

**ANNUAL REPORT ON  
BOROUGH OF KUTZTOWN  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**



**BOROUGH OF KUTZTOWN**

**Financial Statements**

**For the Year Ended December 31, 2022**

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**TABLE OF CONTENTS**

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**Page No.**

<b>Independent Auditor's Report .....</b>	<b>1 - 3</b>
 <b>Financial Statements</b>	
<b>Governmental-wide Financial Statements</b>	
Statement of Net Position .....	4
Statement of Activities .....	5
 <b>Fund Financial Statements</b>	
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
<b>Notes to Financial Statements .....</b>	<b>17 – 54</b>
<b>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 .....</b>	<b>55 - 56</b>
<b>Schedule of Findings and Questioned Costs .....</b>	<b>57</b>

**BOROUGH OF KUTZTOWN**

**Financial Statements**

**For the Year Ended December 31, 2022**

---

---

**TABLE OF CONTENTS (CONTINUED)**

---

---

**Page No.**

**Required Supplemental Information**

Schedule of Changes in the Net Pension Liability and Related Ratios - Non-Uniform Pension Plan .....	58
Schedule of Changes in the Net Pension Liability and Related Ratios - Police Pension Plan .....	59
Schedule of Pension Contributions – Non-Uniformed Pension Plan .....	60
Schedule of Pension Contributions – Police Pension Plan .....	61
Schedule of Changes in the Net OPEB Liabilities and Related Ratios .....	62

**Other Supplemental Information**

Combining Balance Sheet – Special Revenue Funds.....	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds .....	64
Combining Statement of Net Position - All Proprietary Funds .....	65
Combining Statement of Additions, Deductions and Changes in Net Position – All Proprietary Trust Funds .....	66

**Individual Fund Statements and Schedules**

**Borough of Kutztown**

General Fund .....	67 - 71
Electric Fund .....	72
Water Fund.....	73
Sewer Fund.....	74
Telecommunications Fund.....	75
Refuse and Recycling Fund.....	76
Highway Aid Fund.....	77
Fire Protection Tax Fund.....	77
Recreation Tax Fund.....	78
Road Tax Fund.....	78
Police Pension Trust Fund .....	79



June 14, 2023

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, 2022, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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

### ***Basis for 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, P.C.***

June 14, 2023

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## FINANCIAL STATEMENTS

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**BOROUGH OF KUTZTOWN**  
**Statement of Net Position**  
**As of December 31, 2022**

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	AUTHORITIES
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents	\$ 4,077,438	\$ 6,472,176	\$ 10,549,614	\$ 1,974,925
Taxes Receivable	8,656	-	8,656	-
Accounts Receivable (Net)	111,447	1,527,801	1,639,248	128,898
State Grant Receivable	-	100,000	100,000	-
Prepaid Expenses	34,350	65,416	99,766	-
Net Pension Asset	2,134,187	-	2,134,187	-
Internal Balances	11,864	421,770	- (1)	51,841
Due from Component Units/Primary Government	-	-	-	130,713
<b>TOTAL CURRENT ASSETS</b>	<b>6,377,942</b>	<b>8,587,163</b>	<b>14,531,471</b>	<b>2,286,377</b>
<b>NON-CURRENT ASSETS:</b>				
Land	1,334,868	1,292,121	2,626,989	-
Buildings (Net of Depreciation)	538,608	13,293,720	13,832,328	-
Infrastructure (Net of Depreciation)	7,245,600	-	7,245,600	1,001,011
Machinery and Equipment/Infrastructure (Net of Depreciation)	331,705	16,656,228	16,987,933	-
Unamortized Bond Costs	-	387,426	387,426	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>9,450,781</b>	<b>31,629,495</b>	<b>41,080,276</b>	<b>1,001,011</b>
<b>TOTAL ASSETS</b>	<b>\$ 15,828,723</b>	<b>\$ 40,216,658</b>	<b>\$ 55,611,747</b>	<b>\$ 3,287,388</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	<b>\$ 742,593</b>	<b>\$ 570,330</b>	<b>\$ 1,312,923</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Internal Balances	\$ 408,392	\$ 25,242	\$ - (1)	\$ 51,841
Due to Component Unit/Primary Government	130,713	-	130,713	-
Accounts Payable	187,635	710,325	897,960	104,932
Accrued Salaries and Benefits	86,342	-	86,342	-
Bonds Payable	-	1,163,000	1,163,000	-
Interest Payable	-	101,872	101,872	-
Customer Deposits	6,450	170,050	176,500	34,675
<b>TOTAL CURRENT LIABILITIES</b>	<b>819,532</b>	<b>2,170,489</b>	<b>2,556,387</b>	<b>191,448</b>
<b>NON-CURRENT LIABILITIES:</b>				
Net Other Post Employment Liability	777,217	-	777,217	-
Net Pension Liability	357,684	830,001	1,187,685	-
Bonds Payable	-	12,768,000	12,768,000	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,134,901</b>	<b>13,598,001</b>	<b>14,732,902</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 1,954,433</b>	<b>\$ 15,768,490</b>	<b>\$ 17,289,289</b>	<b>\$ 191,448</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	<b>\$ 2,894,910</b>	<b>\$ 1,608,053</b>	<b>\$ 4,502,963</b>	<b>\$ -</b>
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	9,450,781	17,311,069	26,761,850	1,001,011
Restricted	872,080	-	872,080	340,110
Unrestricted	1,399,112	6,099,376	7,498,488	1,754,819
<b>TOTAL NET POSITION</b>	<b>\$ 11,721,973</b>	<b>\$ 23,410,445</b>	<b>\$ 35,132,418</b>	<b>\$ 3,095,940</b>

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

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



**BOROUGH OF KUTZTOWN**  
**Statement of Activities**  
**For the Year Ended December 31, 2022**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			COMPONENT UNITS
		CHARGES FOR SERVICES	GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	AUTHORITIES
GOVERNMENTAL ACTIVITIES:								
General Government	\$ 773,284	\$ 544,164	\$ 343,060	\$ -	\$ 113,940	\$ -	\$ 113,940	
Public Safety	2,827,050	199,289	32,522	-	(2,595,239)	-	(2,595,239)	
Public Works	856,804	-	-	193,034	(663,770)	-	(663,770)	
Culture and Recreation	736,310	100,747	-	-	(635,563)	-	(635,563)	
Non-Departmental	49,763	-	-	-	(49,763)	-	(49,763)	
Debt Service Payments	431	-	-	-	(431)	-	(431)	
Depreciation	394,570	-	-	-	(394,570)	-	(394,570)	
TOTAL GOVERNMENTAL ACTIVITIES	5,638,212	844,200	375,582	193,034	(4,225,396)	-	(4,225,396)	
BUSINESS-TYPE ACTIVITIES:								
Electric	4,812,001	6,934,064	-	-	-	2,122,063	2,122,063	
Water	2,440,883	2,558,781	-	-	-	117,898	117,898	
Sewer	2,334,696	2,773,696	-	100,000	-	539,000	539,000	
Telecom	1,282,772	613,337	-	-	-	(669,435)	(669,435)	
Refuse	1,124,503	1,008,486	-	-	-	(116,017)	(116,017)	
TOTAL PRIMARY GOVERNMENT	\$ 17,633,067	\$ 14,732,564	\$ 375,582	\$ 293,034	\$ (4,225,396)	\$ 1,993,509	\$ (2,231,887)	
COMPONENT UNITS								
Municipal Authorities	\$ 1,242,829	\$ 1,468,371	\$ -	\$ -				\$ 225,542
GENERAL REVENUES:								
Property Taxes Levied for General Purposes					\$ 886,883	\$ -	\$ 886,883	\$ -
Other Taxes Levied for General Purposes					916,937	-	916,937	-
Grants, Subsidies, & Contributions Not Restricted					14,797	-	14,797	-
Investment and Rental Earnings					449,601	377,656	827,257	5,650
Miscellaneous Income					789,788	-	789,788	4,558
Transfers					-	75,000	75,000	(75,000)
Transfers					1,800,402	(1,800,402)	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					4,858,408	(1,347,746)	3,510,662	(64,792)
CHANGE IN NET POSITION					633,012	645,763	1,278,775	160,750
NET POSITION - BEGINNING					11,088,961	22,764,682	33,853,643	2,935,190
NET POSITION - ENDING					\$ 11,721,973	\$ 23,410,445	\$ 35,132,418	\$ 3,095,940

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

**BOROUGH OF KUTZTOWN**  
**Balance Sheet**  
**All Governmental Funds**  
**As of December 31, 2022**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 3,320,655	\$ 756,783	\$ 4,077,438
Due from Other Funds	11,864	-	11,864
Taxes Receivable	4,877	3,779	8,656
Prepaid Expenses	34,350	-	34,350
Accounts Receivable	111,447	-	111,447
<b>TOTAL ASSETS</b>	<b><u>\$ 3,483,193</u></b>	<b><u>\$ 760,562</u></b>	<b><u>\$ 4,243,755</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES:</u></b>			
Due to Other Funds	\$ 408,392	\$ -	\$ 408,392
Due to Component Units	130,713	-	130,713
Escrow Deposits	6,450	-	6,450
Accounts Payable	187,635	-	187,635
Accrued Salaries and Benefits	86,342	-	86,342
Deferred Revenue	532,560	-	532,560
<b>TOTAL LIABILITIES</b>	<b><u>1,352,092</u></b> -----	<b><u>-</u></b> -----	<b><u>1,352,092</u></b> -----
<b><u>FUND BALANCES:</u></b>			
- Nonspendable	-	-	-
- Restricted	111,518	760,562	872,080
- Committed	-	-	-
- Assigned	-	-	-
- Unassigned	2,019,583	-	2,019,583
<b>TOTAL FUND BALANCES</b>	<b><u>2,131,101</u></b>	<b><u>760,562</u></b>	<b><u>2,891,663</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,483,193</u></b>	<b><u>\$ 760,562</u></b>	<b><u>\$ 4,243,755</u></b>

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

**BOROUGH OF KUTZTOWN**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Statement of Net Position**  
**As of December 31, 2022**

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**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 2,891,663**

**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 \$20,045,491 and the accumulated depreciation is \$10,594,710. 9,450,781

Pension assets and related deferred outflows are not financial resources and , therefore, are not reported as assets in the governmental funds. 2,876,780

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	\$	(2,720,034)	
Other Retirement Benefits		<u>(777,217)</u>	<u>(3,497,251)</u>

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 11,721,973**

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

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**BOROUGH OF KUTZTOWN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Funds**  
**For the Year Ended December 31, 2022**

	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><u>REVENUES</u></b>			
Taxes	\$ 1,415,102	\$ 387,143	\$ 1,802,245
Licenses and Permits	166,522	-	166,522
Fines and Forfeits	70,893	-	70,893
Intergovernmental	444,641	125,550	570,191
Charges for Services	233,479	-	233,479
Miscellaneous	48,187	-	48,187
Reimbursements	373,306	-	373,306
Investment and Rental Earnings	447,292	2,309	449,601
<b>TOTAL REVENUES</b>	<u>3,199,422</u>	<u>515,002</u>	<u>3,714,424</u>
<b><u>EXPENDITURES</u></b>			
<b>CURRENT:</b>			
General Government	668,346	-	668,346
Public Safety	2,830,015	-	2,830,015
Public Works	1,221,819	-	1,221,819
Culture and Recreation	647,565	-	647,565
Non-Departmental	49,763	-	49,763
<b>DEBT SERVICE:</b>			
Principal	45,273	-	45,273
Interest	431	-	431
<b>TOTAL EXPENDITURES</b>	<u>5,463,212</u>	<u>-</u>	<u>5,463,212</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,263,790)</u>	<u>515,002</u>	<u>(1,748,788)</u>
<b>OTHER FINANCING SOURCES</b>			
Refund of Prior Year Expenditures	376,188	-	376,188
Interfund Transfers In	2,294,714	-	2,294,714
Interfund Transfers Out	-	(494,312)	(494,312)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>2,670,902</u>	<u>(494,312)</u>	<u>2,176,590</u>
<b>NET CHANGE IN FUND BALANCES</b>	407,112	20,690	427,802
<b>FUND BALANCES - BEGINNING</b>	<u>1,723,989</u>	<u>739,872</u>	<u>2,463,861</u>
<b>FUND BALANCES - ENDING</b>	<u><b>\$ 2,131,101</b></u>	<u><b>\$ 760,562</b></u>	<u><b>\$ 2,891,663</b></u>

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

**BOROUGH OF KUTZTOWN**  
**Reconciliation of the Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**To the Statement of Activities**  
**For the Year Ended December 31, 2022**

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**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 427,802**

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	\$ (394,570)	
Capital Outlays	<u>630,584</u>	236,014

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

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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.

