BOROUGH OF KUTZTOWN

FINANCIAL STATEMENTS

and Auditors' Report

FOR THE YEAR ENDED DECEMBER 31, 2025

BOROUGH OF KUTZTOWN

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

INDEPENDENT AUDITORS' 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, 2025, 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, 2025, 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.

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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 management's discussion and analysis and the Required Supplementary Information, 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, 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. 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.

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.

Other Reporting Required by Government Auditing Standards

Other Reporting Required by Government Auditing Standards In accordance with Government Auditing Standards, we have also issued our report dated June 1, 2026, on our consideration of The Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Kutztown's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The Borough of Kutztown's internal control over financial reporting and compliance.

MVA Audit, PLLC

a division of MVA Tax & Advisory, LLC

Quakertown, Pennsylvania

June 1st, 2026

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

INDEPENDENT AUDITOR'S 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 the 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, 2025, which collectively comprise the Borough of Kutztown's basic financial statements and have issued our report thereon dated June 1, 2026. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Borough of Kutztown's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Kutztown's internal control over financial reporting.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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*.

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.

This report is intended solely for the information and use of management, the Borough Council, others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

MVA Audit, PLLC

a division of MVA Tax & Advisory, LLC

Quakertown, Pennsylvania

June 1st, 2026

Management’s Discussion and Analysis

The discussion and analysis of Borough of Kutztown's financial performance provides an overall review of the Borough's financial activities for the fiscal year ended December 31, 2025 The intent of this discussion and analysis is to look at the Borough's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Borough's financial performance.

Borough of Kutztown, Berks County, was established in 1815. The Borough operates under an elected Borough Council and appointed Borough Manager.

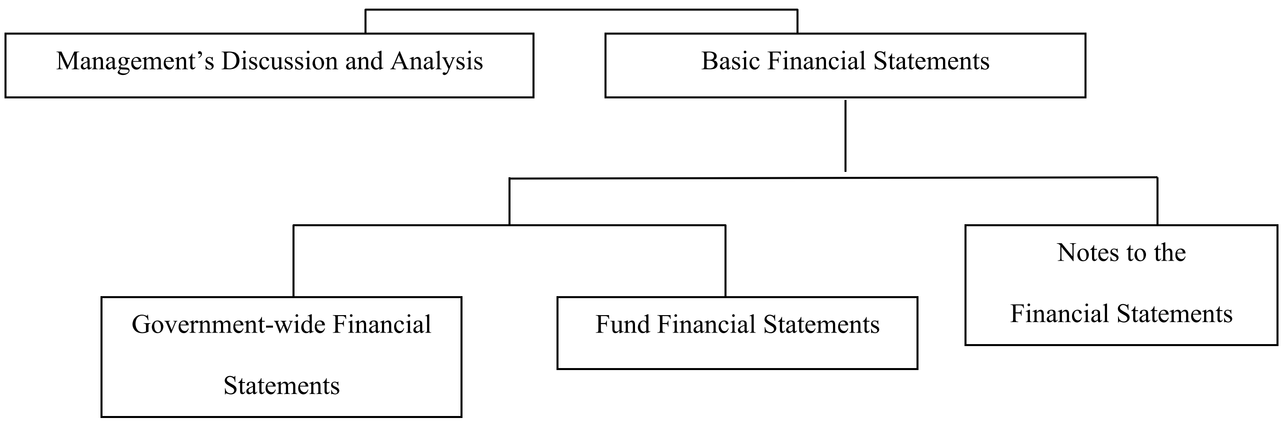
FINANCIAL HIGHLIGHTS

Key government-wide financial highlights for 2025 are as follows:

- In total, net position were $46,957,932 at the end of the year
- General revenues accounted for $3,902,053
- Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for $18,123,676 or about 33% of total revenues of $22,025,729, excluding component units of $279,664
- Total assets of governmental activities were $4,598,832 of which $4,271,417 represents unrestricted cash and investments.
- Fixed assets, net of accumulated depreciation, were $38,863,970.
- The Borough had $19,918,052 in expenses, all but $2,074,040 of these expenses were offset by program specific charges for services, grants, or contributions. In addition to user fees on Utilities, General revenues (primarily taxes) were adequate to provide for these programs.

USING THIS GENERAL ACCEPTED ACCOUNTING PRINCIPALS REPORT (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Borough of Kutztown as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.



The Statement of Net Position and Statement of Activities provide information about the activities of the whole Borough, presenting both an aggregate view of the Borough's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Borough's most significant funds with all other non-major funds. In the case of Borough of Kutztown, the General Fund is by far the most significant fund.

REPORTING THE BOROUGH AS A WHOLE

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Borough to provide programs and activities, the view of the Borough as a whole looks at all financial transactions and asks the question, ***"How did we do financially during the year?"*** The Statement of Net Position and the Statement of Activities answer this question on a fully accrual basis..

REPORTING THE BOROUGH AS A WHOLE

Statement of Net Position and the Statement of Activities (continued)

These two statements report the Borough's Net Position and changes in those assets. This change in Net Position is important because it tells the reader that, for the Borough as a whole, the financial position of the Borough has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the Borough's property tax base, current property tax laws in Pennsylvania restricting revenue growth, facility condition, required public works and public safety activities, and other factors.
In the Statement of Net Position and the Statement of Activities, the Borough reports governmental activities. Governmental activities are the activities where most of the Borough's programs and services are reported including, but not limited to, general government, public works, public safety, and recreation.

Table 1 provides a summary of the Borough's Net Position:

Table 1

Assets	
Current and Other Assets	$ 19,122,159
Capital Assets,	
Net of accumulated depreciation	38,863,970
	57,986,129
Liabilities	
Current Liabilities	2,289,593
Long-Term Liabilities	9,555,639
	11,845,232
Net Inflows & Outflows (pension)	816,735
Net Position	
Invested in Capital Assets, Net of Debt	28,176,197
Restricted	1,154,209
Unrestricted	17,627,226
	$ 46,957,632

Net Position, the part of Net Position that can be used to finance day-to-day activities without constraints established by grants or legal requirements, increased by $1,828,013. You will note that the majority of the Borough's Net Position are "locked up" in fixed assets and restricted uses.

Table 2 provides a summary of the Borough's statement of activities:

Program Revenues	
Charges for Services	$ 15,825,834
Operating Grants and Contributions	487,433
Capital Grants and Contributions	128,636
General Revenues	
Taxes	2,001,671
Other	640,295
Investment Earnings	1,260,087
Total Revenues	20,343,956
Program Expenses	
General Government	633,359
Public Safety	3,119,286
Public Works	1,216,500
Cultural and Recreation	709,937
Other	54,287
Business activities (utilities)	12,353,054
Unallocated Depreciation	429,520
Total Expenses	18,515,943
Increase in Net Position	$ 1,828,013

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue.

General Government	$ 331,589
Public Safety	(2,884,703)
Public Works	(1,081,572)
Cultural and Recreation	(588,123)
Other	(54,287)
Business activities (utilities)	2,632,576
Unallocated Depreciation	(429,520)
	$ (2,074,040)

Defining the Classifications of Expenditure:

- General Government activities includes the activities of the legislative board of Supervisors, the Office of Borough Manager, financial administration, legal counsel, insurance, and physical plant.

- Public Safety activities includes police protection, code enforcement, fire protection, and planning.

- Public Works includes general services, servicing of streets and storm sewers, snow and ice removal, and maintenance of public facilities.

- Cultural and Recreation includes the community center, library, parks, and special events.

- Other includes insurance and employee benefits

- Interest on long-term debt and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the Borough. The Borough does not currently have outstanding general obligation debt, however – Business activities for Utilities includes outstanding revenue bond obligations totaling $10,368,000

Governmental Activities

The dependence upon real estate tax revenues is apparent. The community, as a whole, is the primary support for the Borough of Kutztown. The real estate taxes for the Borough are collected from Borough residents. The tax on real estate, as levied by the Board. Taxable assessed valuation is $ 200,010,100 for the year was 5.7 mills combined or 2.8 mills for real estate, 1.0 for fire protection, 0.5 for EMS services, 0.4 for recreation, and 1.0 specific to roads ($5.70 per $1,000 of assessed valuation),
Assessed valuations of property are determined by Berks County and the collectors are responsible for collection.

