383)	(190,002)	(159,444)	(113,222)
Net Change in Total Pension Liability	506,192	333,067	439,532	367,199	349,076	267,815	301,288	(72,001)	349,457
Total Pension Liability - Beginning	6,546,600	6,213,533	5,774,001	5,406,802	5,057,726	4,789,911	4,488,623	4,560,624	4,211,167
Total Pension Liability - Ending	\$ 7,052,792	\$ 6,546,600	\$ 6,213,533	\$ 5,774,001	\$ 5,406,802	\$ 5,057,726	\$ 4,789,911	\$ 4,488,623	\$ 4,560,624
Plan Fiduciary Net Position									
Contributions - Employer	59,599	209,630	158,687	139,393	84,887	81,099	85,978	179,232	168,437
Contributions - Member	62,619	60,438	58,450	55,109	52,446	51,081	48,604	48,205	48,132
Net Investment Income	(1,569,637)	966,975	1,217,439	1,082,468	(287,559)	807,488	212,912	(4,999)	252,593
Benefit Payments, including Refunds of									
Member Contributions	(227,834)	(215,972)	(213,522)	(209,505)	(220,598)	(202,383)	(190,002)	(159,444)	(113,222)
Administrative Expense	(4,900)	(7,000)	(4,900)	(6,700)	(4,800)	(6,800)	(6,300)	(8,700)	-
Net Change in Plan Fiduciary Net Position	\$ (1,680,153)	\$ 1,014,071	\$ 1,216,154	\$ 1,060,765	\$ (375,624)	\$ 730,485	\$ 151,192	\$ 54,294	\$ 355,940
Plan Net Position - Beginning	8,680,787	7,666,716	6,450,562	5,389,797	5,765,421	5,034,936	4,883,744	4,829,450	4,473,510
Plan Net Position - Ending	\$ 7,000,634	\$ 8,680,787	\$ 7,666,716	\$ 6,450,562	\$ 5,389,797	\$ 5,765,421	\$ 5,034,936	\$ 4,883,744	\$ 4,829,450
Borough's Net Pension Liability (Asset)	\$ 52,158	\$ (2,134,187)	\$ (1,453,183)	\$ (676,561)	\$ 17,005	\$ (707,695)	\$ (245,025)	\$ (395,121)	\$ (268,826)
Plan Fiduciary Net Position as a Percentage of the									
 Total Pension Liability	99.26%	132.60%	123.39%	111.72%	99.68%	113.99%	105.12%	108.80%	105.89%
Covered Employee Payroll	\$ 1,233,915	\$ 1,193,376	\$ 1,187,650	\$ 1,060,619	\$ 1,078,518	\$ 966,351	\$ 992,971	\$ 983,083	\$ 901,757
Borough's Net Pension Liability (Asset) as a									
 Percentage of Covered Employee Payroll	4.23%	(178.84%)	(122.36%)	(63.79%)	1.06%	(73.23%)	(24.68%)	(40.19%)	(29.81%)

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

BOROUGH OF KUTZTOWN
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023
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
2014	\$ 71,055	\$ 81,890	\$ (10,835)	\$ 2,324,479	3.52%
2015	241,045	241,125	(80)	2,196,450	10.98%
2016	250,418	250,458	(40)	2,314,341	10.82%
2017	326,278	326,338	(60)	2,398,399	13.61%
2018	330,960	330,960	-	2,505,074	13.21%
2019	373,686	373,706	(20)	2,556,757	14.62%
2020	378,554	378,574	(20)	2,778,315	13.63%
2021	403,082	403,162	(80)	2,661,869	15.15%
2022	404,228	352,138	52,090	2,708,467	13.00%

*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.

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 2022 is based upon the January 1, 2019 actuarial valuation.

Methods and assumptions used to determine the contributions rates:

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

BOROUGH OF KUTZTOWN
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023
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
2014	\$ 168,437	\$ 168,437	\$ -	\$ 901,757	18.68%
2015	179,232	179,232	-	983,083	18.23%
2016	85,978	85,978	-	992,971	8.66%
2017	81,099	81,099	-	966,351	8.39%
2018	84,887	84,887	-	1,078,518	7.87%
2019	139,393	139,393	-	1,060,619	13.14%
2020	158,687	158,687	-	1,187,650	13.36%
2021	209,630	209,630	-	1,193,376	17.57%
2022	59,599	59,599	-	1,233,915	4.83%

*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.