(76,077)

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.

45,273

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 633,012**

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, 2022**

	MAJOR				NON-MAJOR	
	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and Cash Equivalents	\$ 3,326,984	\$ 959,751	\$ 1,393,256	\$ -	\$ 792,185	\$ 6,472,176
Accounts Receivable (Net of Allowance for Doubtful Accounts)	845,998	241,889	273,249	62,214	104,451	1,527,801
State Grant Receivable	-	-	100,000	-	-	100,000
Prepaid Expenses	11,614	14,147	23,851	12,195	3,609	65,416
Due from Other Funds	3,185	127,792	121,800	57,368	111,625	421,770
<b>TOTAL CURRENT ASSETS</b>	<b>4,187,781</b>	<b>1,343,579</b>	<b>1,912,156</b>	<b>131,777</b>	<b>1,011,870</b>	<b>8,587,163</b>
<b>NON-CURRENT ASSETS:</b>						
Land	-	477,407	813,292	1,422	-	1,292,121
Buildings (Net of Depreciation)	1,304,771	5,258,458	6,573,398	31,500	125,593	13,293,720
Machinery and Equipment/Infrastructure (Net of Depreciation)	1,167,293	5,145,079	8,682,857	1,190,960	470,039	16,656,228
Unamortized Bond Costs	17,912	284,187	85,327	-	-	387,426
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,489,976</b>	<b>11,165,131</b>	<b>16,154,874</b>	<b>1,223,882</b>	<b>595,632</b>	<b>31,629,495</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,677,757</b>	<b>\$ 12,508,710</b>	<b>\$ 18,067,030</b>	<b>\$ 1,355,659</b>	<b>\$ 1,607,502</b>	<b>\$ 40,216,658</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	<b>\$ 166,270</b>	<b>\$ 129,778</b>	<b>\$ 109,992</b>	<b>\$ 90,925</b>	<b>\$ 73,365</b>	<b>\$ 570,330</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts Payable	\$ 576,764	\$ 40,023	\$ 69,205	\$ 7,572	\$ 16,761	\$ 710,325
Customer Deposits	170,050	-	-	-	-	170,050
Due to Other Funds	7,585	17,657	-	-	-	25,242
Interest Payable	7,293	60,073	34,506	-	-	101,872
Bonds Payable	110,000	495,683	557,317	-	-	1,163,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>871,692</b>	<b>613,436</b>	<b>661,028</b>	<b>7,572</b>	<b>16,761</b>	<b>2,170,489</b>
<b>NON-CURRENT LIABILITIES:</b>						
Net Pension Liability	241,973	188,866	160,071	132,324	106,767	830,001
Bonds Payable	1,090,000	6,630,000	5,048,000	-	-	12,768,000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,331,973</b>	<b>6,818,866</b>	<b>5,208,071</b>	<b>132,324</b>	<b>106,767</b>	<b>13,598,001</b>
<b>TOTAL LIABILITIES</b>	<b>2,203,665</b>	<b>7,432,302</b>	<b>5,869,099</b>	<b>139,896</b>	<b>123,528</b>	<b>15,768,490</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	<b>\$ 468,801</b>	<b>\$ 365,911</b>	<b>\$ 310,123</b>	<b>\$ 256,365</b>	<b>\$ 206,853</b>	<b>\$ 1,608,053</b>
<b>NET POSITION</b>						
Invested in Capital Assets, Net of Related Debt	1,272,064	3,755,261	10,464,230	1,223,882	595,632	17,311,069
Unrestricted Net Position	2,899,497	1,085,014	1,533,570	(173,559)	754,854	6,099,376
<b>TOTAL NET POSITION</b>	<b>\$ 4,171,561</b>	<b>\$ 4,840,275</b>	<b>\$ 11,997,800</b>	<b>\$ 1,050,323</b>	<b>\$ 1,350,486</b>	<b>\$ 23,410,445</b>

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

**BOROUGH OF KUTZTOWN**  
**Combining Statement of Revenues, Expenses and Changes in Net Position –**  
**All Proprietary Funds**  
**For the Year Ended December 31, 2022**

	MAJOR				NON-MAJOR	
	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
<b><u>OPERATING REVENUES</u></b>						
Charges for Services	\$ 6,874,528	\$ 2,475,214	\$ 2,715,844	\$ 594,439	\$ 974,503	\$ 13,634,528
Penalties	48,625	10,972	10,992	-	6,509	77,098
Other Fees	-	1,600	46,845	-	-	48,445
Rental Income	92,146	-	-	91,341	-	183,487
Other Income	10,911	70,995	15	18,898	27,474	128,293
SCADA and Equipment Lease	-	-	-	123,300	-	123,300
<b>TOTAL OPERATING REVENUES</b>	<u>7,026,210</u>	<u>2,558,781</u>	<u>2,773,696</u>	<u>827,978</u>	<u>1,008,486</u>	<u>14,195,151</u>
<b><u>OPERATING EXPENSES</u></b>						
Costs of Furnishing Utility	3,442,571	742,931	788,421	330,172	437,848	5,741,943
Employee Wages	519,508	447,989	359,682	312,765	266,030	1,905,974
Employee Benefits	247,240	236,629	188,905	134,969	133,166	940,909
Employee Pension	332,273	268,963	229,503	205,306	180,056	1,216,101
Insurance	96,845	149,686	124,613	29,734	28,501	429,379
Debt Service	62,756	182,232	106,895	-	-	351,883
Depreciation	110,808	412,453	536,677	269,826	78,902	1,408,666
<b>TOTAL OPERATING EXPENSES</b>	<u>4,812,001</u>	<u>2,440,883</u>	<u>2,334,696</u>	<u>1,282,772</u>	<u>1,124,503</u>	<u>11,994,855</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,214,209</u>	<u>117,898</u>	<u>439,000</u>	<u>(454,794)</u>	<u>(116,017)</u>	<u>2,200,296</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>						
Interest Earned	40,271	8,018	13,194	236	9,150	70,869
State Grants	-	-	100,000	-	-	100,000
Transfer from Component Unit	-	-	75,000	-	-	75,000
Transfers from Other Funds	-	-	-	35,000	-	35,000
Transfers to Other Funds	(1,835,402)	-	-	-	-	(1,835,402)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(1,795,131)</u>	<u>8,018</u>	<u>188,194</u>	<u>35,236</u>	<u>9,150</u>	<u>(1,554,533)</u>
<b>CHANGES IN NET POSITION</b>	<u>419,078</u>	<u>125,916</u>	<u>627,194</u>	<u>(419,558)</u>	<u>(106,867)</u>	<u>645,763</u>
<b>NET POSITION, JANUARY 1, 2022</b>	<u>3,752,483</u>	<u>4,714,359</u>	<u>11,370,606</u>	<u>1,469,881</u>	<u>1,457,353</u>	<u>22,764,682</u>
<b>NET POSITION, DECEMBER 31, 2022</b>	<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>

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

**BOROUGH OF KUTZTOWN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**As of December 31, 2022**

	MAJOR				NON-MAJOR	
	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>						
Cash Received from Users	\$ 6,765,265	\$ 2,441,046	\$ 2,648,048	\$ 682,101	\$ 975,036	\$ 13,511,496
Cash Received from Other Operating Revenue	103,057	72,595	(53,140)	142,198	27,474	292,184
Cash Payments to Employees for Services	(826,601)	(740,950)	(597,878)	(504,067)	(459,051)	(3,128,547)
Cash Payments to Suppliers for Goods and Services	(3,381,358)	(726,460)	(776,612)	(325,336)	(437,356)	(5,647,122)
Cash Payments to Other Operating Expenses	(160,528)	(335,575)	(235,644)	(30,132)	(28,631)	(790,510)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>2,499,835</b>	<b>710,656</b>	<b>984,774</b>	<b>(35,236)</b>	<b>77,472</b>	<b>4,237,501</b>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>						
(Increase) Decrease in Due from Other Funds	-	-	47,261	-	-	47,261
Increase (Decrease) in Due to Other Funds	-	(47,261)	-	-	-	(47,261)
State Grants	-	-	100,000	-	-	100,000
Transfer from Component Unit	-	-	75,000	-	-	75,000
Operating Transfers In	-	-	-	35,000	-	35,000
Operating Transfers Out	(1,835,402)	-	-	-	-	(1,835,402)
<b>NET CASH PROVIDED BY (USED) FOR NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(1,835,402)</b>	<b>(47,261)</b>	<b>222,261</b>	<b>35,000</b>	<b>-</b>	<b>(1,625,402)</b>
<b><u>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</u></b>						
Loan Principal Payments/Proceeds	(110,000)	(461,183)	(544,544)	-	-	(1,115,727)
Purchase of Fixed Assets	(143,117)	(11,086)	(560,717)	-	(299,753)	(1,014,673)
(Increase) Decrease in Unamortized Bond Costs	1,990	21,400	10,437	-	-	33,827
<b>NET CASH (USED) FOR CAPITAL FINANCING ACTIVITIES</b>	<b>(251,127)</b>	<b>(450,869)</b>	<b>(1,094,824)</b>	<b>-</b>	<b>(299,753)</b>	<b>(2,096,573)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>						
Earnings on Investments	40,271	8,018	13,194	236	9,150	70,869
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>40,271</b>	<b>8,018</b>	<b>13,194</b>	<b>236</b>	<b>9,150</b>	<b>70,869</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>453,577</b>	<b>220,544</b>	<b>125,405</b>	<b>-</b>	<b>(213,131)</b>	<b>586,395</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>2,873,407</b>	<b>739,207</b>	<b>1,267,851</b>	<b>-</b>	<b>1,005,316</b>	<b>5,885,781</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 3,326,984</b>	<b>\$ 959,751</b>	<b>\$ 1,393,256</b>	<b>\$ -</b>	<b>\$ 792,185</b>	<b>\$ 6,472,176</b>

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



**BOROUGH OF KUTZTOWN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**As of December 31, 2022**

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

	MAJOR				NON-MAJOR	
	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
<b>OPERATING INCOME (LOSS)</b>	\$ 2,214,209	\$ 117,898	\$ 439,000	\$ (454,794)	\$ (116,017)	\$ 2,200,296
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>						
Depreciation	110,808	412,453	536,677	269,826	78,902	1,408,666
<b>CHANGE IN ASSETS AND LIABILITIES:</b>						
(Increase) Decrease in Accounts Receivable	(158,838)	(45,140)	(78,788)	(3,679)	(5,976)	(292,421)
(Increase) Decrease in Accounts Receivable	-	-	(100,000)	-	-	(100,000)
(Increase) Decrease in Prepaid Expenses	(386)	(462)	(767)	(398)	(130)	(2,143)
(Increase) Decrease in Deferred Outflows	(78,679)	(61,411)	(52,048)	(43,026)	(34,717)	(269,881)
Increase (Decrease) in Accounts Payable	61,213	16,471	11,809	4,836	492	94,821
Increase (Decrease) in Interest Payable	(541)	(3,195)	(3,369)	-	-	(7,105)
Increase (Decrease) in GASB 68 Pension and OPEB Liability	128,972	100,666	85,318	70,529	56,907	442,392
Increase (Decrease) in Deferred Inflows	222,127	173,376	146,942	121,470	98,011	761,926
Increase (Decrease) in Customer Deposits	950	-	-	-	-	950
<b>TOTAL ADJUSTMENTS</b>	<u>285,626</u>	<u>592,758</u>	<u>545,774</u>	<u>419,558</u>	<u>193,489</u>	<u>2,037,205</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 2,499,835</u>	<u>\$ 710,656</u>	<u>\$ 984,774</u>	<u>\$ (35,236)</u>	<u>\$ 77,472</u>	<u>\$ 4,237,501</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, 2022**

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	<b>POLICE PENSION TRUST FUNDS</b>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	\$ 321,710
Investments, at Fair Value	<u>6,674,445</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,996,155</u></b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 <b><u>\$ -</u></b>
<b><u>LIABILITIES</u></b>	
Pension Taxes Payable	<u>\$ -</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ -</u></b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 <b><u>\$ -</u></b>
 <b><u>NET POSITION</u></b>	
Restricted for Employee Benefits	<u>6,996,155</u>
 <b>TOTAL NET POSITION</b>	 <b><u>\$ 6,996,155</u></b>

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

**BOROUGH OF KUTZTOWN**  
**Statement of Additions, Deductions and Changes in Net Position**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2022**