REPORTING THE BOROUGH'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the Borough's major funds. The Borough uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Borough's most significant funds.

Governmental Funds

Most of the Borough's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual basis, which measures cash receipts and disbursements. The governmental fund statements provide a detailed short-term view of the Borough's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

REPORTING THE BOROUGH'S MOST SIGNIFICANT FUNDS

Governmental Activities

The following are the Borough's governmental funds:

General Fund (Major Fund)
The general fund is the operating fund of the Borough and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Borough for any purpose provided it is expended or transferred according to the general laws of The Commonwealth.

Capital Projects Funds (Major Fund) account for financial resources to be used for the acquisition or construction of certain major capital facilities which are not financed by the Proprietary and General Funds.

Special Revenue Fund (Non-major Fund)
The Special Revenue Fund accounts for specific revenue sources which are legally restricted to expenditures for specified purposes. The Borough accounts for the liquid fuels tax and fire tax in this fund in addition to those specific tax revenues of Fire, recreation, Roads, and EMS/Ambulance

Debt Service Fund (Non-major Fund)
The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term debt obligations.

Trust Funds are used to account for assets held by the Borough in a trustee capacity. This includes the Pension Trust Fund. The Pension Trust Fund is used to account for the four retirement pension plans. The Pension Trust Fund is accounted for in essentially the same manner as the Proprietary Fund since capital maintenance is critical.

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

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

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

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

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

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

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

THE BOROUGH'S GOVERNMENTAL FUNDS

As indicated above, these funds are accounted for using the modified accrual basis of accounting. All funds had total revenues of $4,069,049 in 2025. Other financing sources and uses include transfers between the funds and net out to $1,942,772. The net change in fund balance for the year was an increase of only $278,452 for governmental funds.

GENERAL FUND BUDGETING HIGHLIGHTS

The Borough's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

CAPITAL ASSETS

At the end of the fiscal year, the Borough had the following invested in land, buildings, furniture and equipment, and vehicles.

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Authorities
Land	1,334,868	1,292,121	2,626,989	-
Buildings, net of depreciation	452,358	12,156,127	12,608,485	-
Infrastructure, net of depreciation	8,257,485	-	8,257,485	1,062,004
Machinery and equipment/infrastructure, net of depreciation	262,252	13,928,423	14,190,675	-
Construction in Progress	781,863	78,700	860,563	-
Unamortized bond costs	-	319,773	319,773	-
Total non-current assets	11,088,826	27,775,144	38,863,970	1,062,004

DEBT - NOTES & BONDS

The Borough had the following Utility fund(s) Notes/Bonds:

	Outstanding January 1,	Issued	Retired	Outstanding December 31	Due in One Year
General Obligation Bonds 2013A	$ 975,000	$ -	$ 120,000	$ 855,000	$ 125,000
General Obligation Bonds 2019	6,125,000	-	530,000	5,595,000	535,000
General Obligation Note 2020	420,000	-	65,000	355,000	70,000
General Obligation Note 2021	4,067,000	-	504,000	3,563,000	512,000
Total	**$ 11,587,000**	**$ -**	**$ 1,219,000**	**$ 10,368,000**	**$ 1,242,000**

CURRENT FINANCIAL ISSUES AND CONCERNS

In conclusion, The Borough of Kutztown continues to be financially sound. The Borough of Kutztown has committed itself to being fiscally responsible for decades and has always appropriately addressed the Borough's ongoing fiscal and physical needs. The Board and appointed staff have been forward thinking in the operations and financing of the Borough. The Borough is also fortunate to have a dedicated staff committed to providing "best in class" services. In addition, the Borough's system of financial planning, budgeting, and internal financial controls are well regarded, as the annual audits have demonstrated. The Borough plans to continue its sound financial management to meet the challenges of the future.

Contacting the Borough's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Borough finances and to show the Borough's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Borough office.

GOVERNMENT WIDE FINANCIAL STATEMENTS

BOROUGH OF KUTZTOWN

STATEMENT OF NET POSITION

As of December 31, 2025

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Authorities
ASSETS				
Current Assets				
Cash and cash equivalents	$ 4,271,417	$ 12,773,741	$ 17,045,158	$ 3,203,076
Taxes receivable	6,060	-	6,060	-
Accounts receivable, net	185,112	1,537,899	1,723,011	26,202
Prepaid expenses	121,684	226,246	347,930	-
Net pension asset		-	-	-
Due from other funds		-	-	-
Internal balances	14,559	618,626	-	-
Due from component units/ primary government		-	-	-
Total current assets	4,598,832	15,156,512	19,122,159	3,229,278
Non-current assets				
Land	1,334,868	1,292,121	2,626,989	-
Buildings, net of depreciation	452,358	12,156,127	12,608,485	-
Infrastructure, net of depreciation	8,257,485	-	8,257,485	1,062,004
Machinery and equipment/infrastructure, net of depreciation	262,252	13,928,423	14,190,675	-
Construction in Progress	781,863	78,700	860,563	-
Unamortized bond costs	-	319,773	319,773	-
Total non-current assets	11,088,826	27,775,144	38,863,970	1,062,004
Total assets	**$ 15,687,658**	**$ 42,931,656**	**$ 57,986,129**	**$ 4,291,282**
Deferred outflows of resources	**$ 1,184,436**	**$ 666,335**	**$ 1,850,771**	**$ -**
LIABILITIES				
Current Liabilities				
Internal balances	$ 618,136	$ 15,049	$ -	$ -
Due to component unit / primary government		-	-	
Accounts payable	392,071	270,496	662,567	120,743
Sales tax payable	-	-	-	-
Accrued salaries and benefits	42,570	-	42,570	-
Bonds payable		1,242,000	1,242,000	-
Interest payable	-	86,679	86,679	-
Deferred revenue	50,470	205,307	255,777	39,968
Total current liabilties	1,103,247	1,819,531	2,289,593	160,711
Non-Current Liabilities				
Net other post employment liability		-	-	-
Net pension liability		429,639	429,639	-
Bonds payable	-	9,126,000	9,126,000	-
Total non-current liabilities	-	9,555,639	9,555,639	-
Total liabilities	**$ 1,103,247**	**$ 11,375,170**	**$ 11,845,232**	**$ 160,711**
Deferred inflows of resources	**$ 967,587**	**$ 66,449**	**$ 1,034,036**	**$ -**
NET POSITION				
Invested in capital assets, net of related debt	11,088,826	17,087,371	28,176,197	1,062,004
Restricted	1,154,209	-	1,154,209	30,181
Unrestricted	2,558,225	15,069,001	17,627,226	3,038,386
Total net position	**$ 14,801,260**	**$ 32,156,372**	**$ 46,957,632**	**$ 4,130,571**