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:	1/1/2021
Actuarial Cost Method:	Entry Age Normal
Amortization Period:	Level dollar Closed
Remaining Amortization Period:	Not Applicable
Asset Valuation Method:	Market value of assets as determined by the trustee
Inflation:	3%
Salary Increases:	5.00%
Investment Rate of Return	7.75%
Retirement Age:	Attainment of age 53 and completion of 25 years of service
Mortality:	PubS-2010 Mortality table including rates for disabled retirees and contingent survivors. Incorporated into the tables are rated projected generationally using Scale MP-2020 to reflect mortality improvements.
Changes in Benefit Terms:	None since 1/1/2021.

BOROUGH OF KUTZTOWN
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

Schedule of Changes in the Net OPEB Liabilities and Related Ratios

	Measurement Year Ending 12/31/2023	Measurement Year Ending 12/31/2022	Measurement Year Ending 12/31/2021	Measurement Year Ending 12/31/2020	Measurement Year Ending 12/31/2019	Measurement Year Ending 12/31/2018
<u>Total OPEB Liability</u>						
Service Cost	\$ 83,556	\$ 73,802	\$ 58,181	\$ 56,092	\$ 57,635	\$ 50,567
Interest Cost	59,297	18,705	26,969	29,106	24,112	24,999
Changes in Benefit Terms	-	-	-	-	-	-
Differences between Expected and Actual Experience	(193,654)	(183,004)	-	(61,726)	-	-
Changes of Assumptions	6,376	(13,788)	68,778	23,474	(23,649)	28,564
Benefit Payments	-	(30,244)	(24,567)	(17,692)	(22,591)	(21,312)
Other Changes	-	-	-	-	-	-
Net Change in OPEB Liability	(44,425)	(134,529)	129,361	29,254	35,507	82,818
Total OPEB Liability - Beginning	777,216	911,745	782,384	753,130	717,623	634,805
Total OPEB Liability - Ending	\$ 732,791	\$ 777,216	\$ 911,745	\$ 782,384	\$ 753,130	\$ 717,623
 Covered Employee Payroll	 \$ 3,850,919	 \$ 3,850,919	 \$ 3,481,617	 \$ 3,481,617	 \$ 3,246,432	 \$ 3,246,432
 Borough's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	 19.02%	 20.18%	 26.19%	 22.47%	 23.20%	 22.10%

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

OTHER SUPPLEMENTAL INFORMATION

**BOROUGH OF KUTZTOWN
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS**

For the Year Ended December 31, 2023

	Fire Protection Fund	Non-Major Recreation Tax Fund	Road Tax Fund	Highway Aid Fund	Total Special Revenue Funds
ASSETS					
Cash and cash equivalents	\$ 382,469	\$ 62,414	\$ 166,363	\$ 86,393	\$ 697,639
Real estate taxes receivable	1,841	1,133	2,834	-	5,808
Due from other funds	-	-	-	-	-
Total assets	\$ 384,310	\$ 63,547	\$ 169,197	\$ 86,393	\$ 703,447
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	384,310	63,547	169,197	86,393	703,447
Total fund balances	384,310	63,547	169,197	86,393	703,447
Total liabilities and fund balances	\$ 384,310	\$ 63,547	\$ 169,197	\$ 86,393	\$ 703,447