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	<b>POLICE PENSION TRUST FUNDS</b>
<b>ADDITIONS:</b>	
State Aid	\$ 59,599
Employee Contributions	62,895
<b>INVESTMENT EARNINGS:</b>	
Interest and Dividends	136,493
Realized Gains (Losses)	351,633
Change in Fair Value of Investments	(1,976,201)
<b>TOTAL ADDITIONS</b>	<u>(1,365,581)</u>
 <b>DEDUCTIONS:</b>	
Administrative Charges	6,752
Investment Expenses	79,986
Employee Benefits	227,834
<b>TOTAL DEDUCTIONS</b>	<u>314,572</u>
 <b>CHANGES IN NET POSITION</b>	 (1,680,153)
 <b>NET POSITION - BEGINNING OF YEAR</b>	 <u>8,676,308</u>
 <b>NET POSITION - END OF YEAR</b>	 <u><b>\$ 6,996,155</b></u>

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

**BOROUGH OF KUTZTOWN**  
**Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2022**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL (BUDGETARY BASIS)</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>	<b>BUDGET TO GAAP DIFFERENCE</b>	<b>ACTUAL AMOUNTS GAAP BASIS</b>
	<b>ORIGINAL</b>	<b>FINAL</b>				
<b>RESOURCES (INFLOW):</b>						
Taxes	\$ 1,043,900	\$ 1,043,900	\$ 1,415,102	\$ 371,202	\$ -	\$ 1,415,102
Licenses and Permits	214,900	214,900	166,522	(48,378)	-	166,522
Fines and Forfeits	131,000	131,000	70,893	(60,107)	-	70,893
Intergovernmental	344,150	344,150	444,641	100,491	-	444,641
Charges for Services	215,900	215,900	233,479	17,579	-	233,479
Miscellaneous	42,600	42,600	48,187	5,587	-	48,187
Reimbursements	227,000	227,000	373,306	146,306	-	373,306
Investment and Rental Earnings	397,500	397,500	447,292	49,792	-	447,292
Refund of Prior Year Expenditures	100	100	376,188	376,088	-	376,188
Transfers from Other Funds	2,191,000	2,191,000	2,294,714	103,714	-	2,294,714
<b>TOTAL RESOURCES</b>	<b>4,808,050</b>	<b>4,808,050</b>	<b>5,870,324</b>	<b>1,062,274</b>	<b>-</b>	<b>5,870,324</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>						
<b>General Government</b>						
Legal	9,000	9,000	30,575	(21,575)	-	30,575
Mayor, Legislative, Borough Manager	346,922	346,922	318,072	28,850	-	318,072
Finance and Accounting	7,000	7,000	13,700	(6,700)	-	13,700
Tax Collection	3,564	3,564	7,557	(3,993)	-	7,557
Engineering	-	-	173,662	(173,662)	-	173,662
Buildings and Plant	106,186	106,186	124,780	(18,594)	-	124,780
<b>Public Safety</b>						
Police	2,217,244	2,217,244	2,272,118	(54,874)	-	2,272,118
Fire and Ambulance	95,194	95,194	201,597	(106,403)	-	201,597
Inspections & Permits	394,658	394,658	355,975	38,683	-	355,975
Emergency Management	3,400	3,400	325	3,075	-	325
<b>Public Works</b>						
Street Maintenance and Lighting	874,535	874,535	1,221,819	(347,284)	-	1,221,819
<b>Culture and Recreation</b>						
Parks and Pool	648,074	648,074	647,565	509	-	647,565
<b>Non-Departmental</b>						
Debt Service	56,173	56,173	45,704	10,469	-	45,704
Miscellaneous	46,100	46,100	49,763	(3,663)	-	49,763
Transfer to Other Funds	-	-	-	-	-	-
<b>TOTAL CHARGES TO APPROPRIATIONS</b>	<b>4,808,050</b>	<b>4,808,050</b>	<b>5,463,212</b>	<b>(655,162)</b>	<b>-</b>	<b>5,463,212</b>
Excess (Deficiency) of Inflows Over Outflows	-	-	407,112	407,112	-	407,112
<b>FUND BALANCE - JANUARY 1, 2022</b>	<b>-</b>	<b>-</b>	<b>1,723,989</b>	<b>1,723,989</b>	<b>-</b>	<b>1,723,989</b>
<b>FUND BALANCE - DECEMBER 31, 2022</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,131,101</b>	<b>\$ 2,131,101</b>	<b>\$ -</b>	<b>\$ 2,131,101</b>

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

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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**Note 1 – Significant Accounting Policies**

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

***Reporting Entity***

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

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

***Discretely Presented Components Units***

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

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

**Note 2 - Summary of Significant Accounting Policies**

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

***A. Basis of Presentation***

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

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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

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

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

**B. Basis of Accounting**

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

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

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

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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**C. Fund Accounting**

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

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

**General Fund**

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

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

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

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

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

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

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

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

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

**D. Measurement Focus**

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

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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

**E. Budgets and Budgetary Accounting**

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

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

**Encumbrances**

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

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

**F. Use of Estimates**

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



**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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**G. Implementation of New Accounting Standards**

The Governmental Accounting Standards Board (GASB) issued the following standards that were scheduled to take effect for calendar year 2022:

GASB Statement 87, *Leases*

GASB Statement No. 91, *Conduit Debt Obligations*

GASB Statement 93, *Replacement of Interbank Offered Rates*

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

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. 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

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

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 Statements**  
**Year Ended December 31, 2022**

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- 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 2022 is \$195,681,815 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 Statements**  
**Year Ended December 31, 2022**

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*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/Inflows of Resources*

**Deferred Outflows and Inflows of Resources**

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

Deferred Outflows related to Pensions (See detailed Pension Note):	
Police	\$ 378,120
Non-Uniform	816,111
Deferred Outflow related to OPEB (See detailed OPEB Note)	118,692
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,312,923</b>

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 Statements**  
**Year Ended December 31, 2022**

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

Deferred Inflows related to Pensions (See detailed Pension Note):	
Police	\$ 1,425,787
Non-Uniform	2,301,036
Deferred Inflows related to OPEB (See detailed OPEB Note)	243,580
Deferred Revenue	<u>532,560</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>\$ 4,502,963</u></b>

*Long-Term Obligations*

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

*Net Assets*

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

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

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

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

The governmental fund balance sheet includes a reconciliation between “fund balance-total governmental funds” and “net position – governmental activities” as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in government activities are not financial resources and therefore are not reported as assets in governmental funds”. The cost of the capital assets net of depreciation totals \$9,450,781. The difference of (\$2,720,035) is related to changes in GASB 68 pension adjustments. Another element of the reconciliation explains that “long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds”.

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

Due to the difference in the measurement focus and basis of accounting used on the governmental fund statements and borough-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of two broad categories. The amounts shown in the columns on the following page represent:

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

- 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
<b><u>REVENUES AND OTHER SOURCES</u></b>					
<b>LOCAL SOURCES:</b>					
Property Taxes	\$ 886,883	\$ -	\$ -	\$ -	\$ 886,883
Other Taxes Levied for General Purposes	916,937	-	-	-	916,937
Grants, Subsidies & Contributions	14,797	-	-	-	14,797
Investment and Rental Earnings	449,601	-	-	-	449,601
Miscellaneous	33,390	756,398	-	-	789,788
Charges for Services	844,200	-	-	-	844,200
Refund of Prior Years Expense	376,188	(376,188)	-	-	-
Transfers In	2,294,714	(494,312)	-	-	1,800,402
<b>STATE SOURCES:</b>					
Operating Grants and Contributions	568,616	-	-	-	568,616
<b>FEDERAL SOURCES:</b>					
Operating Grants and Contributions	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>6,385,326</b>	<b>(114,102)</b>	<b>-</b>	<b>-</b>	<b>6,271,224</b>
<b><u>EXPENDITURES/EXPENSES AND OTHER USES</u></b>					
General Government	668,346	104,938	-	-	773,284
Public Safety	2,830,015	52,048	(55,013)	-	2,827,050
Public Works	1,221,819	148,721	(513,736)	-	856,804
Culture and Recreation	647,565	150,579	(61,834)	-	736,310
Non-Departmental	49,763	-	-	-	49,763
Debt Service Payments	45,704	-	-	(45,273)	431
Depreciation	-	-	394,570	-	394,570
Transfers Out	494,312	(494,312)	-	-	-
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>5,957,524</b>	<b>(38,026)</b>	<b>(236,013)</b>	<b>(45,273)</b>	<b>5,638,212</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ 427,802</b>	<b>\$ (76,076)</b>	<b>\$ 236,013</b>	<b>\$ 45,273</b>	<b>\$ 633,012</b>

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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**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, 2022, \$3,498,794 of the Borough's bank balance of \$3,998,794 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the Borough's name	3,498,794
<b>TOTAL</b>	<b>\$ 3,498,794</b>

*Reconciliation to Financial Statements*

Uninsured Amount Above	\$ 3,498,794
Plus: Insured Amount	500,000
Deposit in Transit	133,721
Combined Cash Overdraft in Accounts Payable	4,817
Less: Outstanding Checks	(279,810)
Carrying Amount - Bank Balances	3,857,522
Plus: Petty Cash	900
Deposits in Investment Pool Considered Cash Equivalents	7,012,902
<b>TOTAL CASH PER FINANCIAL STATEMENTS</b>	<b>\$ 10,871,324</b>

*Restricted Cash*

The cash balance includes \$321,710 held for pension benefits.

**Note 5 - Investments**

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

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

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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

*Pension Trust Funds* - The Police Pension Plan's investment plan authorizes investment in common and preferred stock, U.S. Government securities, money market funds, international equities traded as ADRs, non-leveraged exchange traded funds, commercial paper and convertible security bonds with an average rating of AA. 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.

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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, 2022, the Borough had the following investments:

<b>Investments</b>	<b>Maturities</b>	<b>Fair Value</b>
PA Local Government Investment Trust/PA Invest Pool		\$ 7,012,902
Municipal Bond	6 mos - 27 years	3,608,149
U.S. Government Agency Bonds	3 years 9 mos - 4 years 7 mos	1,388,078
Mutual Funds		99,879
Common Stocks		1,386,525
ETF's and CEF's		191,814
<b>TOTAL</b>		<b>\$ 13,687,347</b>

**Fair Value Reporting**

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable 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, 2022, the Borough's significant investments were rated as:

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

**Concentration of Credit Risk**

The Borough's investment policy only authorizes investment in local government investment pools including the PA Local Government Investment Trust (PLGIT) 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



**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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 54.06%, 20.86%, 20.77%, 1.50%, and 2.87%, respectively represent the Police Pension Trust Funds investments.

**Custodial Credit Risk**

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

**Foreign Currency Risk**

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

**Reconciliation to Financial Statements**

Total Investments Above	\$ 13,687,347
Less: Deposits in Investment Pool Considered Cash Equivalents	(7,012,902)
<b>Total Investments Per Financial Statements</b>	<b>\$ 6,674,445</b>

**Restricted Investments**

The investments include \$6,674,445 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
<b>Receivables</b>									
Taxes	\$ 4,877	\$ 3,779	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,656
Accounts	111,447	-	845,998	241,889	273,249	62,214	104,451	128,898	1,768,146
Intergovernmental	-	-	-	-	100,000	-	-	-	100,000
<b>Gross Receivables</b>	<b>116,324</b>	<b>3,779</b>	<b>845,998</b>	<b>241,889</b>	<b>373,249</b>	<b>62,214</b>	<b>104,451</b>	<b>128,898</b>	<b>1,876,802</b>
Less: Allowance for Uncollectibles	-	-	-	-	-	-	-	-	-
<b>Net Receivables</b>	<b>\$ 116,324</b>	<b>\$ 3,779</b>	<b>\$ 845,998</b>	<b>\$ 241,889</b>	<b>\$ 373,249</b>	<b>\$ 62,214</b>	<b>\$ 104,451</b>	<b>\$ 128,898</b>	<b>\$ 1,876,802</b>

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

**Note 7 – Capital Assets**

Capital asset balances and activity for the year ending December 31, 2022, were:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
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	2,036,954	55,014	-	2,091,968
Infrastructure	13,898,513	575,570	-	14,474,083
Total Capital Assets being depreciated	18,080,039	630,584	-	18,710,623
Less: Accumulated Depreciation for:				
Buildings	(1,562,839)	(43,125)	-	(1,605,964)
Machinery, Equipment and Vehicles	(1,696,159)	(64,104)	-	(1,760,263)
Infrastructure	(6,941,142)	(287,341)	-	(7,228,483)
Total Accumulated Depreciation	(10,200,140)	(394,570)	-	(10,594,710)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	7,879,899	236,014	-	8,115,913
<b>Governmental Activities Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 9,214,767</b>	<b>\$ 236,014</b>	<b>\$ -</b>	<b>\$ 9,450,781</b>
<b>Business-Type Activities:</b>				
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	46,674,774	467,499	-	47,142,273
Infrastructure	14,672,132	547,173	-	15,219,305
Total Capital Assets being depreciated	63,114,177	1,014,672	-	64,128,849
Less: Accumulated Depreciation for:				
Buildings	(885,291)	(40,890)	-	(926,181)
Machinery, Equipment and Vehicles	(29,433,347)	(1,052,698)	-	(30,486,045)
Infrastructure	(2,451,597)	(315,078)	-	(2,766,675)
Total Accumulated Depreciation	(32,770,235)	(1,408,666)	-	(34,178,901)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	30,343,942	(393,994)	-	29,949,948
<b>Business-Type Activities Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 31,636,063</b>	<b>\$ (393,994)</b>	<b>\$ -</b>	<b>\$ 31,242,069</b>

The depreciation was charged to the governmental activities as follows:

Depreciation – Unallocated      \$ 394,570

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

Depreciation – Unallocated      \$1,408,666

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

**Note 8 – Interfund Transactions**

The Borough had the following interfund payables and receivables as of December 31, 2022:

	<b>INTERFUND RECEIVABLES</b>	<b>INTERFUND PAYABLES</b>
General Fund	\$ 11,864	\$ 408,392
Refuse Fund (Enterprise)	111,625	-
Water Fund (Enterprise)	127,792	17,657
Electric Fund (Enterprise)	3,185	7,585
Sewer Fund (Enterprise)	121,800	-
Telecom Fund (Enterprise)	57,368	-
<b>TOTAL</b>	<b>\$ 433,634</b>	<b>\$ 433,634</b>

The Borough also made the following interfund transfers during the year ended December 31, 2022.