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

BOROUGH OF KUTZTOWN

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental Activities								
General government	$ 633,359	$ 517,198	$ 447,750	$ -	$ 331,589	$ -	$ 331,589	
Public safety	3,119,286	194,900	39,683	-	(2,884,703)	-	(2,884,703)	
Public works	1,216,500	6,292	-	128,636	(1,081,572)	-	(1,081,572)	
Culture and recreation	709,937	121,814	-	-	(588,123)	-	(588,123)	
Miscellaneous	54,287	-	-	-	(54,287)	-	(54,287)	
Debt service interest	-	-	-	-	-	-	-	
Depreciation	429,520	-	-	-	(429,520)	-	(429,520)	
Total governmental activities	6,162,889	840,204	487,433	128,636	(4,706,616)	-	(4,706,616)	
Business-Type Activities								
Electric	4,704,285	7,142,170				2,437,885	2,437,885	
Water	2,535,592	2,752,133				216,541	216,541	
Sewer	2,627,657	3,143,702				516,045	516,045	
Telecom	1,157,641	694,737				(462,904)	(462,904)	
Refuse	1,327,879	1,252,888				(74,991)	(74,991)	
Total business-type activities	12,353,054	14,985,630				2,632,576	2,632,576	**Component**
Total primary governnment	**$ 18,515,943**	**$ 15,825,834**	**$ 487,433**	**$ 128,636**	**$ (4,706,616)**	**$ 2,632,576**	**$ (2,074,040)**	**Units**
								(Authorities)
Component Units								
Municipal Authorities	$ 1,402,109	$ 1,681,773						$ 279,664
GENERAL REVENUES:								
Property taxes levied for general purposes					$ 1,103,149	$ -	$ 1,103,149	$ -
Other taxes levided for general purposes					898,522	-	898,522	-
Grants, subsidies, and contributions not restricted					19,481	-	19,481	-
Investment and rental earnings					511,059	749,028	1,260,087	112,644
Pension and OPEB adjustment - revenue					411,925	-	411,925	-
Miscellaneous income					208,889	-	208,889	-
Transfers					1,810,000	(1,810,000)	-	-
Total general revenues, special items, extraordiinary items, and transfers					4,963,025	(1,060,972)	3,902,053	112,644
Change in net position					256,409	1,571,604	1,828,013	392,308
Net position - beginning					14,544,851	30,584,768	45,129,619	3,738,263
Net position - ending					**$ 14,801,260**	**$ 32,156,372**	**$ 46,957,632**	**$ 4,130,571**

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, 2025

Total fund balances - governmental funds	**$ 3,495,585**
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.	11,088,826
Pension assets and related deferred outflows are not financial resources and , therefore, are not reported as assets in the governmental funds.	1,184,436
Net pension and other post employment benifits, 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:	(967,587)
Total net position - governmental activities	**$ 14,801,260**

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, 2025

Net change in fund balancs - governmental funds	$	278,452
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		
Depreciation Expense	$	(429,520)
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		411,925
Agency fund interest income		(4,448)
Change in net position of governmental activities	**$**	**256,409**

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

BOROUGH OF KUTZTOWN

BALANCE SHEET
ALL GOVERNMENTAL FUNDS

As of December 31, 2025

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 3,250,362	$ 1,021,055	$ 4,271,417
Due from other funds	14,559	-	14,559
Taxes receivable	-	6,060	6,060
Prepaid expenses	121,684	-	121,684
Accounts receivable	185,112	-	185,112
Total assets	**$ 3,571,717**	**$ 1,027,115**	**$ 4,598,832**
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	$ 618,136	$ -	$ 618,136
Due to component units		-	-
Escrow deposits	7,454	-	7,454
Accounts payable	392,221	-	392,221
Accrued salaries and benefits	42,570	-	42,570
Deferred revenue	43,016	-	43,016
Total liabilities	1,103,397	-	1,103,397
Fund Balances			
- Nonspendable	-	-	-
- Restricted	127,094	1,027,115	1,154,209
- Committed	-	-	-
- Assigned	-	-	-
- Unassigned	2,341,226	-	2,341,226
Total fund balances	2,468,320	1,027,115	3,495,435
Total liabilities and fund balances	**$ 3,571,717**	**$ 1,027,115**	**$ 4,598,832**

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

BOROUGH OF KUTZTOWN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS

For the Year Ended December 31, 2025

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	$ 1,443,788	$ 556,234	$ 2,000,022
Licenses and permits	195,727	-	195,727
Fines and forfeits	69,968	-	69,968
Intergovernmental	489,232	128,636	617,868
Charges for services	259,739	-	259,739
Miscellaneous	95,448	-	95,448
Reimbursements	314,770	-	314,770
Investment and rental earnings	507,973	7,534	515,507
Total revenues	3,376,645	692,404	4,069,049
EXPENDITURES			
Current			
General governement	633,359	-	633,359
Public safety	3,119,286	-	3,119,286
Public works	1,216,500	-	1,216,500
Culture and recreaton	709,937	-	709,937
Miscellaneous	54,287	-	54,287
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	5,733,369	-	5,733,369
Excess (deficiency) of revenues over expenditures	(2,356,724)	692,404	(1,664,320)
OTHER FINANCING SOURCES			
Refund of prior year expenditures	132,772	-	132,772
Interfund transfers in	2,445,048	-	2,445,048
Interfund transfers out	-	(635,048)	(635,048)
Total other financing sources	2,577,820	(635,048)	1,942,772
Net change in fund balance	221,096	57,356	278,452
Fund balances - beginning	2,247,374	969,759	3,217,133
Fund balances - ending	**$ 2,468,470**	**$ 1,027,115**	**$ 3,495,585**

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, 2025

	Budgeted Amounts		Actual (Budgetary	Variance with Final Budget Positive
	Original	Final	Basis)	(Negative)
RESOURCES (INFLOW):				
Taxes	$ 1,272,349	$ 1,272,349	$ 1,443,788	$ 171,439
Licenses and permits	204,900	204,900	195,727	(9,173)
Fines and forfeits	131,000	131,000	69,968	(61,032)
Intergovernmental	419,015	419,015	489,232	70,217
Charges for services	237,401	237,401	259,739	22,338
Miscellaneous	37,600	37,600	95,448	57,848
Reimbursements	270,000	270,000	314,770	44,770
Investment and rental earnings	427,000	427,000	507,973	80,973
Refund of prior year expenditures	100	100	132,772	132,672
Transfers from other funds	2,200,000	2,200,000	2,355,048	155,048
Total resources	5,199,365	5,199,365	5,864,465	665,100
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General Government				
Legal	9,000	9,000	27,610	(18,610)
Mayor, legislative, Borough Manager	346,917	346,917	407,940	(61,023)
Finance and Accounting	7,000	7,000	25,738	(18,738)
Tax Collection	9,732	9,732	636	9,096
Engineering	-	-	-	-
Buildings and Plant	123,817	123,817	171,435	(47,618)
Public Safety				
Police	2,566,601	2,566,601	2,457,662	108,939
Fire and ambulance	95,194	95,194	124,091	(28,897)
Inspections and permits	352,909	352,909	447,079	(94,170)
Emergency management	3,400	3,400	454	2,946
Public Works				
Street maintenance and lighting	935,026	935,026	1,216,500	(281,474)
Culture and Recreation				
Parks and pools	694,557	694,557	709,937	(15,380)
Non-Departmental				
Debt service	6,112	6,112	-	6,112
Miscellaneous	49,100	49,100	54,287	(5,187)
Transfer to other funds	-	-	-	-
Total charges to appropriations	5,199,365	5,199,365	5,643,369	(444,004)
Excess (Deficiency) of Inflows Over Outflows	**$ -**	**$ -**	**$ 221,096**	**$ 221,096**