BOROUGH OF KUTZTOWN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS

For the Year Ended December 31, 2023

	Fire Protection Fund	Non-Major Recreation Tax Fund	Road Tax Fund	Highway Aid Fund	Total Special Revenue Funds
REVENUES					
Real estate taxes	\$ 125,012	\$ 76,929	\$ 192,321	\$ -	\$ 394,262
Liquid fuels taxes	-	-	-	129,296	129,296
Investment earnings	-	-	-	8,393	8,393
Total revenues	<u>125,012</u>	<u>76,929</u>	<u>192,321</u>	<u>137,689</u>	<u>531,951</u>
EXPENDITURES					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>125,012</u>	<u>76,929</u>	<u>192,321</u>	<u>137,689</u>	<u>531,951</u>
OTHER FINANCING SOURCES (SOURCES)					
Transfers in	-	-	-	-	-
Transfers out	(150,000)	(69,553)	(228,810)	(140,703)	(589,066)
Total other financing sources	<u>(150,000)</u>	<u>(69,553)</u>	<u>(228,810)</u>	<u>(140,703)</u>	<u>(589,066)</u>
Net changes in fund balance	<u>(24,988)</u>	<u>7,376</u>	<u>(36,489)</u>	<u>(3,014)</u>	<u>(57,115)</u>
Fund balances - beginning	<u>409,298</u>	<u>56,171</u>	<u>205,686</u>	<u>89,407</u>	<u>760,562</u>
Fund balances - ending	<u>\$ 384,310</u>	<u>\$ 63,547</u>	<u>\$ 169,197</u>	<u>\$ 86,393</u>	<u>\$ 703,447</u>

BOROUGH OF KUTZTOWN
COMBINING STATEMENT OF NET POSITION
ALL PROPRIETARY FUNDS

As December 31, 2023

	Major					
	Electric Fund	Water Fund	Sewer Fund	Telecom Fund	Refuse Fund	Total
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 4,535,215	\$ 1,320,536	\$ 2,531,979	\$ 48	\$ 808,052	\$ 9,195,830
Accounts receivable, net of allowance for doubtful accounts	683,876	223,740	256,131	63,368	98,027	1,325,142
Prepaid expenses	31,134	28,937	35,591	14,821	12,288	122,771
Due from other funds	58,682	181,169	66,405	56,224	187,947	550,427
Total current assets	<u>5,308,907</u>	<u>1,754,382</u>	<u>2,890,106</u>	<u>134,461</u>	<u>1,106,314</u>	<u>11,194,170</u>
Non-Current Assets						
Land	-	477,407	813,292	1,422	-	1,292,121
Buildings, net of depreciation	1,261,871	5,109,564	6,415,591	23,700	117,175	12,927,901
Machinery and equipment, net of depreciation	1,100,156	4,883,609	8,338,608	947,912	386,836	15,657,121
Unamortized bond costs	15,922	262,787	74,891	-	-	353,600
Total non-current assets	<u>2,377,949</u>	<u>10,733,367</u>	<u>15,642,382</u>	<u>973,034</u>	<u>504,011</u>	<u>30,230,743</u>
Total assets	<u>\$ 7,686,856</u>	<u>\$ 12,487,749</u>	<u>\$ 18,532,488</u>	<u>\$ 1,107,495</u>	<u>\$ 1,610,325</u>	<u>\$ 41,424,913</u>
Deferred outflows of resources						
	<u>\$ 289,636</u>	<u>\$ 249,763</u>	<u>\$ 200,530</u>	<u>\$ 174,373</u>	<u>\$ 148,317</u>	<u>\$ 1,062,619</u>
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 228,683	\$ 30,688	\$ 49,059	\$ 1,600	\$ 14,805	\$ 324,835
Sales tax payable	3,174	-	-	-	-	3,174
Customer deposits	175,250	-	-	-	-	175,250
Due to other funds	7,585	17,657	-	-	-	25,242
Interest payable	6,653	55,379	32,301	-	-	94,333
Notes payable	115,000	505,000	561,000	-	-	1,181,000
Total current liabilities	<u>536,345</u>	<u>608,724</u>	<u>642,360</u>	<u>1,600</u>	<u>14,805</u>	<u>1,803,834</u>
NON-CURRENT LIABILITIES:						
Net pension liability	305,431	263,384	211,466	183,882	156,406	1,120,569
Notes payable	975,000	6,125,000	4,487,000	-	-	11,587,000
Total non-current liabilities	<u>1,280,431</u>	<u>6,388,384</u>	<u>4,698,466</u>	<u>183,882</u>	<u>156,406</u>	<u>12,707,569</u>
Total liabilities	<u>1,816,776</u>	<u>6,997,108</u>	<u>5,340,826</u>	<u>185,482</u>	<u>171,211</u>	<u>14,511,403</u>
Deferred inflows of resources						
	<u>\$ 23,711</u>	<u>\$ 14,028</u>	<u>\$ 11,263</u>	<u>\$ 20,829</u>	<u>\$ 8,330</u>	<u>\$ 78,161</u>
NET POSITION						
Invested in capital assets, net of related debt	1,272,027	3,840,580	10,519,491	973,034	504,011	17,109,143
Unrestricted net position	4,863,978	1,885,796	2,861,438	102,523	1,075,090	10,788,825
Total net position	<u>\$ 6,136,005</u>	<u>\$ 5,726,376</u>	<u>\$ 13,380,929</u>	<u>\$ 1,075,557</u>	<u>\$ 1,579,101</u>	<u>\$ 27,897,968</u>