	<b>TRANSFERS IN</b>	<b>TRANSFERS OUT</b>
General Fund	\$ 2,294,714	\$ -
Fire Protection Tax Fund (Special Revenue)	-	27,610
Recreation Tax Fund (Special Revenue)	-	136,834
Road Tax Fund (Special Revenue)	-	179,868
Highway Aid Fund (Special Revenue)	-	150,000
Electric Fund (Enterprise)	-	1,835,402
Telecom Fund (Enterprise)	35,000	-
<b>TOTAL</b>	<b>\$ 2,329,714</b>	<b>\$ 2,329,714</b>

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

Long-Term Liability balances and activity for the year ended December 31, 2022, were:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Yr</b>
<b>Governmental Activities:</b>					
Bonds Payable					
Capital Projects	\$ 45,273	\$ -	\$ 45,273	\$ -	\$ -
<b>Total Governmental Activities</b>					
<b>LONG-TERM LIABILITIES</b>	<b>\$ 45,273</b>	<b>\$ -</b>	<b>\$ 45,273</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Business-Type Activities</b>					
Bonds Payable					
Capital Projects	\$ 15,046,727	\$ -	\$ 1,115,727	\$ 13,931,000	\$ 1,163,000
<b>Total Business-Type Activities</b>					
<b>LONG-TERM LIABILITIES</b>	<b>\$ 15,046,727</b>	<b>\$ -</b>	<b>\$ 1,115,727</b>	<b>\$ 13,931,000</b>	<b>\$ 1,163,000</b>

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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

Total interest paid during the year:

<b>Governmental Activities</b>	<b>Paid</b>
General Obligation Bonds	\$ 700
<b>Total Interest Paid By Governmental Activities</b>	<b>\$ 700</b>

<b>Business-Type Activities</b>	<b>Paid</b>
General Obligation Bonds	\$ 325,162
<b>Total Interest Paid by Business-Type Activities</b>	<b>\$ 325,162</b>

The total interest cost incurred and charged to expense in 2022 was \$318,488.

**Long-Term Debt**

At December 31, 2022, 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.	\$ 1,200,000
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.	6,710,000
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.	550,000
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	5,471,000
<b>TOTAL</b>	<b>\$ 13,931,000</b>

At December 31, 2022, the division of debt between the governmental and business-type activities was as follows:

Governmental	\$ -
Business-Type	13,931,000
<b>TOTAL</b>	<b>\$ 13,931,000</b>

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

The following summarizes debt activity for the Borough for 2022:

	Outstanding January 1, 2022	Issued	Retired	Outstanding December 31, 2022	Due in One Year
General Obligation Bonds 2013A	\$ 1,310,000	\$ -	\$ 110,000	\$ 1,200,000	\$ 110,000
General Obligation Bonds 2019	6,975,000	-	265,000	6,710,000	290,000
General Obligation Note 2020	610,000	-	60,000	550,000	65,000
General Obligation Note 2021	6,197,000	-	726,000	5,471,000	698,000
<b>TOTAL</b>	<b>\$ 15,092,000</b>	<b>\$ -</b>	<b>\$ 1,161,000</b>	<b>\$ 13,931,000</b>	<b>\$ 1,163,000</b>

Aggregate maturities required on debt at December 31, 2022 are as follows:

Fiscal Year	Principal	Interest
2023	\$ 1,163,000	\$ 303,798
2024	1,181,000	280,796
2025	1,219,000	257,344
2026	1,242,000	232,094
2027	1,268,000	206,286
2028-2032	6,248,000	629,527
2033-2037	1,610,000	128,896
<b>TOTAL</b>	<b>\$ 13,931,000</b>	<b>\$ 2,038,741</b>

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

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

*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
2023	\$ 110,000	\$ 290,000	\$ 65,000	\$ 698,000	\$ 1,163,000
2024	115,000	295,000	65,000	706,000	1,181,000
2025	120,000	530,000	65,000	504,000	1,219,000
2026	125,000	535,000	70,000	512,000	1,242,000
2027	130,000	550,000	70,000	518,000	1,268,000
2028-2032	600,000	2,900,000	215,000	2,533,000	6,248,000
2033-2037	-	1,610,000	-	-	1,610,000
<b>TOTAL</b>	<b>\$ 1,200,000</b>	<b>\$ 6,710,000</b>	<b>\$ 550,000</b>	<b>\$ 5,471,000</b>	<b>\$ 13,931,000</b>
<b>Less: Payable Within One Year</b>	<b>110,000</b>	<b>290,000</b>	<b>65,000</b>	<b>698,000</b>	<b>1,163,000</b>
<b>Long-Term Debt Outstanding</b>	<b>\$ 1,090,000</b>	<b>\$ 6,420,000</b>	<b>\$ 485,000</b>	<b>\$ 4,773,000</b>	<b>\$ 12,768,000</b>

Principal and Interest Requirements Fiscal Year	GOB Series 2013A	GOB Series 2019	GON Series 2020	GON Series 2021	Total Payments
2023	\$ 167,072	\$ 440,266	\$ 76,660	\$ 782,800	\$ 1,466,798
2024	167,067	439,466	75,282	779,981	1,461,796
2025	166,835	668,566	73,904	567,039	1,476,344
2026	166,375	662,966	77,526	567,227	1,474,094
2027	165,687	667,266	76,042	565,291	1,474,286
2028-2032	676,166	3,308,598	224,222	2,668,541	6,877,527
2033-2037	-	1,738,896	-	-	1,738,896
<b>TOTAL</b>	<b>\$ 1,509,202</b>	<b>\$ 7,926,024</b>	<b>\$ 603,636</b>	<b>\$ 5,930,879</b>	<b>\$ 15,969,741</b>

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	\$ -	\$ 6,710,000	\$ -	\$ 415,683	\$ 7,125,683	\$ 495,683	\$ 6,630,000
Electric Fund	1,200,000	-	-	-	1,200,000	110,000	1,090,000
Sewer Fund	-	-	550,000	5,055,317	5,605,317	557,317	5,048,000
<b>TOTALS</b>	<b>\$ 1,200,000</b>	<b>\$ 6,710,000</b>	<b>\$ 550,000</b>	<b>\$ 5,471,000</b>	<b>\$ 13,931,000</b>	<b>\$ 1,163,000</b>	<b>\$ 12,768,000</b>

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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**Note 10 - Pension Plan Obligations**

***Non-Uniformed Pension Plan***

*Plan Description*

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

*Plan Membership*

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

	<b>1/1/2021</b>
Inactive employees or beneficiaries currently receiving benefits	32
Inactive entitled to but not yet receiving benefits	5
Active employees	<u>43</u>
<b>TOTAL</b>	<b><u>80</u></b>

*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

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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recent actuarial valuation. The Borough may allocate General Municipal Pension System State Aid toward the Minimum Municipal Obligation; however, the Borough is ultimately responsible for funding the MMO. The Borough contributed the funds necessary to meet the obligations of the non-uniform plan in the amount of \$282,311.

***Net Pension Liability***

The net pension liability for December 31, 2022 was measured as of December 31, 2021, and the total pension liability was measured as of December 31, 2021, based on the actuarial valuation as of January 1, 2019 and then projected to this date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

***Actuarial Assumptions***

Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which contributions were reported. Therefore, the Actuarially Determined contribution for calendar year 2021 is based upon the January 1, 2019 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, 2021 and summarized in the table below labeled "System Nominal Net and Real Rates of Return by Asset Class."



**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

**System Nominal and Real Rates of Return by Asset Class**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Nominal Rate of Return</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity (Large-Capitalized Firms)	24.5%	7.49%	4.99%
Domestic Equity (Small Capitalized Firms)	8.0%	8.18%	5.68%
International Equities (International Developed Markets)	14.5%	8.07%	5.57%
International Equities (Emerging Markets)	3.0%	8.21%	5.71%
Global Equities	5.0%	7.28%	4.78%
Real Estate	10.0%	7.40%	4.90%
Timber	5.0%	6.17%	3.67%
Fixed Income (Core Investment Grade)	24.0%	4.32%	1.82%
Fixed Income (Opportunistic Credit)	5.0%	7.88%	5.38%
Cash	1.0%	1.18%	(1.32%)
<b>TOTAL</b>	<b>100.00%</b>	<b>7.42%</b>	<b>4.92%</b>

Based on the aforementioned methodology, the Board established the System's Long-Term Expected Rate of Return at 7.42%.

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, 2021, 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**

<b>Confidence Interval</b>	<b>Nominal Rate of Return</b>	<b>Long-Term Expected Real Rate of Return</b>
95%	4.20%	1.70%
90%	5.06%	2.56%
85%	5.57%	3.07%
80%	6.18%	3.68%
75%	6.47%	3.97%
70%	6.93%	4.43%
60%	7.57%	5.07%

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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***Discount Rate***

While it is often common practice to establish an actuarial Discount Rate that is equal to the Long-Term Expected 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, 2021.

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 the 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 Statements**  
**Year Ended December 31, 2022**

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)
<b>Balances at 12/31/2020</b>	<b>\$ 15,465,108</b>	<b>\$ 15,638,035</b>	<b>\$ (172,927)</b>
<b>Changes for the year:</b>			
Service Cost	359,891	-	359,891
Interest	813,258	-	813,258
Changes in Benefits	420,173	-	420,173
Changes of Assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	401,442	(401,442)
Contributions - PMRS Assessment	-	1,720	(1,720)
Contributions - Employee	-	165,834	(165,834)
PMRS Investment Income	-	735,595	(735,595)
Market Value Investment Income*	-	1,346,872	(1,346,872)
Transfers	-	-	-
Benefit Payments	(677,423)	(677,423)	-
PMRS Administration Expense	-	(1,720)	1,720
Additional Administration Expense	-	(41,663)	41,663
<b>Net Changes</b>	<b>915,899</b>	<b>1,930,657</b>	<b>(1,014,758)</b>
<b>Balances at 12/31/2021</b>	<b>\$ 16,381,007</b>	<b>\$ 17,568,692</b>	<b>\$ (1,187,685)</b>

\* Reflects the net investment income/(loss) of \$1,345,906 and the income/(loss) due to the difference between expected and actual asset values of \$966, 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	\$ 18,495,295	\$ 16,381,007	\$ 14,601,218
Plan Fiduciary Net Position	17,568,692	17,568,692	17,568,692
<b>Net Pension Liability</b>	<b>\$ 926,603</b>	<b>\$ (1,187,685)</b>	<b>\$ (2,967,474)</b>
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	94.99%	107.25%	120.32%

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

***Components of Pension Expense for Year Ended December 31, 2022 (Measurement Year Ending 12/31/21)***

Service Cost	\$ 359,891
Interest on the Total Pension Liability	813,258
Recognition of Liability Gains and Losses	116,430
Changes in Assumptions	120,430
Employee Contributions	(165,834)
Projected Earnings on Pension Plan Investments	(735,595)
Recognition of Investment Gains and Losses	(906,421)
Pension Plan Administrative Expense	43,383
Change of Benefits	420,173
Other Changes in Net Fiduciary Position	(79)
<b>Total Pension Expense</b>	<b>\$ 65,636</b>

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

For the year ended December 31, 2022, the actuarially determined pension expense is \$65,636. The Borough has deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2022:

***Deferred Outflows and Inflows of Resources Related to Pension***

	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between Expected and Actual Experience	\$ -	\$ 292,194
Changes in Actuarial Assumptions	-	241,606
Net Difference between Projected and Actual Earnings on Plan Investments	2,301,036	-
Contributions Subsequent to the Measurement Date	-	282,311
<b>Totals</b>	<b>\$ 2,301,036</b>	<b>\$ 816,111</b>

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

2022	\$ (213,317)
2023	(698,577)
2024	(418,530)
2025	(154,501)
2026	-
Thereafter	-

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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

Change in Net Pension Liability	\$ (1,014,758)
Change in Deferred (Outflows) of Resources	236,781
Change in Deferred Inflows of Resources	440,451
Employer Contributions	403,162
<b>Total Pension Expense</b>	<b>\$ 65,636</b>

**Police Pension Plan**

**Plan Description**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Eligibility**

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

**Normal Retirement**

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

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

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

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

**Late Retirement**

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

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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***Early Retirement***

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

***Disability Retirement***

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

***Cost-of-Living Increase***

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

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

***Death Benefits***

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

***Vesting***

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

***Accrued Pension***

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

***Contributions***

Members contribute 5.0% of compensation.