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

PROPRIETARY FUND FINANCIAL STATEMENTS

BOROUGH OF KUTZTOWN

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – ALL PROPRIETARY FUNDS

For the Year Ended December 31, 2025

	Major					
	Electric Fund	Water Fund	Sewer Fund	Telecom Fund	Refuse Fund	Total
ASSETS						
Current Assets						
Cash and cash equivalents	$ 5,822,709	$ 1,720,795	$ 4,357,586	$ 402	$ 872,249	$ 12,773,741
Accounts receivable (net of allowance for doubtful accounts)	821,768	244,479	272,977	65,837	132,838	1,537,899
Prepaid expenes	56,994	53,388	57,680	28,309	29,875	226,246
Due from other funds	69,737	241,609	47,833	71,299	188,148	618,626
Total current assets	6,771,208	2,260,271	4,736,076	165,847	1,223,110	15,156,512
Non-Current Assets						
Land	-	477,407	813,292	1,422	-	1,292,121
Buildings (net of depreciation)	1,163,201	4,885,922	5,982,347	15,900	108,757	12,156,127
Machinery and equipment / infrastructure (net of depreciation)	1,128,595	4,440,292	7,670,103	477,421	212,012	13,928,423
Construction in Progress	41,975	-	-	-	36,725	78,700
Unamortized bond costs	13,932	241,386	64,455	-	-	319,773
Total non-current assets	2,347,703	10,045,007	14,530,197	494,743	357,494	27,775,144
Total assets	**$ 9,118,911**	**$ 12,305,278**	**$ 19,266,273**	**$ 660,590**	**$ 1,580,604**	**$ 42,931,656**
Deferred outflows of resources	**$ 188,747**	**$ 150,502**	**$ 123,896**	**$ 91,088**	**$ 112,101**	**$ 666,334**
LIABILITIES						
Current Liabilities						
Accounts payable	$ 92,293	$ 65,382	$ 74,197	$ 11,103	$ 27,521	$ 270,496
Sales tax payable	-	-	-	-	-	-
Customer deposits	205,307	-	-	-	-	205,307
Due to other funds	7,585	7,464	-	-	-	15,049
Interest payable	5,984	53,117	27,578	-	-	86,679
Bonds payable	-	-	-	-	-	-
Total current liabilities	311,169	125,963	101,775	11,103	27,521	577,531
Non-Current Liabilities						
Net pension liability	121,700	97,041	79,886	58,732	72,280	429,639
Bonds payable	855,000	5,548,850	3,964,150	-	-	10,368,000
Total non-current liabilities	976,700	5,645,891	4,044,036	58,732	72,280	10,797,639
Total liablities	**1,287,869**	**5,771,854**	**4,145,811**	**69,835**	**99,801**	**11,375,170**
Deferred inflows of resources	**$ 21,031**	**$ 10,835**	**$ 8,920**	**$ 17,593**	**$ 8,070**	**$ 66,449**
NET POSITION						
Invested in capital assets, net of related del	1,478,771	4,254,771	10,501,592	494,743	357,494	17,087,371
Unrestricted net position	6,519,987	2,418,320	4,733,846	169,507	1,227,340	15,069,000
Total net position	**$ 7,998,758**	**$ 6,673,091**	**$ 15,235,438**	**$ 664,250**	**$ 1,584,834**	**$ 32,156,371**

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, 2025

	Major					
	Electric Fund	Water Fund	Sewer Fund	Telecom Fund	Refuse Fund	Total
OPERATING REVENUES						
Charges for services	$ 7,084,690	$ 2,633,898	$ 3,060,992	$ 681,188	$ 1,228,211	$ 14,688,979
Penalties	47,192	11,486	11,660	-	7,621	77,959
Other fees	-	29,820	69,090	-	-	98,910
Rental income	92,410	-	-	84,731	-	177,141
Other income	10,288	76,929	1,960	13,549	17,056	119,782
SCADA and equipment lease	-	-	-	123,300	-	123,300
Total operating revenues	7,234,580	2,752,133	3,143,702	902,768	1,252,888	15,286,071
OPERATING EXPENSES						
Costs of furnishing utility	3,390,482	1,000,281	1,212,950	438,667	576,284	6,618,664
Employee wages	680,881	498,974	410,902	251,567	349,263	2,191,587
Employee benefits	296,201	269,107	225,299	131,949	181,723	1,104,279
Employee pension	90,739	85,351	74,726	85,401	90,791	427,008
Insurance	87,611	128,375	87,468	10,912	38,197	352,563
Debt service	46,835	144,888	65,438	-	-	257,161
Depreciation	111,536	408,616	550,874	239,145	91,621	1,401,792
Total operating expenses	4,704,285	2,535,592	2,627,657	1,157,641	1,327,879	12,353,054
Operating income (loss)	2,530,295	216,541	516,045	(254,873)	(74,991)	2,933,017
NON-OPERATING REVENUES (EXPENSES)						
Interest earned	219,906	57,267	141,636	2	29,776	448,587
State grants	-	-	-	-	-	-
Pension & OPEB adjustment	-	-	-	-	-	-
Transfer from component unit	-	-		-	-	-
Transfers from other funds	-	-	-	2,000	-	2,000
Transfers to other funds	(1,812,000)	-	-	-	-	(1,812,000)
Total non-operating revenues (expenses)	(1,592,094)	57,267	141,636	2,002	29,776	(1,361,413)
Changes in net position	938,201	273,808	657,681	(252,871)	(45,215)	1,571,604
Net position, January 1, 2024	7,060,558	6,399,283	14,577,757	917,121	1,630,049	30,584,768
Net position, December 31, 2024	**$ 7,998,759**	**$ 6,673,091**	**$ 15,235,438**	**$ 664,250**	**$ 1,584,834**	**$ 32,156,372**

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

BOROUGH OF KUTZTOWN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

As of December 31, 2025

	Major					
	Electric Fund	Water Fund	Sewer Fund	Telecom Fund	Refuse Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from users	$ 7,071,585	$ 2,618,976	$ 3,041,175	$ 773,841	$ 1,235,832	$ 14,741,409
Cash received from other operating revenue	102,698	106,749	71,050	136,849	17,056	434,402
Cash payments to employees for services	(1,064,583)	(853,432)	(710,927)	(468,917)	(621,777)	(3,719,636)
Cash payments to suppliers for goods and services	(3,312,917)	(987,000)	(1,177,497)	(438,667)	(578,574)	(6,494,655)
Cash payments to other operating expenses	(142,284)	(273,263)	(152,906)	(10,912)	(38,197)	(617,562)
Net cash provided (used) by operating activities	2,654,499	612,030	1,070,895	(7,806)	14,340	4,343,958
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
(Increase) decrease in due from other funds	(297,139)	(53,251)	(7,796)	5,219	10,872	(342,095)
Increase (decrease) in due to other funds	-	-	-	-	-	-
State grants	-	-	-	-	-	-
Pension & OPEB adjustment	-	-	-	-	-	-
Transfer from component unit	-	-	-	-	-	-
Operating transfers in	-	-	-	2,000	-	2,000
Operating transfers out	(1,812,000)	-	-	-	-	(1,812,000)
Net cash provided by (used) for non-capital financing activities	(2,109,139)	(53,251)	(7,796)	7,219	10,872	(2,152,095)
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES						
Loan principal payments / proceeds	(120,000)	(530,000)	(522,850)	-	-	(1,172,850)
Purchase / sale of fixed assets			-	-	(36,725)	(36,725)
(Increase) decrease in unamortized bond costs	-	-	-	-	-	-
Net cash (used) for capital financing activities	(120,000)	(530,000)	(522,850)	-	(36,725)	(1,209,575)
CASH FLOWS FROM INVESTING ACTIVITIES						
Earnings on investments	219,906	57,267	141,636	2	29,776	448,587
Net cash provded by investing activities	219,906	57,267	141,636	2	29,776	448,587
Net increase (decrease) in cash and cash equivalents	645,266	86,046	681,885	(585)	18,263	1,430,875
Cash and cash equivalents - beginning of year	5,177,443	1,634,749	3,675,701	987	853,986	11,342,866
Cash and cash equivalents - end of year	**$ 5,822,709**	**$ 1,720,795**	**$ 4,357,586**	**$ 402**	**$ 872,249**	**$ 12,773,741**

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

BOROUGH OF KUTZTOWN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

As of December 31, 2025

	Major					
	Electric Fund	**Water Fund**	**Sewer Fund**	**Telecom Fund**	**Refuse Fund**	**Total**
OPERATING INCOME (LOSS)	$ 2,530,295	$ 216,541	$ 516,045	$ (254,873)	$ (74,991)	$ 2,933,017
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities						
Depreciation	111,536	408,616	550,874	239,145	91,621	1,401,792
Change in Assets and Liabilities						
(Increase) decrease in accounts receivable	(66,704)	(26,408)	(31,477)	7,922		(116,667)
(Increase) decrease in grants receivable	-	-	-	-	-	-
(Increase) decrease in prepaid expenses	(7,838)					(7,838)
(Increase) decrease in deferred outflows	-	-	-	-	-	-
Increase (decrease) in accounts payable	77,565	13,281	35,453		(2,290)	124,009
Increase (decrease) in interest payable	-	-	-	-	-	-
Increase (decrease) in GASB 68 Pension and OPEB liability	-	-	-	-	-	-
Increase (decrease) in deferred inflows		-	-		-	-
Increase (decrease) in customer deposits	6,407	-	-	-	-	6,407
Total adjustments	124,204	395,489	554,850	247,067	89,331	1,410,941
Net cash provided (used) by operating activities	**$ 2,654,499**	**$ 612,030**	**$ 1,070,895**	**$ (7,806)**	**$ 14,340**	**$ 4,343,958**