BOROUGH OF KUTZTOWN
COMBINING STATEMENT OF ADDITIONS, DEDUCTIONS AND CHANGES IN NET POSITION
ALL PROPRIETARY FUNDS

For the Year Ended December 31, 2023

	Major					
	Electric Fund	Water Fund	Sewer Fund	Telecom Fund	Refuse Fund	Total
OPERATING REVENUES						
Charges for services	\$ 6,470,650	\$ 2,587,850	\$ 2,996,786	\$ 572,387	\$ 972,656	\$ 13,600,329
Penalties	33,486	11,305	11,449	-	6,534	62,774
Other fees	-	29,689	52,445	-	-	82,134
Rental income	112,253	-	-	83,646	-	195,899
Other income	10,810	68,142	-	12,752	100,945	192,649
SCADA and equipment lease	-	-	-	123,300	-	123,300
Total operating revenues	<u>6,627,199</u>	<u>2,696,986</u>	<u>3,060,680</u>	<u>792,085</u>	<u>1,080,135</u>	<u>14,257,085</u>
OPERATING EXPENSES						
Costs of furnishing utility	2,867,613	736,109	680,946	292,337	443,797	5,020,802
Employee wages	548,638	463,765	366,229	320,643	318,292	2,017,567
Employee benefits	271,728	249,701	201,661	142,065	156,197	1,021,352
Employee pension	73,089	68,624	60,046	68,624	72,956	343,339
Insurance	111,839	143,415	122,670	28,979	31,706	438,609
Debt service	58,423	172,385	99,185	-	-	329,993
Depreciation	110,038	410,364	548,110	250,848	91,621	1,410,981
Total operating expenses	<u>4,041,368</u>	<u>2,244,363</u>	<u>2,078,847</u>	<u>1,103,496</u>	<u>1,114,569</u>	<u>10,582,643</u>
Operating income (loss)	<u>2,585,831</u>	<u>452,623</u>	<u>981,833</u>	<u>(311,411)</u>	<u>(34,434)</u>	<u>3,674,442</u>
NON-OPERATING REVENUES (EXPENSES)						
Interest earned	187,653	36,128	63,292	4,984	33,525	325,582
State grants	-	-	-	-	5,687	5,687
Pension & OPEB adjustment	512,441	397,350	338,004	278,461	223,837	1,750,093
Transfer from component unit	-	-	-	-	-	-
Transfers from other funds	-	-	-	53,200	-	53,200
Transfers to other funds	(1,321,481)	-	-	-	-	(1,321,481)
Total non-operating revenues (expenses)	<u>(621,387)</u>	<u>433,478</u>	<u>401,296</u>	<u>336,645</u>	<u>263,049</u>	<u>813,081</u>
Changes in net position	<u>1,964,444</u>	<u>886,101</u>	<u>1,383,129</u>	<u>25,234</u>	<u>228,615</u>	<u>4,487,523</u>
Net position, January 1, 2023	<u>4,171,561</u>	<u>4,840,275</u>	<u>11,997,800</u>	<u>1,050,323</u>	<u>1,350,486</u>	<u>23,410,445</u>
Net position, December 31, 2023	<u>\$ 6,136,005</u>	<u>\$ 5,726,376</u>	<u>\$ 13,380,929</u>	<u>\$ 1,075,557</u>	<u>\$ 1,579,101</u>	<u>\$ 27,897,968</u>

**INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

BOROUGH OF KUTZTOWN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GENERAL FUND

For the Year Ended December 31, 2023

REVENUES

Taxes

Real estate taxes - current	\$	490,422	
Real estate taxes - prior		34,380	
Real estate transfer tax		77,843	
Earned income tax		627,940	
Per capita		10,931	
Local services tax		76,168	
Admission tax		30,606	
Mechanical tax		<u>450</u>	\$ 1,348,740

Fines and Forfeits

Motor vehicle violations		8,981	
Fines		15,734	
Criminal violations		6,450	
Parking tickets		<u>19,495</u>	50,660

Licenses and permits

Franchise fee cable		29,224	
Permits / reports		<u>144,013</u>	173,237

Intergovernmental

In lieu of taxes - PURTA		1,620	
Beverage licenses		1,150	
Pension state aid		402,124	
Allotment - fireman's relief		25,366	
Local grants		100,000	
State grants		<u>532,560</u>	1,062,820

Charges for Services

General government		170	
Public safety		130,491	
Public works		6,168	
Culture and recreation		<u>97,065</u>	233,894

Investment and rental earnings

Interest income		122,024	
Rentals		<u>404,850</u>	526,874

MISCELLANEOUS:

Contributions and donations		17,964	
Reimbursements		455,187	
Refund of prior year expenditure		275,670	
Other		<u>221,189</u>	970,010

Total revenues			\$ 4,366,235
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BOROUGH OF KUTZTOWN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GENERAL FUND (CONTINUED)

For the Year Ended December 31, 2023

EXPENDITURES

General Government

Legal

Solicitor	\$	15,682
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Mayor, Legislative, Borough Manger

Employee wages	120,051
Employee benefits	57,941
Employee pension	19,106
Insurance	29,243
Contracted services	128,491
Advertising, printing and postage	9,260
Vehicle expenses	835
Operating / office expenses	9,934
Dues, meetings and training	14,597
Small tools, equipment and building	18,833

Finance and Accounting

Audit and accounting fees	20,650
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Tax Collection

Contracted services	1,745
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Engineering

Engineering fees	34,516
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Building and Plant

Employee wages	1,848
Employee benefits	919
Operating supplies	8,666
Heating and utilities	41,076
Insurance	16,329
Repairs and maintenance	13,239
Contracted services	3,524

Total General Government

\$	566,485
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BOROUGH OF KUTZTOWN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GENERAL FUND (CONTINUED)

For the Year Ended December 31, 2023

Public Safety

Police

Employee wages	\$ 1,422,108
Employee benefits	494,787
Employee pension	69,581
Operating Supplies	9,509
Vehicle maintenance and repair	21,776
Uniforms	21,584
Training, seminars, certs	9,537
Ammunition	9,070
Insurance	55,073
Dues, subs and memberships	8,455
Small tools and equipment	11,124
Telephone / communications	72,771
Postage, printing and advertising	6,594
Repairs and maintenance	3,302
Refuse	484
Contracted services	56,762
Capital purchases	62,044

Fire and Ambulance

Rent of machine and equipment	198,708
Other services and charges	13,815
Telephone / communications	17,786
Foreign fire tax disbursement	25,365

Inspections and Zoning

Employee wages	107,883
Employee benefits	82,083
Employee pension	8,578
Vehicle maintenance and repair	551
Heating and utilities	6,207
Operating supplies	1,113
Telephone / communications	5,899
Legal services	30,531
Engineering services	91
Small tools and equipment	7,858
Postage, printing and advertising	5,312
Insurance	1,214
Training, seminars, certs	783
Rent of building	16,400
Contracted services	209,611

Emergency Management

Postage, printing and advertising	235
Contracted services	240

Total Public Safety

\$ 3,074,824

BOROUGH OF KUTZTOWN
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GENERAL FUND (CONTINUED)