Member contributions are credited with 5.25% annual simple interest.

***Service Rules***

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

***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 Statements**  
**Year Ended December 31, 2022**

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*Plan Membership:*

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

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

*Contributions and Funding Policy*

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

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

***Net Pension Liability***

The net pension liability for December 31, 2022 was measured as of December 31, 2021 and the total pension liability was determined by rolling forward the liabilities from the January 1, 2021 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, 2021 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.

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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

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

***Discount Rate***

The discount rate used to measure the total pension liability was 7.75%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 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***

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at 12/31/2020</b>	\$ 6,213,533	\$ 7,666,716	\$ (1,453,183)
Service Cost	208,148	-	208,148
Interest Cost	478,636	-	478,636
Changes for Benefit Terms	-	-	-
Changes for Experience	(137,745)	-	(137,745)
Changes of Assumptions	-	-	-
Contributions - Employer	-	209,630	(209,630)
Contributions - Member	-	60,438	(60,438)
Net Investment Income	-	966,975	(966,975)
Benefit Payments, including refunds of member contributions	(215,972)	(215,972)	-
Administration Expense	-	(7,000)	7,000
Other Changes	-	-	-
Net Changes	333,067	1,014,071	(681,004)
<b>Balances at 12/31/2021</b>	<b>\$ 6,546,600</b>	<b>\$ 8,680,787</b>	<b>\$ (2,134,187)</b>



**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

***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	\$ (1,303,489)	\$ (2,134,187)	\$ (2,828,582)

***Components of Pension Expense for Year Ended December 31, 2022 (Measurement Year Ending December 31, 2021)***

Service Cost	\$ 208,148
Interest on the Total Pension Liability	478,636
Change of Benefit Terms	-
Differences between Expected and Actual Experience <sup>1</sup>	(94,565)
Changes in Assumptions <sup>1</sup>	25,292
Employee Contributions	(60,438)
Projected Earnings on Pension Plan Investments	(595,995)
Difference between Projected and Actual Earnings on Investments <sup>2</sup>	(288,689)
Pension Plan Administrative Expense	7,000
Other Changes in Net Fiduciary Position	-
<b>Total Pension Expense</b>	<b>\$ (320,611)</b>

<sup>1</sup> 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.

<sup>2</sup> 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, 2022, the actuarially determined pension expense is \$(320,611). The Borough has deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2022:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Expected and Actual Experience	\$ -	\$ 420,037
Net Difference in Projected and Actual Earnings on Plan Investments	172,326	12,184
Changes in Actuarial Assumptions	146,195	993,566
Contributions Subsequent to the Measurement Date	59,599	-
<b>Totals</b>	<b>\$ 378,120</b>	<b>\$ 1,425,787</b>

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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

2022	\$ (214,311)
2023	(420,097)
2024	(245,381)
2025	(101,867)
2026	(27,673)
Thereafter	(38,338)

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

Change in Net Pension Asset, Net of Other Changes	\$ (681,004)
Change in Deferred (Outflows) of Resources	(979,249)
Change in Deferred Inflows of Resources	163,037
Employer Contributions	209,630
Net Investment Income	966,975
<b>Total Pension Expense</b>	<b>\$ (320,611)</b>

**Note 11 – Postemployment Benefits Other than Pension:**

***Plan Description***

*Police*

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

*Full-Time Hourly Employees:*

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

*Full-time Salaried/Confidential Employees:*

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

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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***Summary of Significant Accounting Policies***

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

***Contributions and Funding Policy***

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

***Methods and Assumptions***

*Discount Rate*

2.25%      Based on S&P Municipal Bond 20-Year High Grade Rate Index at January 1, 2022.

*Salary*

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

*Withdrawal*

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

*Mortality*

Police:              PubS-2010 Mortality Table

Non-Uniform:      PubG-2010 Mortality Table

Incorporated into the table are projected generationally using Scale MP-2020 to reflect mortality improvement.

*Disability*

No disability was assumed

*Retirement*

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

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

*Percent of Eligible Retirees Electing Coverage in Plan*

50% of employees are assumed to elect coverage.

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

**Per Capita Claims Cost**

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

The resulting costs are as follows:

		<b>Police</b>		<b>Full-time Salaried, Confidential, and Hourly Employees</b>	
		Medical, Rx, Dental, and Vision Combined		Medical, Rx, Dental, and Vision Combined	
<b>Age</b>		<b>Males</b>	<b>Females</b>	<b>Males</b>	<b>Females</b>
45-49	\$	8,411	\$ 11,985	\$ 8,411	\$ 11,985
50-54		11,021	13,498	11,021	13,498
55-59		13,343	14,106	13,343	14,106
60-64		17,301	16,150	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**

6.5% in 2022, 6.0% in 2023, and 5.5% in 2024 through 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% 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.

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

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

**Summary Information**

<b>Financial Information</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
Total OPEB Liability	\$ 137,421	\$ 639,795	\$ 777,216
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability (Asset)	137,421	639,795	777,216
Deferred Outflows of Resources	24,218	94,474	118,692
Deferred Inflows of Resources	86,696	156,884	243,580
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	11.52%	24.07%	20.18%
<b>OPEB Expense</b>	<b>\$ 11,251</b>	<b>\$ 67,752</b>	<b>\$ 79,003</b>

**Changes in the Net OPEB Liability**

<b>Total OPEB Liability</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
<b>Fiscal Year Ending 12/31/2022</b>			
Balance at 1/1/2021	\$ 223,028	\$ 688,717	\$ 911,745
Service Cost	12,977	60,825	73,802
Interest	4,357	14,348	18,705
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	(82,412)	(100,592)	(183,004)
Changes of Assumptions	(1,623)	(12,165)	(13,788)
Benefit Payments	(18,906)	(11,338)	(30,244)
Other Changes	-	-	-
Net Changes	(85,607)	(48,922)	(134,529)
<b>Balance at 1/1/2022</b>	<b>\$ 137,421</b>	<b>\$ 639,795</b>	<b>\$ 777,216</b>

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

***Deferred Inflows/Outflows***

<b>Deferred Outflows of Resources</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
Differences between Expected and Actual Experiences	\$ -	\$ -	\$ -
Changes of Assumptions	18,676	74,608	93,284
Benefit Payments subsequent to the Measurement Date (1/1/2022)	5,542	19,866	25,408
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>\$ 24,218</b>	<b>\$ 94,474</b>	<b>\$ 118,692</b>

<b>Deferred Inflows of Resources</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
Differences between Expected and Actual Experiences	\$ 81,716	\$ 132,332	\$ 214,048
Changes of Assumptions	4,980	24,552	29,532
<b>TOTAL DEFERRED INFLOWS</b>	<b>\$ 86,696</b>	<b>\$ 156,884</b>	<b>\$ 243,580</b>

***Sensitivity of Net OPEB Liability to Changes in the Discount Rate***

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

<b>Net OPEB Liability (Asset)</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
1% increase (3.25%)	\$ 129,996	\$ 603,182	\$ 733,178
Current Discount Rate (2.25%)	137,421	639,795	777,216
1% Decrease (1.25%)	145,152	677,786	822,938

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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

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

<b>Net OPEB Liability (Asset)</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
1% Increase	\$ 151,666	\$ 715,321	\$ 866,987
Current Rates	137,421	639,795	777,216
1% Decrease	124,919	576,102	701,021

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

<b>OPEB Expense</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
<b>Fiscal Year Ending 12/31/2022</b>			
Service Cost	\$ 12,977	\$ 60,825	\$ 73,802
Interest on Total OPEB Liability	4,357	14,348	18,705
Changes of Benefit Terms	-	-	-
Contributions - Employee	-	-	-
Amortization of Deferred Outflows	1,955	7,773	9,728
Amortization of Deferred Inflows	(8,038)	(15,194)	(23,232)
Other Changes	-	-	-
<b>TOTAL OPEB EXPENSE</b>	<b>\$ 11,251</b>	<b>\$ 67,752</b>	<b>\$ 79,003</b>

<b>Future Deferred Outflows and (Inflows) to be Recognized as OPEB Expense (Income)</b>	<b>Police</b>	<b>Non-Uniformed Employees</b>	<b>Total</b>
Fiscal Year Ending			
December 31, 2023	\$ (6,083)	\$ (7,421)	\$ (13,504)
December 31, 2024	(6,083)	(7,421)	(13,504)
December 31, 2025	(6,083)	(7,421)	(13,504)
December 31, 2026	(6,083)	(7,421)	(13,504)
December 31, 2027	(6,083)	(7,421)	(13,504)
Thereafter	(37,605)	(45,171)	(82,776)

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

**Deferred Outflows of Resources**

Date	Initial Balance	Annual Recognition	Remaining Balance	Remaining Recognition Period	Type
January 1, 2018	\$ 28,564	\$ 2,040	\$ 18,364	9 Years	Assumption Change
January 1, 2020	23,474	1,956	17,606	9 Years	Assumption Change
January 1, 2021	68,778	5,732	57,314	10 Years	Assumption Change
<b>TOTAL</b>	<b>\$ 120,816</b>	<b>\$ 9,728</b>	<b>\$ 93,284</b>		

**Deferred Inflows of Resources**

Date	Initial Balance	Annual Recognition	Remaining Balance	Remaining Recognition Period	Type
January 1, 2019	\$ 23,649	\$ 1,689	\$ 16,893	10 Years	Assumption Change
January 1, 2020	61,726	5,144	46,294	9 Years	Experience Change
January 1, 2022	183,004	15,250	167,754	11 Years	Experience Change
January 1, 2022	13,788	1,149	12,639	11 Years	Assumption Change
<b>TOTAL</b>	<b>\$ 282,167</b>	<b>\$ 23,232</b>	<b>\$ 243,580</b>		

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

**Condensed Statement of Net Position**

	Kutztown Municipal Authority	Kutztown Transportation Authority
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 1,868,328	\$ 106,597
Account Receivable	120,642	8,256
Due from Primary Government	130,713	-
Due from Other funds	51,841	-
Capital Assets, Net of Accumulated Depreciation	1,001,011	-
<b>TOTAL ASSETS:</b>	<b>3,172,535</b>	<b>114,853</b>
<b>LIABILITIES:</b>		
Accounts Payable	104,812	120
Developer Deposits Held	34,675	-
Due to Other Funds	51,841	-
<b>TOTAL LIABILITIES:</b>	<b>191,328</b>	<b>120</b>
<b>NET POSITION:</b>		
Invested in Capital Assets, net of related Debt	1,001,011	-
Restricted	339,019	1,091
Unrestricted	1,641,177	113,642
<b>TOTAL NET POSITION:</b>	<b>\$ 2,981,207</b>	<b>\$ 114,733</b>



**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

**Condensed Statement of Activities**

	Kutztown Municipal Authority	Kutztown Transportation Authority
<b>EXPENSES:</b>		
<i>Major Function:</i>		
Water	\$ 981,830	\$ -
Sewer	327,247	-
Transportation	-	8,752
<b>TOTAL EXPENSES</b>	<b>\$ 1,309,077</b>	<b>\$ 8,752</b>
<b>PROGRAM REVENUES;</b>		
<i>By Type -</i>		
Water	\$ 1,243,673	\$ -
Sewer	215,444	-
Grant Income	-	-
Miscellaneous	4,558	-
Transportation	-	9,254
Interest Income	5,580	70
<b>TOTAL REVENUES:</b>	<b>1,469,255</b>	<b>9,324</b>
Change in Net Position	160,178	572
Beginning Net Position:	2,821,029	114,161
Ending Net Position:	<b>\$ 2,981,207</b>	<b>\$ 114,733</b>

**Condensed Statement of Cash Flows**

	Kutztown Municipal Authority	Kutztown Transportation Authority
<b>NET CASH PROVIDED (USED) BY:</b>		
Operating Activities	\$ 220,623	\$ (7,634)
Non-Operating Activities	(64,862)	70
Investing Activities	-	-
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>155,761</b>	<b>(7,564)</b>
Beginning Cash and Cash Equivalents	1,712,567	114,161
Ending Cash and Cash Equivalents	<b>\$ 1,868,328</b>	<b>\$ 106,597</b>

**Note 13 - Contingencies**

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

**BOROUGH OF KUTZTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

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**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	\$	89,407
Fire Protection Fund		409,298
Recreation Tax Fund		56,171
Road Tax Fund		205,686
General Fund		111,518
<b>TOTAL</b>	<b>\$</b>	<b>872,080</b>

**Note 16 – Subsequent Events**

The subsequent events have been evaluated through June 14, 2023, which is the date of the financial statements were available to be issued.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Borough of Kutztown, as of and for the year ended December 31, 2022, 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 June 14, 2023.