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

FIDUCIARY FUND FINANCIAL STATEMENTS

BOROUGH OF KUTZTOWN

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

As of December 31, 2025

	Police Pension Trust Funds
ASSETS	
Cash and cash equivalents	$ 103,280
Investments, at fair value	8,791,163
Total assets	**$ 8,894,443**
LIABILITIES	
Administrative payables	$ -
Total liabilities	**$ -**
NET POSITION	
Restricted for employee benefits	8,894,443
Total net position	**$ 8,894,443**

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, 2025

	Police Pension Trust Funds
ADDITIONS:	
State aid	
Employee contributions	173,672
Investment earnings	
Interest and dividends	3,770
Realized gains (losses) and	
Change in fair value from investments	1,062,051
Total additions	1,239,493
DEDUCTIONS:	
Administrative charges and	
Investment expenses	78,662
Employee benefits	362,267
Total deductions	440,929
Changes in net position	798,564
Net position - beginning of year	8,095,879
Net position - end of year	**$ 8,894,443**

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

NOTES TO FINANCIAL STATEMENTS

Note 1 – Significant Accounting Policies

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

Reporting Entity

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

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

Discretely Presented Components Units

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. *Basis of Presentation*

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

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.

C. *Fund Accounting*

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

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

General Fund

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

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

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

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

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

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

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

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

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

Fiduciary Funds Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds.

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

D. *Measurement Focus*

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

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

E. *Budgets and Budgetary Accounting*

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

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Refuse Fund, Water Fund, Electric Fund, Sewer Fund, Telecommunications Fund and the Special Revenue Funds. All annual appropriations lapse at fiscal year-end. Budgets for the Enterprise Funds are shown in the supplemental information.

2. During November and December, the Borough holds budget hearings for the purposes of receiving oral and written comment from interested parties in regard to the proposed budget for the following year. The Borough makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them. The board holds public hearings and a final budget must be prepared and adopted no later than December 31 through the passage of an ordinance. All budget revisions require the approval of the Borough Council. There were no budget revisions made during the year. Depreciation expense is not included in the budget.

3. For the year, expenditures and other uses exceeded appropriations in the general, water, refuse and telecommunication funds. Expenditures exceeded revenues in the general, telecom, fire protection tax, road tax and highway aid funds. Adequate fund balance surpluses exist in the above funds to cover budget or operating deficits.

Encumbrances

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

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

F. *Use of Estimates*

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

G. *Implementation of New Accounting Standards*

The Governmental Accounting Standards Board (GASB) issued the following standards that were scheduled to take effect for calendar year 2024:

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 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. 102, *Certain Risk Disclosures* – Effective for calendar year 2025

GASB Statement No. 103, *Financial Reporting Model Improvements* – Effective for calendar year 2025

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – Effective for calendar year 2026

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,

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

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 liened 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.

Capital Assets

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

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

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

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

Deferred Outflows and Inflows of Resources

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

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.

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”. Another element of the reconciliation is the Deferred Outflows related to Pensions and OPEB.

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

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

a) Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities.

b) Capital related differences include: (1) the differences between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities; and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording of depreciation expense on those items as recorded in the statement of activities.

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.

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. For public funds (e.g., government agency deposits), Pennsylvania's Act 72 of 1971 (72 Pa.State.Ann. § 3836-1 et seq.) requires that any public deposit exceeding FDIC limits be secured by collateral pledged by the financial institution,

- The Act allows pooled pledging of assets to secure all public deposits of a depository.
- The collateral must be maintained at least equal to the total public deposits required to be secured.
- This is a state-level safeguard for public deposits beyond FDIC coverage, not a substitute for FDIC insurance.

Restricted Cash - The cash balance includes held for pension benefits.

Note 5 - Investments

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

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C.; and,
4. Obligations, participations or other instruments of any Federal Agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
5. Repurchase agreements with respect to United States Treasury bills or obligations, participations or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government sponsored enterprise.
6. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.

7. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.

8. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the paper is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.

9. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and, if all of the following conditions are met:

    - The investments of the company are the authorized investments listed above.

    - The investment company is managed in accordance with 17 CFR 270.2a-7 (related to money market funds.

    - The investment company is rated in the highest category by a nationally recognized rating agency.

10. Savings or demand deposits placed in accordance with the following conditions:

    - The money is initially deposited and invested through a federally insured institution having a place of business in this Commonwealth, which is selected by the public corporation or municipal authority.

    - The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, or the account of the public corporation or municipal authority.

    - The full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation.

    - On the same date that the money is redeposited pursuant to above, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested through the selected institution by the public corporation or municipal authority.

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

The fund will use a mixture of stocks and bonds to achieve the overall objective of growth exceeding the inflation rate. The fund will be measured against a target return of 7.75% per year (actuarial assumption). The fund will be expected to out-perform this target return over a complete market cycle of 3 to 5 years.

Equity investments will range between 35% and 65% of the total portfolio. An exchange traded fund will be utilized to achieve diversification. A portion of the funds will also be invested within a money market account and a fixed income manager.

Fair Value Reporting

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

Interest Rate Risk

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

Credit Risk

The Borough has no investment policy that would limit its investment choices to certain credit ratings.

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

Concentration of Credit Risk

The Borough’s investment policy only authorizes investment in local government investment pools including the PA Local Government Investment Trust (PGLIT) and the Pennsylvania Invest Program for Local Governments and Non-Profits administered by the Treasurer of the Commonwealth of Pennsylvania. 100% of the Borough’s Governmental and Proprietary investments consisted of PLGIT and PA Invest Pool investments. No more than 5% of the Police Pension Trust Fund were invested in any one security, ETF, CEF or Bonds of any type.

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.

Restricted Investments

The investments include amounts 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.

	General Fund	Non-Major Funds	Electric Fund	Water Fund	Sewer Fund	Telecom Fund	Refuse Fund	Component Units	Total
Receivables									
Taxes	$ -	$ 6,060	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,060
Accounts	185,112	-	821,768	244,479	272,977	65,837	132,838	138,782	1,861,793
Intergovernmental	-	-	-	-	-	-	-	-	-
Gross Receivables	185,112	6,060	821,768	244,479	272,977	65,837	132,838	138,782	1,867,853
Less: Allowance for Uncollectibles	-	-	-	-	-	-	-	-	-
Net Receivables	**$ 185,112**	**$ 6,060**	**$ 821,768**	**$ 244,479**	**$ 272,977**	**$ 65,837**	**$ 132,838**	**$ 138,782**	**$ 1,867,853**

Note 7 – Capital Assets

Capital asset balances and activity for the year:

	Primary Government			**Component Units**
	Governmental Activities	Business-Type Activities	Total	Authorities
Land	1,334,868	1,292,121	2,626,989	-
Buildings, net of depreciation	452,358	12,156,127	12,608,485	-
Infrastructure, net of depreciation	8,257,485	-	8,257,485	1,062,004
Machinery and equipment/infrastructure, net of depreciation	262,252	13,928,423	14,190,675	-
Construction in Progress	781,863	78,700	860,563	-
Unamortized bond costs	-	319,773	319,773	-
Total non-current assets	11,088,826	27,775,144	38,863,970	1,062,004

The depreciation was charged to the governmental activities as follows:

Depreciation – Unallocated $ 429,520

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

Depreciation – Unallocated $1,401,792

Note 8 – Interfund Transactions

The Borough had the following interfund Transfers:

	TRANSFERS IN	TRANSFERS OUT
General Fund	$ 2,355,048	$ -
Fire Protection Tax Fund (Special Revenue)	-	-
Recreation Tax Fund (Special Revenue)	-	60,000
Road Tax Fund (Special Revenue)	-	185,048
Highway Aid Fund (Special Revenue)	-	300,000
Refuse Fund (Enterprise)	-	-
Water Fund (Enterprise)	-	-
Electric Fund (Enterprise)	-	1,812,000
Telecom Fund (Enterprise)	2,000	-
Total	**$ 2,357,048**	**$ 2,357,048**

Note 9 – Long-Term Debt Commitment

Long-Term Liability balances and activity for the year ended December 31, 2025, were:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr
Business-Type Activities					
Bonds Payable					
Capital Projects	$ 11,587,000	$ -	$ 1,219,000	$ 10,368,000	$ 1,242,000
Total Business-Type Activities Long-Term Liabilties	**$ 11,587,000**	**$ -**	**$ 1,219,000**	**$ 10,368,000**	**$ 1,242,000**

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

Total interest paid during the year:

Business-Type Activities	Paid
General Obligation Bonds	$ 257,344
Total Interest Paid by Business-Type Activities	**$ 257,344**

Long-Term Debt

At December 31, 2025, 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.	$	855,000
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.		5,595,000
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.		355,000
General Obligation Note, Series of 2021; Peoples Security Bank & Trust, intitial issue $7,030,000 at and interest rate of 1.55% to 2.00% per annum until August, 2032		3,563,000
Total	**$**	**10,368,000**

At December 31, 2025, the division of debt between the governmental and business-type activities was as follows:

Governmental	$	-
Business-Type		10,368,000
Total	**$**	**10,368,000**

The following summarizes debt activity for the Borough for 2025:

	Outstanding January 1,	Issued	Retired	Outstanding December 31	Due in One Year
General Obligation Bonds 2013A	$ 975,000	$ -	$ 120,000	$ 855,000	$ 125,000
General Obligation Bonds 2019	6,125,000	-	530,000	5,595,000	535,000
General Obligation Note 2020	420,000	-	65,000	355,000	70,000
General Obligation Note 2021	4,067,000	-	504,000	3,563,000	512,000
Total	**$ 11,587,000**	**$ -**	**$ 1,219,000**	**$ 10,368,000**	**$ 1,242,000**

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

Fiscal Year	Principal	Interest
2025	$ 1,219,000	$ 257,344
2026	$ 1,242,000	$ 232,094
2027	1,268,000	206,286
2028	1,300,000	179,858
2029	1,306,000	160,465
2030-2034	4,267,000	364,933
2035-2037	985,000	53,166
Total	**$ 10,368,000**	**$ 1,196,802**

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

Combined Long-Term Debt

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

Principal and Interest Requirements Fiscal Year	GOB Series 2013A	GOB Series 2019	GON Series 2020	GON Series 2021	Total Payments
2025	$ 166,835	$ 668,566	$ 73,904	$ 567,039	$ 1,476,344
2026	$ 166,375	$ 662,966	$ 77,526	$ 567,227	$ 1,474,094
2027	165,687	667,266	76,042	565,291	1,474,286
2028	169,772	666,266	74,558	569,262	1,479,858
2029	167,825	659,506	73,074	566,060	1,466,465
2030-2034	338,569	2,683,556	76,590	1,533,218	4,631,933
2035-2037	-	1,038,166	-	-	1,038,166
Total	**$ 1,008,228**	**$ 6,377,726**	**$ 377,790**	**$ 3,801,058**	**$ 11,564,802**

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	$ -	$ 5,595,000	$ -	$ -	$ 5,595,000	$ 530,000	$ 5,065,000
Electric Fund	855,000	-	-	-	855,000	120,000	735,000
Sewer Fund	-	-	355,000	3,563,000	3,918,000	569,000	3,349,000
Totals	**$ 855,000**	**$ 5,595,000**	**$ 355,000**	**$ 3,563,000**	**$ 10,368,000**	**$ 1,219,000**	**$ 9,149,000**

Note 10 - Pension Plan Obligations

Non-Uniformed Pension Plan

Plan Description

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Plan Membership

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

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

Contributions and Funding Policy

Employees who are members in the plan are required to contribute 8.25% of their salaries to the plan. Interest is credited to each member's account each year at 5.25% per year. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

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

Net Pension Liability

The net pension liability for December 31, 2024 was measured as of December 31, 2023, and the total pension liability was measured as of December 31, 2023, based on the actuarial valuation as of January 1, 2023 and then projected to this date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

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

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

Actuarial Cost Method:	Entry Age
Amortization Period:	Level dollar based upon the amortization periods in Act 205
Asset valuation method:	Based upon the municipal reserves
Discount Rate:	5.25%
Inflation:	2.2%
Salary Increases:	Age related scale with merit and inflation component
COLA increases:	2.2% for those eligible for a COLA
Pre-Retirement Mortality:	Males – PUB-2010 General Employees male table
	Females – PUB-2010 General Employees female table
Post-Retirement Mortality:	Males – RP 2006 Annuitant male table
	Females – RP 2006 Annuitant Female table

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 (2.2%). 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, 2023 and summarized in the table below labeled "System Nominal Net and Real Rates of Return by Asset Class."

System Nominal and Real Rates of Return by Asset Class

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

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

In addition to determining the System's Long-Term Nominal Expected Rate of Return, the PMRS Board, under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), is obligated to develop and apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. The rationale for the difference between the System's Long-Term Nominal Expected Rate of Return and the individual participating municipalities' Regular Interest Rate is described in the following section "Discount Rate." As of December 31, 2023, this rate is equal to 5.25%.

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

Confidence Levels for System Nominal and Real Rates of Return

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

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, 2023.

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.

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/23	**$ 17,396,764**	**$ 16,794,482**	**$ 602,282**
Changes for the year:			
Service Cost	404,228	-	404,228
Interest	925,545	-	925,545
Changes in Benefits	-	-	-
Changes of Assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	440,261	(440,261)
Contributions - PMRS Assessment	-	1,780	(1,780)
Contributions - Employee	-	238,741	(238,741)
PMRS Investment Income	-	835,942	(835,942)
Market Value Investment Income*	-	799,076	(799,076)
Transfers	-	26,624	(26,624)
Benefit Payments	(580,335)	(580,335)	-
PMRS Administration Expense	-	(1,780)	1,780
Additional Administration Expense	-	(45,785)	45,785
Net Changes	**749,438**	**1,714,524**	**(965,086)**
Balances at 12/31/2024	**$ 18,146,202**	**$ 18,509,006**	**$ (362,804)**

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	$ 18,917,416	$ 19,098,878	$ 19,280,340
Plan Fiduciary Net Position	19,480,729	19,480,729	19,665,819
Net Pension Liability	**$ (563,313)**	**$ (381,851)**	**$ (385,479)**
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	102.98%	102.00%	102.00%

Components of Pension Expense for Year Ended December 31, 2024 (Measurement Year Ending 12/31/23)

Service Cost	$ 404,228
Interest on the Total Pension Liability	925,545
Recognition of Liability Gains and Losses	
Changes in Assumptions	
Employee Contributions	(238,741)
Projected Earnings on Pension Plan Investments	(799,076)
Recognition of Investment Gains and Losses	
Pension Plan Administrative Expense	47,565
Change of Benefits	-
Other Changes in Net Fiduciary Position	(26,624)
Total Pension Expense	**$ 312,897**

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2024, the actuarially determined pension expense is $11,683. The Borough has deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2024:

Deferred Outflows and Inflows of Resources Related to Pension

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between Expected and Actual Experience	$ 67,269	$ 108,949
Changes in Actuarial Assumptions	-	120,802
MMO	-	442,021
Net Difference between Projected and Actual Earnings on Plan Investments	-	-
Contributions Subsequent to the Measurement Date	-	262,627
Totals	**$ 67,269**	**$ 934,399**

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

2024	$ (22,757)
2025	241,272
2026	395,774
2027	(189,180)
2028	-
Thereafter	-

Reconciliation of Pension Expense with Net Pension Liability

Change in Net Pension Liability	$ (976,269)
Change in Deferred (Outflows) of Resources	575,831
Change in Deferred Inflows of Resources	(16,818)
Employer Contributions	428,939
Total Pension Expense	**$ 11,683**

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.