For the Year Ended December 31, 2023

Public Works

Street Maintenance and Lighting

Employee wages	\$ 245,625	
Employee benefits	126,173	
Employee pension	23,845	
Training, seminars, certs	60	
Operating supplies	11,909	
Vehicle maintenance and repairs	24,771	
Uniforms	3,786	
Insurance	20,525	
Small tools and equipment	2,329	
Repairs and maintenance, land and equipment	4,492	
Engineering services	94,828	
Telephone / communications	4,116	
Postage, printing and advertising	1,352	
Contracted services	18,156	
Rent of building	37,184	
Heating and utilities	60,220	
Dues, subs and memberships	100	
Capital improvements	1,167,425	
Snow removal materials	6,478	
Total Public Works		\$ 1,853,374

Culture and Recreation

Parks and Pool

Employee wages	336,304	
Employee benefits	118,179	
Employee pension	34,066	
Operating supplies	10,856	
Insurance	23,501	
Vehicle maintenance and repairs	2,595	
Telephone / communications	315	
Postage, printing and advertising	2,006	
Heating and utilities	31,758	
Repairs and maint. building, land and equipment	61,610	
Contracted services	24,630	
YMCA programs	7,500	
Chemicals	18,231	
Total Culture and Recreation		\$ 671,551

BOROUGH OF KUTZTOWN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GENERAL FUND (CONTINUED)

For the Year Ended December 31, 2023

Debt Service

Debt principal	\$	-	
Interest expense		-	
<i>Total Debt Service</i>			\$ -

Unclassified Expenditures

C, G & S to Non-Profits		51,945	
Other Miscellaneous		7,849	
<i>Total Unclassified Expenditures</i>			\$ 59,794

Total expenditures			<u>6,226,028</u>
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Deficiency of revenues over Expenditures			(1,859,793)
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OTHER FINANCING SOURCES AND Other Financing Uses

Interfund transfers in		1,857,347	
Interfund transfers out		-	1,857,347

Net change in fund balances			(2,446)
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Fund balance - January 1, 2023			<u>2,131,101</u>
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Fund balance - December 31, 2023			<u>\$ 2,128,655</u>
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BOROUGH OF KUTZTOWN
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION
ELECTRIC FUND

For the Year Ended December 31, 2023

	<u>Budget</u>	<u>Actual</u>
OPERATING REVENUES		
Charges for services	\$ 6,456,500	\$ 6,470,650
Penalties	10,000	33,486
Rental income	85,818	112,253
Other income	8,300	10,810
Total operating revenue	<u>6,560,618</u>	<u>6,627,199</u>
 OPERATING EXPENSES		
Costs of furnishing utility	3,986,560	2,867,613
Employee wages	538,669	548,638
Employee benefits	275,376	271,728
Employee pension	78,546	73,089
Insurance	79,802	111,839
Debt service	215,000	58,423
Depreciation	-	110,038
Total operating expenses	<u>5,173,953</u>	<u>4,041,368</u>
 Operating income	<u>1,386,665</u>	<u>2,585,831</u>
 NON-OPERATING REVENUES (EXPENSES)		
Interest earned	2,000	187,653
Pension & OPEB adjustment	-	512,441
Transfers to other fund	<u>(1,268,281)</u>	<u>(1,321,481)</u>
Total non-operating (expenses)	<u>(1,266,281)</u>	<u>(621,387)</u>
 Changes in net position	120,384	1,964,444
 Net position, January 1, 2023	<u>(120,384)</u>	<u>4,171,561</u>
 Net position, December 31, 2023	<u>\$ -</u>	<u>\$ 6,136,005</u>

BOROUGH OF KUTZTOWN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION WATER FUND