***Internal Control over Financial Reporting***

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

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

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

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

***Compliance and Other Matters***

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

***Borough of Kutztown's Response to Findings***

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

***Purpose of this Report***

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

Respectfully submitted,

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

June 14, 2023

**BOROUGH OF KUTZTOWN**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2022**

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**SECTION I – AUDIT FINDINGS**

**Material Weakness**

**22.01 – General Ledger Accounts Reconciliations**

<i>Criteria:</i>	General Ledger accounts should be reconciled on a monthly basis.
<i>Condition:</i>	Certain General ledger accounts are not reconciled on a monthly basis.
<i>Context:</i>	It was noted during the course of the audit that the General Ledger Accounts were not reconciled on a monthly basis and that certain General Ledger Accounts were not fully reconciled prior to the start of the audit. As a result, many journal entries, some significant in dollar amount, were required to completely reconcile the account balances.
<i>Effect:</i>	Monthly financial reports provided to the Borough Council are not complete and accurate.
<i>Causes:</i>	Lack of personnel in the administration offices to assist the Borough Finance Director with account reconciliations.
<i>Recommendations:</i>	All General Ledger accounts should be reconciled on at least a monthly basis.
<i>View of Responsible Officials:</i>	Due to limited personnel resources available in the administrative offices it is difficult to reconcile all the General Ledger accounts on a monthly basis.
<i>Corrective Action Plan:</i>	We are currently training staff to reconcile General Ledger Account balances that fall under the accounting duties that have been assigned to them and implemented a new accounting software during the prior year to help ease the process.
<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 2022 year. We intend to fully evaluate and correct the weaknesses during the 2023 year.

**SECTION II – SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**Material Weakness**

**21.01 – 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 22.01.

**Significant Deficiencies**

**21.02 – Recording of Revenues and Expenses**

<i>Condition:</i>	Recording of Revenues and Expenses
<i>Comments:</i>	This condition has been corrected with the implementation of new software.

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## **REQUIRED SUPPLEMENTAL INFORMATION**

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**BOROUGH OF KUTZTOWN**  
**Required Supplementary Information**  
**December 31, 2022**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**Non-Uniform Pension Plan**  
**Last Ten Years\***

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

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

**BOROUGH OF KUTZTOWN**  
**Required Supplementary Information**  
**December 31, 2022**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**Police Pension Plan**  
**Last Ten Years\***

	Measurement Year Ending							
	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
<b>Total Pension Liability</b>								
Service Cost	\$ 208,148	\$ 198,462	\$ 189,011	\$ 172,852	\$ 164,621	\$ 139,939	\$ 133,275	\$ 130,581
Interest Cost	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	(215,972)	(213,522)	(209,505)	(220,598)	(202,383)	(190,002)	(159,444)	(113,222)
<b>Net Change in Total Pension Liability</b>	<b>333,067</b>	<b>439,532</b>	<b>367,199</b>	<b>349,076</b>	<b>267,815</b>	<b>301,288</b>	<b>(72,001)</b>	<b>349,457</b>
<b>Total Pension Liability - Beginning</b>	<b>6,213,533</b>	<b>5,774,001</b>	<b>5,406,802</b>	<b>5,057,726</b>	<b>4,789,911</b>	<b>4,488,623</b>	<b>4,560,624</b>	<b>4,211,167</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 6,546,600</b>	<b>\$ 6,213,533</b>	<b>\$ 5,774,001</b>	<b>\$ 5,406,802</b>	<b>\$ 5,057,726</b>	<b>\$ 4,789,911</b>	<b>\$ 4,488,623</b>	<b>\$ 4,560,624</b>
<b>Plan Fiduciary Net Position</b>								
Contributions - Employer	209,630	158,687	139,393	84,887	81,099	85,978	179,232	168,437
Contributions - Member	60,438	58,450	55,109	52,446	51,081	48,604	48,205	48,132
Net Investment Income	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	(215,972)	(213,522)	(209,505)	(220,598)	(202,383)	(190,002)	(159,444)	(113,222)
Administrative Expense	(7,000)	(4,900)	(6,700)	(4,800)	(6,800)	(6,300)	(8,700)	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 1,014,071</b>	<b>\$ 1,216,154</b>	<b>\$ 1,060,765</b>	<b>\$ (375,624)</b>	<b>\$ 730,485</b>	<b>\$ 151,192</b>	<b>\$ 54,294</b>	<b>\$ 355,940</b>
<b>Plan Net Position - Beginning</b>	<b>7,666,716</b>	<b>6,450,562</b>	<b>5,389,797</b>	<b>5,765,421</b>	<b>5,034,936</b>	<b>4,883,744</b>	<b>4,829,450</b>	<b>4,473,510</b>
<b>Plan Net Position - Ending</b>	<b>\$ 8,680,787</b>	<b>\$ 7,666,716</b>	<b>\$ 6,450,562</b>	<b>\$ 5,389,797</b>	<b>\$ 5,765,421</b>	<b>\$ 5,034,936</b>	<b>\$ 4,883,744</b>	<b>\$ 4,829,450</b>
<b>Borough's Net Pension Liability (Asset)</b>	<b>\$ (2,134,187)</b>	<b>\$ (1,453,183)</b>	<b>\$ (676,561)</b>	<b>\$ 17,005</b>	<b>\$ (707,695)</b>	<b>\$ (245,025)</b>	<b>\$ (395,121)</b>	<b>\$ (268,826)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>132.60%</b>	<b>123.39%</b>	<b>111.72%</b>	<b>99.68%</b>	<b>113.99%</b>	<b>105.12%</b>	<b>108.80%</b>	<b>105.89%</b>
<b>Covered Employee Payroll</b>	<b>\$ 1,193,376</b>	<b>\$ 1,187,650</b>	<b>\$ 1,060,619</b>	<b>\$ 1,078,518</b>	<b>\$ 966,351</b>	<b>\$ 992,971</b>	<b>\$ 983,083</b>	<b>\$ 901,757</b>
<b>Borough's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	<b>(178.84%)</b>	<b>(122.36%)</b>	<b>(63.79%)</b>	<b>1.06%</b>	<b>(73.23%)</b>	<b>(24.68%)</b>	<b>(40.19%)</b>	<b>(29.81%)</b>

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



**BOROUGH OF KUTZTOWN**  
**Required Supplementary Information**  
**December 31, 2022**  
**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
2012	\$ 105,373	\$ 105,373	\$ -	\$ 2,193,478	4.80%
2013	75,812	75,812	-	2,080,925	3.64%
2014	71,055	81,890	(10,835)	2,324,479	3.52%
2015	241,045	241,125	(80)	2,196,450	10.98%
2016	250,418	250,458	(40)	2,314,341	10.82%
2017	326,278	326,338	(60)	2,398,399	13.61%
2018	330,960	330,960	-	2,505,074	13.21%
2019	373,686	373,706	(20)	2,556,757	14.62%
2020	378,554	378,574	(20)	2,778,315	13.63%
2021	403,082	403,162	(80)	2,661,869	15.15%

**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 2021 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, 2022**  
**Schedule of Pension Contributions**  
**Police Pension Plan**  
**Last Ten Fiscal Years**

<b>Year-Ended December 31,</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions from Employer</b>	<b>Contribution Deficiency/ (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a % of Payroll</b>
2012	\$ 162,905	\$ 162,905	\$ -	\$ 799,951	20.36%
2013	172,292	172,292	-	898,354	19.18%
2014	168,437	168,437	-	901,757	18.68%
2015	179,232	179,232	-	983,083	18.23%
2016	85,978	85,978	-	992,971	8.66%
2017	81,099	81,099	-	966,351	8.39%
2018	84,887	84,887	-	1,078,518	7.87%
2019	139,393	139,393	-	1,060,619	13.14%
2020	158,687	158,687	-	1,187,650	13.36%
2021	209,630	209,630	-	1,193,376	17.57%

**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, 2022**  
**Schedule of Changes in the Net OPEB Liabilities and Related Ratios**

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

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

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## **OTHER SUPPLEMENTAL INFORMATION**

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**BOROUGH OF KUTZTOWN**  
**Combining Balance Sheet**  
**All Special Revenue Funds**  
**For the Year Ended December 31, 2022**

	NON-MAJOR				TOTAL
	FIRE PROTECTION FUND	RECREATION TAX FUND	ROAD TAX FUND	HIGHWAY AID FUND	SPECIAL REVENUE FUNDS
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 408,100	\$ 55,434	\$ 203,842	\$ 89,407	\$ 756,783
Real Estate Taxes Receivable	1,198	737	1,844	-	3,779
Due from Other Funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 409,298</b>	<b>\$ 56,171</b>	<b>\$ 205,686</b>	<b>\$ 89,407</b>	<b>\$ 760,562</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b><u>LIABILITIES:</u></b>					
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>FUND BALANCES:</u></b>					
Nonspendable	-	-	-	-	-
Restricted	409,298	56,171	205,686	89,407	760,562
<b>TOTAL FUND BALANCES</b>	<b>409,298</b>	<b>56,171</b>	<b>205,686</b>	<b>89,407</b>	<b>760,562</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 409,298</b>	<b>\$ 56,171</b>	<b>\$ 205,686</b>	<b>\$ 89,407</b>	<b>\$ 760,562</b>

**BOROUGH OF KUTZTOWN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Special Revenue Funds**  
**For the Year Ended December 31, 2022**

	NON-MAJOR				TOTAL
	FIRE PROTECTION FUND	RECREATION TAX FUND	ROAD TAX FUND	HIGHWAY AID FUND	SPECIAL REVENUE FUNDS
<b>REVENUES</b>					
Real Estate Taxes	\$ 122,368	\$ 75,926	\$ 188,849	\$ -	\$ 387,143
Liquid Fuels Tax	-	-	-	125,550	125,550
Investment Earnings	-	-	-	2,309	2,309
<b>TOTAL REVENUES</b>	<u>122,368</u>	<u>75,926</u>	<u>188,849</u>	<u>127,859</u>	<u>515,002</u>
<b>EXPENDITURES</b>					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Community Development	-	-	-	-	-
Debt Service	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>122,368</u>	<u>75,926</u>	<u>188,849</u>	<u>127,859</u>	<u>515,002</u>
<b>OTHER FINANCING SOURCES (SOURCES)</b>					
Transfers In	-	-	-	-	-
Transfers Out	(27,610)	(136,834)	(179,868)	(150,000)	(494,312)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>(27,610)</u>	<u>(136,834)</u>	<u>(179,868)</u>	<u>(150,000)</u>	<u>(494,312)</u>
<b>NET CHANGES IN FUND BALANCE</b>	94,758	(60,908)	8,981	(22,141)	20,690
<b>FUND BALANCES - BEGINNING</b>	<u>314,540</u>	<u>117,079</u>	<u>196,705</u>	<u>111,548</u>	<u>739,872</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 409,298</u>	<u>\$ 56,171</u>	<u>\$ 205,686</u>	<u>\$ 89,407</u>	<u>\$ 760,562</u>