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.

Plan Membership:

As of January 1, 2024, the date of the most recent actuarial valuation and December 31, 2024, the plan-year end, plan membership consisted of the following:

Inactive Members or Beneficiaries Currently Receiving Benefits	9
Inactive Members Entitled to but not yet Receiving Benefits	-
Active Plan Members	11
Total	**20**

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.

Net Pension Liability

The net pension liability for December 31, 2025 was measured as of December 31, 2024 and the total pension liability was determined by rolling forward the liabilities from the January 1, 2024 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, 2024 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-2021 to reflect mortality improvement.

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

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

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2023	$ 7,173,530	$ 7,717,418	$ (543,888)
Service Cost	206,855	-	206,855
Interest Cost	558,737	-	558,737
Changes fof Benefit Terms	-	-	-
Changes for Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	49,771	(49,771)
Contributions - Member	-	59,763	(59,763)
Net Investment Income	-	626,518	(626,518)
Benefit Payments, including refunds of member contributions	(341,761)	(341,761)	-
Administration Expense	-	(13,500)	13,500
Other Changes	-	-	-
Net Changes	423,831	380,791	43,040
Balances at 12/31/2024	**$ 7,597,361**	**$ 8,098,209**	**$ (500,848)**

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	$ (534,655)	$ (539,664)	$ (544,672)

Components of Pension Expense for Year Ended December 31, 2025

(Measurement Year Ending December 31, 2024)

Service Cost	$ 206,855
Interest on the Total Pension Liability	558,737
Change of Benefit Terms	-
Differences between Expected and Actual Experience [1]	(91,249)
Changes in Assumptions [1]	31,386
Employee Contributions	(59,763)
Projected Earnings on Pension Plan Investments	(588,578)
Difference between Projected and Actual Earnings on Investments [2]	128,175
Pension Plan Administrative Expense	13,500
Other Changes in Net Fiduciary Position	-
Total Pension Expense	**$ 199,063**

Pension Expense and Deferred Outflows and inflows of Resources

For the year ended December 31, 2024, the actuarially determined pension expense is $38,615. The Borough has deferred outflows and inflows of resources related to the pension plan

Deferred Outflows of Resources	Deferred Inflows of Resources
$ 1,502,194	$ 1,060,370

Note 11 – Postemployment Benefits Other than Pension:

Plan Description

Police

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

Full-Time Hourly Employees:

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

Full-time Salaried/Confidential Employees:

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

Summary of Significant Accounting Policies

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

Contributions and Funding Policy

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

Percent of Eligible Retirees Electing Coverage in Plan

50% of employees are assumed to elect coverage.

Per Capita Claims Cost

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

The resulting costs are as follows:

Age	Medical, RX, Dental, and Vision Combined	
	Males	Females
45-49	$ 9,276	$ 13,397
50-54	12,289	15,139
55-59	14,959	15,839
60-64	19,525	18,196

Retiree Contributions

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

Health Care Cost Trend Rate

7.0% in 2024 with 0.5% decrease per year until 5.5% in 2027. Rates gradually decrease from 5.4% in 2028 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets

Equal to the Market Value of Assets

Actuarial Cost Method – Entry Age Normal

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

Participant Data

Demographic Information	Police	Non-Uniformed Employees	Total
Active Participants	11	44	55
Vested Former Participants	-	-	-
Retired Participants	1	2	3
TOTAL	12	46	58
Annual Payroll of Active Participants	$ 1,057,862	$ 2,809,557	$ 3,867,419

Financial Information	Police	Non-Uniformed Employees	Total
Total OPEB Liability	$ 138,176	$ 682,660	$ 820,836
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability (Asset)	138,176	682,660	820,836
Deferred Outflows of Resources	31,908	178,964	210,872
Deferred Inflows of Resources	84,286	195,689	279,975
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	13.06%	24.30%	21.22%
OPEB Expense	$ 7,019	$ 57,650	$ 64,669

Deferred Outflows of Resources	Police	Non-Uniformed Employees	Total
Differences between Expected and Actual Experiences	$ (183)	$ 39,470	$ 39,287
Changes of Assumptions	18,833	77,091	95,924
Benefit Payments subsequent to the Measurement Date (1/1/2024)	13,258	- 62,403	75,661
Total deferred outflows	**$ 31,908**	**$ 178,964**	**$ 210,872**

Deferred Inflows of Resources	Police	Non-Uniformed Employees	Total
Differences between Expected and Actual Experiences	$ 66,608	$ 106,652	$ 173,260
Changes of Assumptions	17,678	89,037	106,715
Total deferred inflows	**$ 84,286**	**$ 195,689**	**$ 279,975**

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

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

Net OPEB Liability (Asset)	Police	Non-Uniformed Employees	Total
1% increase (5.00%)	$ 129,722	$ 643,122	$ 772,844
Current Discount Rate (4.00%)	138,176	682,660	820,836
1% Decrease (3.00%)	147,067	724,411	871,478

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

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

Net OPEB Liability (Asset)	Police	Non-Uniformed Employees	Total
1% Increase	$ 152,407	$ 750,789	$ 903,196
Current Rates	138,176	682,660	820,836
1% Decrease	125,601	624,578	750,179

Deferred Outflows of Resources

Date	Initial Balance	Annual Recognition	Remaining Balance	Remaining Recognition Period	Type
January 1, 2018	$ 28,564	$ 2,040	$ 14,284	7 years	Assumption Change
January 1, 2020	23,474	1,956	13,694	7 years	Assumption Change
January 1, 2021	68,778	5,732	45,850	8 years	Assumption Change
January 1, 2024	43,216	3,929	39,287	10 years	Experience Change
January 1, 2024	24,306	2,210	22,096	10 years	Assumption Change
Total		**$ 15,867**	**$ 135,211**		

Deferred Inflows of Resources

Date	Initial Balance	Annual Recognition	Remaining Balance	Remaining Recognition Period	Type
January 1, 2019	$ 23,649	$ 1,689	$ 13,515	8 years	Assumption Change
January 1, 2020	61,726	5,144	36,006	7 years	Experience Change
January 1, 2021	183,004	15,250	137,254	9 years	Experience Change
January 1, 2022	13,788	1,149	10,341	9 years	Assumption Change
January 1, 2023	99,431	8,286	82,859	10 years	Assumption Change
Total		**$ 31,518**	**$ 279,975**		

Supplemental Information for Assumptions

Discount Rate

Based on the S& P Municipal Bond 20-year High Grade Rate Index a 1/1/2024.

Salary

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

Withdrawal

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

Mortality

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

Disability

Not applicable since the plan does not provide disability benefits.

Retirement

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

Percent of Eligible Retirees Electing Coverage in Plan

Plan experience was considered as well as future expectations.

Percent Married at Retirement

Plan experience was considered as well as future expectations.