For the Year Ended December 31, 2023

	<u>Budget</u>	<u>Actual</u>
OPERATING REVENUES		
Charges for services	\$ 2,064,000	\$ 2,587,850
Penalties	1,000	11,305
Other fees	12,000	29,689
Rental income	5,000	-
Other income	47,000	68,142
Total operating revenues	<u>2,129,000</u>	<u>2,696,986</u>
	-	-
OPERATING EXPENSES		
Costs of furnishing utility	585,996	736,109
Employee wages	453,344	463,765
Employee benefits	259,051	249,701
Employee pension	73,960	68,624
Insurance	133,619	143,415
Debt service	702,300	172,385
Depreciation	-	410,364
Total operating expenses	<u>2,208,270</u>	<u>2,244,363</u>
Operating income (loss)	<u>(79,270)</u>	<u>452,623</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest earned	2,000	36,128
Pension & OPEB adjustment	-	397,350
Transfers from other funds	-	-
Transfers to other funds	-	-
Total non-operating revenues (expenses)	<u>2,000</u>	<u>433,478</u>
Changes in net position	<u>(77,270)</u>	<u>886,101</u>
Net position, January 1, 2023	<u>77,270</u>	<u>4,840,275</u>
Net position, December 31, 2023	<u>\$ -</u>	<u>\$ 5,726,376</u>

BOROUGH OF KUTZTOWN
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION
SEWER FUND

For the Year Ended December 31, 2023

	<u>Budget</u>	<u>Actual</u>
OPERATING REVENUES		
Charges for services	\$ 2,145,000	\$ 2,996,786
Penalties	1,000	11,449
Other fees	45,000	52,445
Other income	2,400	-
Total operating revenues	<u>2,193,400</u>	<u>3,060,680</u>
OPERATING EXPENSES		
Costs of furnishing utility	782,701	680,946
Employee wages	400,184	366,229
Employee benefits	195,944	201,661
Employee pension	67,672	60,046
Insurance	134,551	122,670
Debt service	625,000	99,185
Depreciation	-	548,110
Total operating expenses	<u>2,206,052</u>	<u>2,078,847</u>
Operating income	<u>(12,652)</u>	<u>981,833</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest earned	1,000	63,292
State sewer grant	-	-
Pension & OPEB adjustment	-	338,004
Transfers from component unit	-	-
Transfers to other funds	-	-
Total non-operating (expenses)	<u>1,000</u>	<u>401,296</u>
Changes in net position	(11,652)	1,383,129
Net position, January 1, 2023	<u>11,652</u>	<u>11,997,800</u>
Net position, December 31, 2023	<u><u>\$ -</u></u>	<u><u>\$ 13,380,929</u></u>

BOROUGH OF KUTZTOWN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION TELECOMMUNICATIONS FUND

For the Year Ended December 31, 2023

	<u>Budget</u>	<u>Actual</u>
OPERATING REVENUES		
Charges for services	\$ 660,000	\$ 572,387
Rental income	-	83,646
SCADA and equipment lease	134,120	123,300
Other income	5,000	12,752
Total operating revenues	<u>799,120</u>	<u>792,085</u>
OPERATING EXPENSES		
Costs of furnishing utility	352,470	292,337
Employee wages	337,634	320,643
Employee benefits	151,239	142,065
Employee pension	73,960	68,624
Insurance	24,657	28,979
Debt service	-	-
Depreciation	-	250,848
Total operating expenses	<u>939,960</u>	<u>1,103,496</u>
Operating (loss)	<u>(140,840)</u>	<u>(311,411)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest earned	100	4,984
Pension & OPEB adjustment	-	278,461
Transfers to other funds	-	-
Transfers from other funds	-	53,200
Total non-operating revenues (expenses)	<u>100</u>	<u>336,645</u>
Changes in net position	<u>(140,740)</u>	<u>25,234</u>
Net position, January 1, 2023	<u>140,740</u>	<u>1,050,323</u>
Net position, December 31, 2023	<u>\$ -</u>	<u>\$ 1,075,557</u>