**BOROUGH OF KUTZTOWN**  
**Combining Statement of Net Position**  
**All Proprietary Funds**  
**As December 31, 2022**

	MAJOR				NON-MAJOR	
	ELECTRIC FUND	WATER FUND	SEWER FUND	TELECOM FUND	REFUSE FUND	TOTAL
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and Cash Equivalents	\$ 3,326,984	\$ 959,751	\$ 1,393,256	\$ -	\$ 792,185	\$ 6,472,176
Accounts Receivable (Net of Allowance for Doubtful Accounts)	845,998	241,889	273,249	62,214	104,451	1,527,801
State Grant Receivable	-	-	100,000	-	-	100,000
Prepaid Expenses	11,614	14,147	23,851	12,195	3,609	65,416
Due from Other Funds	3,185	127,792	121,800	57,368	111,625	421,770
<b>TOTAL CURRENT ASSETS</b>	<b>4,187,781</b>	<b>1,343,579</b>	<b>1,912,156</b>	<b>131,777</b>	<b>1,011,870</b>	<b>8,587,163</b>
<b>NON-CURRENT ASSETS:</b>						
Land	-	477,407	813,292	1,422	-	1,292,121
Buildings (Net of Depreciation)	1,304,771	5,258,458	6,573,398	31,500	125,593	13,293,720
Machinery and Equipment (Net of Depreciation)	1,167,293	5,145,079	8,682,857	1,190,960	470,039	16,656,228
Unamortized Bond Costs	17,912	284,187	85,327	-	-	387,426
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,489,976</b>	<b>11,165,131</b>	<b>16,154,874</b>	<b>1,223,882</b>	<b>595,632</b>	<b>31,629,495</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,677,757</b>	<b>\$ 12,508,710</b>	<b>\$ 18,067,030</b>	<b>\$ 1,355,659</b>	<b>\$ 1,607,502</b>	<b>\$ 40,216,658</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	<b>\$ 166,270</b>	<b>\$ 129,778</b>	<b>\$ 109,992</b>	<b>\$ 90,925</b>	<b>\$ 73,365</b>	<b>\$ 570,330</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts Payable	\$ 576,764	\$ 40,023	\$ 69,205	\$ 7,572	\$ 16,761	\$ 710,325
Customer Deposits	170,050	-	-	-	-	170,050
Due to Other Funds	7,585	17,657	-	-	-	25,242
Interest Payable	7,293	60,073	34,506	-	-	101,872
Notes Payable	110,000	495,683	557,317	-	-	1,163,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>871,692</b>	<b>613,436</b>	<b>661,028</b>	<b>7,572</b>	<b>16,761</b>	<b>2,170,489</b>
<b>NON-CURRENT LIABILITIES:</b>						
Net Pension Liability	241,973	188,866	160,071	132,324	106,767	830,001
Notes Payable	1,090,000	6,630,000	5,048,000	-	-	12,768,000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,331,973</b>	<b>6,818,866</b>	<b>5,208,071</b>	<b>132,324</b>	<b>106,767</b>	<b>13,598,001</b>
<b>TOTAL LIABILITIES</b>	<b>2,203,665</b>	<b>7,432,302</b>	<b>5,869,099</b>	<b>139,896</b>	<b>123,528</b>	<b>15,768,490</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	<b>\$ 468,801</b>	<b>\$ 365,911</b>	<b>\$ 310,123</b>	<b>\$ 256,365</b>	<b>\$ 206,853</b>	<b>\$ 1,608,053</b>
<b>NET POSITION</b>						
Invested in Capital Assets, Net of Related Debt	1,272,064	3,755,261	10,464,230	1,223,882	595,632	17,311,069
Restricted	-	-	-	-	-	-
Unrestricted Net Position	2,899,497	1,085,014	1,533,570	(173,559)	754,854	6,099,376
<b>TOTAL NET POSITION</b>	<b>\$ 4,171,561</b>	<b>\$ 4,840,275</b>	<b>\$ 11,997,800</b>	<b>\$ 1,050,323</b>	<b>\$ 1,350,486</b>	<b>\$ 23,410,445</b>

**BOROUGH OF KUTZTOWN**  
**Combining Statement of Additions, Deductions and Changes in Net Position**  
**All Proprietary Funds**  
**For the Year Ended December 31, 2022**

	<b>MAJOR</b>				<b>NON-MAJOR</b>	
	<b>ELECTRIC FUND</b>	<b>WATER FUND</b>	<b>SEWER FUND</b>	<b>TELECOM FUND</b>	<b>REFUSE FUND</b>	<b>TOTAL</b>
<b><u>OPERATING REVENUES</u></b>						
Charges for Services	\$ 6,874,528	\$ 2,475,214	\$ 2,715,844	\$ 594,439	\$ 974,503	\$ 13,634,528
Penalties	48,625	10,972	10,992	-	6,509	77,098
Other Fees	-	1,600	46,845	-	-	48,445
Rental Income	92,146	-	-	91,341	-	183,487
Other Income	10,911	70,995	15	18,898	27,474	128,293
SCADA and Equipment Lease	-	-	-	123,300	-	123,300
<b>TOTAL OPERATING REVENUES</b>	<b>7,026,210</b>	<b>2,558,781</b>	<b>2,773,696</b>	<b>827,978</b>	<b>1,008,486</b>	<b>14,195,151</b>
<b><u>OPERATING EXPENSES</u></b>						
Costs of Furnishing Utility	3,442,571	742,931	788,421	330,172	437,848	5,741,943
Employee Wages	519,508	447,989	359,682	312,765	266,030	1,905,974
Employee Benefits	247,240	236,629	188,905	134,969	133,166	940,909
Employee Pension	332,273	268,963	229,503	205,306	180,056	1,216,101
Insurance	96,845	149,686	124,613	29,734	28,501	429,379
Debt Service	62,756	182,232	106,895	-	-	351,883
Depreciation	110,808	412,453	536,677	269,826	78,902	1,408,666
<b>TOTAL OPERATING EXPENSES</b>	<b>4,812,001</b>	<b>2,440,883</b>	<b>2,334,696</b>	<b>1,282,772</b>	<b>1,124,503</b>	<b>11,994,855</b>
<b>OPERATING INCOME (LOSS)</b>	<b>2,214,209</b>	<b>117,898</b>	<b>439,000</b>	<b>(454,794)</b>	<b>(116,017)</b>	<b>2,200,296</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>						
Interest Earned	40,271	8,018	13,194	236	9,150	70,869
State Grants	-	-	100,000	-	-	100,000
Transfer from Component Unit	-	-	75,000	-	-	75,000
Transfers from Other Funds	-	-	-	35,000	-	35,000
Transfers to Other Funds	(1,835,402)	-	-	-	-	(1,835,402)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(1,795,131)</b>	<b>8,018</b>	<b>188,194</b>	<b>35,236</b>	<b>9,150</b>	<b>(1,554,533)</b>
<b>CHANGES IN NET POSITION</b>	<b>419,078</b>	<b>125,916</b>	<b>627,194</b>	<b>(419,558)</b>	<b>(106,867)</b>	<b>645,763</b>
<b>NET POSITION, JANUARY 1, 2022</b>	<b>3,752,483</b>	<b>4,714,359</b>	<b>11,370,606</b>	<b>1,469,881</b>	<b>1,457,353</b>	<b>22,764,682</b>
<b>NET POSITION, DECEMBER 31, 2022</b>	<b>\$ 4,171,561</b>	<b>\$ 4,840,275</b>	<b>\$ 11,997,800</b>	<b>\$ 1,050,323</b>	<b>\$ 1,350,486</b>	<b>\$ 23,410,445</b>



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**INDIVIDUAL FUND STATEMENTS  
AND SCHEDULES**

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**BOROUGH OF KUTZTOWN**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended December 31, 2022**

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**REVENUES**

**TAXES:**

Real Estate Taxes - Current	\$ 481,403	
Real Estate Taxes - Prior	18,337	
Real Estate Transfer Tax	215,276	
Earned Income Tax	572,782	
Per Capita	10,320	
Local Services Tax	76,135	
Admissions Tax	40,649	
Mechanical Tax	200	
	<u>          </u>	\$ 1,415,102

**FINES AND FORFEITS:**

Motor Vehicle Violations	11,088	
Fines	22,065	
Criminal Violations	9,358	
Parking Tickets	28,382	
	<u>          </u>	70,893

**LICENSES AND PERMITS:**

Franchise Fee Cable	39,916	
Permits/Reports	126,606	
	<u>          </u>	166,522

**INTERGOVERNMENTAL:**

In Lieu of Taxes - PURTA	1,575	
Beverage Licenses	1,150	
Pension State Aid	341,910	
Allotment - Fireman's Relief	25,429	
State Grants	74,577	
	<u>          </u>	444,641

**CHARGES FOR SERVICES:**

General Government	36	
Public Safety	132,696	
Culture and Recreation	100,747	
	<u>          </u>	233,479

**INVESTMENT AND RENTAL EARNINGS:**

Interest Income	38,577	
Rentals	408,715	
	<u>          </u>	447,292

**MISCELLANEOUS:**

Contributions and Donations	14,797	
Reimbursements	373,306	
Refund of Prior Year Expenditure	376,188	
Other	33,390	
	<u>          </u>	797,681

<b>TOTAL REVENUES</b>	<b>\$ 3,575,610</b>	
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**BOROUGH OF KUTZTOWN**  
**General Fund (Cont'd)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended December 31, 2022**

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**EXPENDITURES**

**GENERAL GOVERNMENT**

**LEGAL:**

Solicitor	\$ 30,575
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**MAYOR, LEGISLATIVE, BOROUGH MANAGER:**

Employee Wages	109,309
Employee Benefits	54,076
Employee Pension	15,844
Insurance	32,247
Contracted Services	54,132
Advertising, Printing and Postage	7,763
Vehicle Expenses	1,039
Operating/Office Expenses	15,145
Dues, Meetings and Training	14,835
Small Tools, Equipment and Building	13,682

**FINANCE AND ACCOUNTING:**

Audit and Accounting Fees	13,700
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**TAX COLLECTION:**

Employee Wages	5,938
Employee Benefits	958
Contracted Services	661

**ENGINEERING:**

Engineering Fees	173,662
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**BUILDINGS AND PLANT:**

Employee Wages	8,718
Employee Benefits	1,489
Operating Supplies	7,838
Heating and Utilities	51,028
Insurance	11,419
Repairs and Maintenance	40,701
Contracted Services	<u>3,587</u>

**TOTAL GENERAL GOVERNMENT**

\$ 668,346
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**BOROUGH OF KUTZTOWN**  
**General Fund (Cont'd)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended December 31, 2022**

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**PUBLIC SAFETY**

**POLICE:**

Employee Wages	\$ 1,442,589
Employee Benefits	427,492
Employee Pension	59,599
Operating Supplies	10,828
Vehicle Maintenance and Repair	31,091
Uniforms	15,333
Training, Seminars, Certs	5,623
Ammunition	9,066
Insurance	68,377
Dues, Subs and Memberships	623
Small Tools and Equipment	13,543
Telephone/Communications	59,761
Postage, Printing and Advertising	6,060
Repairs and Maintenance	6,208
Refuse	518
Contracted Services	50,423
Capital Purchases	64,984

**FIRE AND AMBULANCE:**

Rent of Machine & Equipment	86,060
Telephone/Communications	25,107
Foreign Fire Tax Disbursement	90,430

**INSPECTIONS AND ZONING:**

Employee Wages	79,210
Employee Benefits	58,469
Employee Pension	7,041
Vehicle Maintenance and Repair	34
Heating and Utilities	7,985
Operating Supplies	2,780
Telephone/Communications	5,125
Legal Services	14,160
Engineering Services	644
Small Tools and Equipment	10,128
Postage, Printing and Advertising	3,657
Insurance	654
Dues, Subs and Memberships	496
Rent of Building	16,849
Contracted Services	148,743

**EMERGENCY MANAGEMENT:**

Postage, Printing and Advertising	85
Contracted Services	240

<b>TOTAL PUBLIC SAFETY</b>	<b>\$ 2,830,015</b>
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**BOROUGH OF KUTZTOWN**  
**General Fund (Cont'd)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended December 31, 2022**

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**PUBLIC WORKS**

**STREET MAINTENANCE AND LIGHTING:**

Employee Wages	\$	277,263	
Employee Benefits		138,978	
Employee Pension		19,637	
Training, Seminars, Certs		75	
Operating Supplies		7,695	
Vehicle Maintenance and Repairs		21,597	
Uniforms		3,605	
Insurance		21,795	
Small Tools and Equipment		5,041	
Repairs and Maintenance Land & Equip		10,071	
Engineering Services		88,979	
Telephone/Communications		3,776	
Postage, Printing and Advertising		88	
Contracted Services		24,076	
Rent of Building		34,086	
Heating and Utilities		65,535	
Dues, Subs and Memberships		4,152	
Capital Improvements		479,178	
Snow Removal Materials		16,192	
<b>TOTAL PUBLIC WORKS</b>			\$ 1,221,819

**CULTURE AND RECREATION**

**PARKS AND POOL:**

Employee Wages		298,872	
Employee Benefits		100,988	
Employee Pension		27,955	
Training, Seminars, Certs		50	
Operating Supplies		9,102	
Small Tools and Equipment		139	
Insurance		16,730	
Vehicle Maintenance and Repairs		2,024	
Telephone/Communications		344	
Postage, Printing and Advertising		2,206	
Heating and Utilities		44,552	
Repairs and Maint Building, Land & Equip		97,433	
Contracted Services		28,557	
YMCA Programs		3,750	
Chemicals		14,863	
<b>TOTAL CULTURE AND RECREATION</b>			\$ 647,565

**BOROUGH OF KUTZTOWN**  
**General Fund (Cont'd)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended December 31, 2022**

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**DEBT SERVICE**

Debt Principal	\$ 45,273
Interest Expense	<u>431</u>

<b>TOTAL DEBT SERVICE</b>	<b>\$ 45,704</b>
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**UNCLASSIFIED EXPENDITURES**

C, G & S to Non-Profits	46,236
Other Miscellaneous	<u>3,527</u>

<b>TOTAL UNCLASSIFIED EXPENDITURES</b>	<b>\$ 49,763</b>
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<b>TOTAL EXPENDITURES</b>	<b><u>5,463,212</u></b>
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<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(1,887,602)</b>
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**OTHER FINANCING SOURCES AND  
OTHER FINANCING USES**

Interfund Transfers In	2,294,714
Interfund Transfers Out	<u>-</u>
	<u>2,294,714</u>

<b>NET CHANGE IN FUND BALANCES</b>	<b>407,112</b>
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<b>FUND BALANCE - JANUARY 1, 2022</b>	<b><u>1,723,989</u></b>
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<b>FUND BALANCE - DECEMBER 31, 2022</b>	<b><u>\$ 2,131,101</u></b>
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**BOROUGH OF KUTZTOWN**  
**Electric Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended December 31, 2022**

	<u>BUDGET</u>	<u>ACTUAL</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 6,556,980	\$ 6,874,528
Penalties	20,000	48,625
Rental Income	85,818	92,146
Other Income	8,300	10,911
<b>TOTAL OPERATING REVENUES</b>	<u>6,671,098</u>	<u>7,026,210</u>
<b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Utility	3,620,960	3,442,571
Employee Wages	521,915	519,508
Employee Benefits	262,765	247,240
Employee Pension	70,699	332,273
Insurance	79,802	96,845
Debt Service	230,800	62,756
Depreciation	-	110,808
<b>TOTAL OPERATING EXPENSES</b>	<u>4,786,941</u>	<u>4,812,001</u>
<b>OPERATING INCOME</b>	<u>1,884,157</u>	<u>2,214,209</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest Earned	4,000	40,271
Transfers to Other Funds	(1,800,402)	(1,835,402)
<b>TOTAL NON-OPERATING (EXPENSES)</b>	<u>(1,796,402)</u>	<u>(1,795,131)</u>
<b>CHANGES IN NET POSITION</b>	87,755	419,078
<b>NET POSITION, JANUARY 1, 2022</b>	<u>(87,755)</u>	<u>3,752,483</u>
<b>NET POSITION, DECEMBER 31, 2022</b>	<u>\$ -</u>	<u>\$ 4,171,561</u>

**BOROUGH OF KUTZTOWN**  
**Water Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended December 31, 2022**

	<u>BUDGET</u>	<u>ACTUAL</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 2,051,500	\$ 2,475,214
Penalties	1,000	10,972
Other Fees	12,000	1,600
Rental Income	5,000	-
Other Income	57,000	70,995
<b>TOTAL OPERATING REVENUES</b>	<u>2,126,500</u>	<u>2,558,781</u>
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<b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Utility	546,996	742,931
Employee Wages	439,244	447,989
Employee Benefits	247,190	236,629
Employee Pension	66,570	268,963
Insurance	133,619	149,686
Debt Service	674,097	182,232
Depreciation	-	412,453
<b>TOTAL OPERATING EXPENSES</b>	<u>2,107,716</u>	<u>2,440,883</u>
<b>OPERATING INCOME (LOSS)</b>	<u>18,784</u>	<u>117,898</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest Earned	2,000	8,018
Pension & OPEB Adjustment	-	-
Transfers from Other Funds	-	-
Transfers to Other Funds	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>2,000</u>	<u>8,018</u>
<b>CHANGES IN NET POSITION</b>	20,784	125,916
<b>NET POSITION, JANUARY 1, 2022</b>	<u>(20,784)</u>	<u>4,714,359</u>
<b>NET POSITION, DECEMBER 31, 2022</b>	<u>\$ -</u>	<u>\$ 4,840,275</u>



**BOROUGH OF KUTZTOWN**  
**Sewer Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended December 31, 2022**

	<u>BUDGET</u>	<u>ACTUAL</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 2,145,000	\$ 2,715,844
Penalties	1,000	10,992
Other Fees	45,000	46,845
Other Income	<u>2,400</u>	<u>15</u>
<b>TOTAL OPERATING REVENUES</b>	2,193,400	2,773,696
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<b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Utility	752,701	788,421
Employee Wages	387,737	359,682
Employee Benefits	186,945	188,905
Employee Pension	61,210	229,503
Insurance	134,551	124,613
Debt Service	691,000	106,895
Depreciation	<u>-</u>	<u>536,677</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>2,214,144</u>	<u>2,334,696</u>
 <b>OPERATING INCOME</b>	 <u>(20,744)</u>	 <u>439,000</u>
 <b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest Earned	1,000	13,194
State Sewer Grant	-	100,000
Pension & OPEB Adjustment	-	-
Transfers from Component Unit	-	75,000
Transfers to Other Funds	<u>-</u>	<u>-</u>
<b>TOTAL NON-OPERATING (EXPENSES)</b>	<u>1,000</u>	<u>188,194</u>
 <b>CHANGES IN NET POSITION</b>	 <u>(19,744)</u>	 <u>627,194</u>
 <b>NET POSITION, JANUARY 1, 2022</b>	 <u>19,744</u>	 <u>11,370,606</u>
 <b>NET POSITION, DECEMBER 31, 2022</b>	 <u>\$ -</u>	 <u>\$ 11,997,800</u>

**BOROUGH OF KUTZTOWN**  
**Telecommunications Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended December 31, 2022**

	<u>BUDGET</u>	<u>ACTUAL</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 707,000	\$ 594,439
Rental Income	70,000	91,341
SCADA and Equipment Lease	134,120	123,300
Other Income	<u>5,000</u>	<u>18,898</u>
<b>TOTAL OPERATING REVENUES</b>	916,120	827,978
<b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Service	392,345	330,172
Employee Wages	327,134	312,765
Employee Benefits	144,363	134,969
Employee Pension	66,570	205,306
Insurance	24,657	29,734
Debt Service	-	-
Depreciation	<u>-</u>	<u>269,826</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>955,069</u>	<u>1,282,772</u>
<b>OPERATING (LOSS)</b>	<u>(38,949)</u>	<u>(454,794)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest Earned	100	236
Pension & OPEB Adjustment	-	-
Transfers to Other Funds	-	-
Transfer from Other Funds	<u>-</u>	<u>35,000</u>
<b>TOTAL NON-OPERATING REVENUES</b>	<u>100</u>	<u>35,236</u>
<b>CHANGES IN NET POSITION</b>	(38,849)	(419,558)
<b>NET POSITION, JANUARY 1, 2022</b>	<u>38,849</u>	<u>1,469,881</u>
<b>NET POSITION, DECEMBER 31, 2022</b>	<u>\$ -</u>	<u>\$ 1,050,323</u>

**BOROUGH OF KUTZTOWN**  
**Refuse and Recycling Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended December 31, 2022**

	<u>BUDGET</u>	<u>ACTUAL</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 914,000	\$ 974,503
Penalties	-	6,509
Other Income	<u>8,000</u>	<u>27,474</u>
<b>TOTAL OPERATING REVENUES</b>	922,000	1,008,486
<b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Service	585,850	437,848
Employee Wages	352,016	266,030
Employee Benefits	172,401	133,166
Employee Pension	69,206	180,056
Insurance	17,042	28,501
Depreciation	<u>-</u>	<u>78,902</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,196,515</u>	<u>1,124,503</u>
<b>OPERATING (LOSS)</b>	<u>(274,515)</u>	<u>(116,017)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest Earned	200	9,150
State Grants	4,800	-
Pension & OPEB Adjustment	-	-
Transfers to Other Funds	-	-
Transfer from Other Funds	<u>260,000</u>	<u>-</u>
<b>TOTAL NON-OPERATING REVENUES</b>	<u>265,000</u>	<u>9,150</u>
<b>CHANGES IN NET POSITION</b>	(9,515)	(106,867)
<b>NET POSITION, JANUARY 1, 2022</b>	<u>9,515</u>	<u>1,457,353</u>
<b>NET POSITION, DECEMBER 31, 2022</b>	<u>\$ -</u>	<u>\$ 1,350,486</u>

**Borough of Kutztown  
Highway Aid Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Year Ended December 31, 2022**

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<b>FUND BALANCE - JANUARY 1, 2022</b>		\$ 111,548
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
<b>INTERGOVERNMENTAL:</b>		
Liquid Fuels Tax	\$ 125,550	
<b>INVESTMENT EARNINGS:</b>		
Interest Earnings	2,309	127,859
<b>TOTAL FUNDS AVAILABLE</b>		<b>239,407</b>
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>PUBLIC WORKS:</b>		
Storm Sewer Replacement	\$ -	
<b>OTHER FINANCING USES:</b>		
Transfer To Other Funds	150,000	150,000
<b>FUND BALANCE - DECEMBER 31, 2022</b>		<b>\$ 89,407</b>

**Fire Protection Tax Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended December 31, 2022**

<b>FUND BALANCE - JANUARY 1, 2022</b>		\$ 314,540
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
Real Estate Tax	\$ 122,368	
Interest Earnings	-	
<b>OTHER FINANCING SOURCES:</b>		
Transfer from Other Funds	-	122,368
<b>TOTAL FUNDS AVAILABLE</b>		<b>436,908</b>
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>PUBLIC SAFETY:</b>		
Salaries & Wages	\$ -	
Employee Benefits	-	
Other Services	-	
C,G & S To Non-Profits	-	
<b>OTHER FINANCING USES:</b>		
Transfer To Other Funds	27,610	27,610
<b>FUND BALANCE - DECEMBER 31, 2022</b>		<b>\$ 409,298</b>

**BOROUGH OF KUTZTOWN**  
**Recreation Tax Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended December 31, 2022**

<b>FUND BALANCE - JANUARY 1, 2022</b>		\$ 117,079
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
Real Estate Tax	\$ 75,926	
Interest Earnings	-	
<b>OTHER FINANCING SOURCES:</b>		
Transfer From Other Funds	-	75,926
<b>TOTAL FUNDS AVAILABLE</b>		193,005
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>CULTURE AND RECREATION:</b>		
Salaries & Wages	\$ -	
Employee Benefits	-	
Other Services	-	
<b>OTHER FINANCING USES:</b>		
Transfer To Other Funds	136,834	136,834
<b>FUND BALANCE - DECEMBER 31, 2022</b>		<b>\$ 56,171</b>

**Road Tax Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended December 31, 2022**

<b>FUND BALANCE - JANUARY 1, 2022</b>		\$ 196,705
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
Real Estate Tax	\$ 188,849	
Interest Earnings	-	
<b>OTHER FINANCING SOURCES:</b>		
Transfer From Other Funds	-	188,849
<b>TOTAL FUNDS AVAILABLE</b>		385,554
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>PUBLIC WORKS:</b>		
Salaries & Wages	\$ -	
Employee Benefits	-	
Other Services	-	
<b>OTHER FINANCING USES:</b>		
Transfer To Other Funds	179,868	179,868
<b>FUND BALANCE - DECEMBER 31, 2022</b>		<b>\$ 205,686</b>

**BOROUGH OF KUTZTOWN**  
**Police Pension Trust Fund**  
**Statement of Additions and Deductions**  
**For the Year Ended December 31, 2022**

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**NET POSITION - BEGINNING OF YEAR** \$ 8,676,308

**ADDITIONS:**

State Aid	\$ 59,599
Employee Contributions	62,895
Miscellaneous	-

**INVESTMENT EARNINGS:**

Interest and Dividends	136,493
Realized Gains (Losses)	351,633
Change in Fair Value of Investments	<u>(1,976,201)</u>

**TOTAL ADDITIONS** (1,365,581)

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**DEDUCTIONS:**

Administrative Charges	6,752
Investment Expenses	79,986
Employee Benefits	<u>227,834</u>

**TOTAL DEDUCTIONS** 314,572

**CHANGE IN NET POSITION** (1,680,153)

**NET POSITION - END OF YEAR** \$ 6,996,155