BOROUGH OF KUTZTOWN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION REFUSE AND RECYCLING FUND

For the Year Ended December 31, 2023

	<u>Budget</u>	<u>Actual</u>
OPERATING REVENUES		
Charges for services	\$ 944,000	\$ 972,656
Penalties	-	6,534
Other income	8,000	100,945
Total operating revenues	<u>952,000</u>	<u>1,080,135</u>
OPERATING EXPENSES		
Costs of furnishing service	362,850	443,797
Employee wages	363,316	318,292
Employee benefits	178,041	156,197
Employee pension	76,889	72,956
Insurance	17,042	31,706
Depreciation	-	91,621
Total operating expenses	<u>998,138</u>	<u>1,114,569</u>
Operating (loss)	<u>(46,138)</u>	<u>(34,434)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest earned	200	33,525
State grants	4,800	5,687
Pension & OPEB adjustment	-	223,837
Transfers to other funds	-	-
Transfers from other funds	20,000	-
Total non-operating revenues	<u>25,000</u>	<u>263,049</u>
Changes in net position	<u>(21,138)</u>	<u>228,615</u>
Net position, January 1, 2023	<u>21,138</u>	<u>1,350,486</u>
Net position, December 31, 2023	<u>\$ -</u>	<u>\$ 1,579,101</u>

BOROUGH OF KUTZTOWN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2023

Highway Aid Fund

Fund balance - January 1, 2023 \$ 89,407

REVENUES AND OTHER FINANCING SOURCES

Intergovernmental

Liquid Fuels Tax \$ 129,296

Investment earnings

Interest Earnings 8,393 137,689

Total funds available 227,096

EXPENDITURES AND OTHER FINANCING USES

Public Works

Storm sewer replacement \$ -

Other Financing Uses

Transfer to other funds 140,703 140,703

Fund balance - December 31, 2023 \$ 86,393

Fire Protection Tax Fund

Fund balance - January 1, 2023 \$ 409,298

REVENUES AND OTHER FINANCING SOURCES

Real estate tax \$ 125,012

Interest earnings -

Other Financing Sources

Transfer from other funds - 125,012

Total funds available 534,310

EXPENDITURES AND OTHER FINANCING USES

Public Safety

Salaries and wages \$ -

Employee benefits -

Other services -

C,G & S To Non-Profits -

Other Financing Uses

Transfer to other funds 150,000 150,000

Fund balance - December 31, 2023 \$ 384,310

Recreation Tax Fund

Fund balance - January 1, 2023		\$ 56,171
REVENUES AND OTHER FINANCING SOURCES		
Real estate tax	\$ 76,929	
Interest earnings	-	
Other Financing Sources		
Transfer from other funds	-	76,929
Total funds available		133,100
EXPENDITURES AND OTHER FINANCING USES		
Culture and Recreation		
Salaries and wages	\$ -	
Employee benefits	-	
Other services	-	
Other Financing Uses		
Transfer to other funds	69,553	69,553
Fund balance - December 31, 2023		\$ 63,547

Road Tax Fund

Fund balance - January 1, 2023		\$ 205,686
REVENUES AND OTHER FINANCING SOURCES		
Real estate tax	\$ 192,321	
Interest earnings	-	
Other Financing Sources		
Transfer from other funds	-	192,321
Total funds available		398,007
EXPENDITURES AND OTHER FINANCING USES		
Public Works		
Salaries and wages	\$ -	
Employee benefits	-	
Other services	-	
Other Financing Uses		
Transfer to other funds	228,810	228,810
Fund balance - December 31, 2023		\$ 169,197

BOROUGH OF KUTZTOWN
POLICE PENSION TRUST FUND
STATEMENT OF ADDITIONS AND DEDUCTIONS

For the Year Ended December 31, 2023

NET POSITION - BEGINNING OF YEAR		\$ 6,996,155
Additions		
State aid	\$ 69,581	
Employee contributions	109,294	
Miscellaneous	-	
Investment Earnings		
Interest and dividends	178,939	
Realized gains (losses)	173,989	
Change in fair value of investments	<u>671,214</u>	
Total additions	<u>1,203,017</u>	
Deductions		
Administrative charges	1,992	
Investment expenses	72,407	
Employee benefits	<u>409,685</u>	
Total deductions	<u>484,084</u>	
Change in net positon		<u>718,933</u>
Net position - end of year		<u>\$ 7,715,088</u>