Spouse Age

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

Per Capita Claims Cost

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

Health Care Cost Trend Rate

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

Note 12 – GASB 61 - Condensed Component Unit Data

Statement of Net Position

	Kutztown Municipal Authority	Kutztown Transportation Authority
ASSETS:		
Cash and cash equivalents	$ 3,083,099	$ 119,977
Accounts receivable	9,710	16,492
Due from primary government		
Due from other funds		
Capital assets, net of accumulated depreciation	1,062,004	-
Total assets	**$ 4,154,813**	**$ 136,469**
LIABILITIES:		
Account payable	120,178	565
Developer deposits held	39,968	
Due to primary government		
Due to other funds		
Total liabilties	**160,146**	**565**
NET POSITION:		
Invested in capital assets, net of related debt	1,062,004	
Restricted		30,181
Unrestricted	2,932,663	105,723
Total net position	**$ 3,994,667**	**$ 135,904**

Statement of Activities

	Kutztown Municipal Authority	Kutztown Transportation Authority
EXPENSES:		
Major Function:		
Water	$ 1,138,709	
Sewer	254,682	
Transportation		8,718
Total expenses	$ 1,393,391	$ 8,718
PROGRAM REVENUES;		
By Type -		
Water	$ 1,347,337	
Sewer	317,315	
Grant Income		
Miscellaneous		
Transportation		17,121
Interest Income	108,135	4,509
Total revenues	1,772,787	21,630
Change in Net Position	379,396	12,912
Beginning Net Position:	3,615,271	122,992
Ending Net Position:	**$ 3,994,667**	**$ 135,904**

Note 13 - Contingencies

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

Note 14 – Risk Management

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

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

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

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

Note 15 – Fund Balances

Restricted Fund Balances

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

Note 16 – Subsequent Events

The subsequent events have been evaluated through June 1, 2026 which is the date of the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

BOROUGH OF KUTZTOWN
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
NON-UNIFORM PENSION PLAN

Last Ten Years

	Measurement Year Ending										
	12/31/2024	**12/31/2023**	**12/31/2022**	**12/31/2021**	**12/31/2020**	**12/31/2019**	**12/31/2018**	**12/31/2017**	**12/31/2016**	**12/31/2015**	**12/31/2014**
Total Pension Liability											
Service Cost	$ 404,228	$ 406,543	$ 382,997	$ 359,891	$ 346,235	$ 318,625	$ 317,276	$ 303,765	$ 279,381	$ 293,645	$ 309,223
Interest Cost	925,545	886,442	862,416	813,258	753,399	731,017	700,474	683,899	676,308	665,766	629,985
Changes of Benefit Terms		-	-	420,173	-	-	-	-	-	-	-
Differences Expected vs. Actual Experience*		-	(100,905)	-	326,845	-	222,893	-	148,378	(103)	412,732
Changes of Assumptions		-	-	-	362,410	-	-	-	360,183	(22,941)	-
Transfers		-	-	-	-	(4,764)	-	-	-	-	-
Benefit Payments	(580,335)	(738,718)	(682,818)	(677,423)	(647,739)	(649,250)	(666,292)	(704,131)	(811,004)	(652,185)	(718,313)
Net Change in Total Pension Liability	749,438	554,267	461,690	915,899	1,141,150	395,628	574,351	283,533	653,246	284,182	633,627
Total Pension Liability - Beginning	17,396,964	16,842,697	16,381,007	15,465,108	14,323,958	13,928,330	13,353,979	13,070,446	12,417,200	12,133,018	11,499,391
Total Pension Liability - Ending	**$ 18,146,402**	**$ 17,396,964**	**$ 16,842,697**	**$ 16,381,007**	**$ 15,465,108**	**$ 14,323,958**	**$ 13,928,330**	**$ 13,353,979**	**$ 13,070,446**	**$ 12,417,200**	**$ 12,133,018**
Plan Fiduciary Net Position											
Contributions - Employer	440,261	427,159	350,438	401,442	376,914	372,026	329,320	324,658	248,758	239,405	81,890
Contributions - PMRS Assessment	1,780	1,780	1,700	1,720	1,660	1,680	1,640	1,680	1,700	1,720	-
Contributions - Employee	238,741	232,070	223,449	165,834	167,115	159,286	156,066	149,420	144,183	136,830	130,236
PMRS Investment Income	835,942	792,602	769,621	735,595	681,997	650,219	597,194	580,709	610,623	571,531	563,912
Market Value Investment Income	799,076	861,817	(2,924,771)	1,346,872	1,320,152	1,585,977	(1,014,726)	1,293,827	147,220	(487,496)	99,776
Transfers	26,624	-	-	-	-	(4,764)	-	-	-	-	-
Benefit Payments	(580,335)	(738,718)	(682,818)	(677,423)	(647,739)	(649,250)	(666,292)	(704,131)	(811,004)	(652,185)	(718,313)
PMRS Administrative Expense	(1,780)	(1,780)	(1,700)	(1,720)	(1,660)	(1,680)	(1,640)	(1,620)	(1,660)	(1,720)	(1,640)
Additional Administrative Expense	(45,785)	(44,394)	(40,665)	(41,663)	(29,714)	(22,475)	(26,650)	(26,706)	(29,915)	(23,826)	(21,626)
Net Change in Plan Fiduciary Net Position	**$ 1,714,524**	**$ 1,530,536**	**$ (2,304,746)**	**$ 1,930,657**	**$ 1,868,725**	**$ 2,091,019**	**$ (625,088)**	**$ 1,617,837**	**$ 309,905**	**$ (215,741)**	**$ 134,235**
Plan Fiduciary Net Position - Beginning	16,794,482	15,263,946	17,568,692	15,638,035	13,769,310	11,678,291	12,303,379	10,685,542	10,375,637	10,591,378	10,457,143
Plan Fiduciary Net Position - Ending	**$ 18,509,006**	**$ 16,794,482**	**$ 15,263,946**	**$ 17,568,692**	**$ 15,638,035**	**$ 13,769,310**	**$ 11,678,291**	**$ 12,303,379**	**$ 10,685,542**	**$ 10,375,637**	**$ 10,591,378**
Net Pension Liability - Ending	**$ (362,604)**	**$ 602,482**	**$ 1,578,751**	**$ (1,187,685)**	**$ (172,927)**	**$ 554,648**	**$ 2,250,039**	**$ 1,050,600**	**$ 2,384,904**	**$ 2,041,563**	**$ 1,541,640**
Plan Fiduciary Net Postion as a Percentage of the Total Pension Liability	-3.46%	96.54%	90.63%	107.25%	101.12%	96.13%	83.85%	92.13%	81.75%	83.56%	87.29%
Covered Employee Payroll	$ 2,812,961	$ 2,812,962	$ 2,708,467	$ 2,661,869	$ 2,778,315	$ 2,556,757	$ 2,505,074	$ 2,398,399	$ 2,314,341	$ 2,196,450	$ 2,324,479
Net Pension Liability as a Percentage of Covered Employee Payroll	-78.58%	21.42%	58.29%	(44.62%)	(6.22%)	21.69%	89.82%	43.80%	103.05%	92.95%	66.32%

BOROUGH OF KUTZTOWN
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION PLAN

Last Ten Years

	Measurement Year Ending										
	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total Pension Liability											
Service Cost	$ 206,855	$ 197,005	$ 218,555	$ 208,148	$ 198,462	$ 189,011	$ 172,852	$ 164,621	$ 139,939	$ 133,275	$ 130,581
Interest Cost	558,737	530,849	515,471	478,636	454,592	422,834	396,822	371,059	351,351	328,582	332,098
Changes for Experience	-	(193,150)	-	(137,745)	-	(173,715)	-	(225,370)	-	(319,572)	-
Changes of Assumptions		-	-	-	-	138,574	-	159,888	-	(54,842)	-
Benefit Payments, including Refunds of Member Contributions	(341,761)	(413,966)	(227,834)	(215,972)	(213,522)	(209,505)	(220,598)	(202,383)	(190,002)	(159,444)	(113,222)
Net Change in Total Pension Liability	423,831	120,738	506,192	333,067	439,532	367,199	349,076	267,815	301,288	(72,001)	349,457
Total Pension Liability - Beginning	7,173,530	7,052,792	6,546,600	6,213,533	5,774,001	5,406,802	5,057,726	4,789,911	4,488,623	4,560,624	4,211,167
Total Pension Liability - Ending	**$ 7,597,361**	**$ 7,173,530**	**$ 7,052,792**	**$ 6,546,600**	**$ 6,213,533**	**$ 5,774,001**	**$ 5,406,802**	**$ 5,057,726**	**$ 4,789,911**	**$ 4,488,623**	**$ 4,560,624**
Plan Fiduciary Net Position											
Contributions - Employer	49,771	69,581	59,599	209,630	158,687	139,393	84,887	81,099	85,978	179,232	168,437
Contributions - Member	59,763	58,933	62,619	60,438	58,450	55,109	52,446	51,081	48,604	48,205	48,132
Net Investment Income	626,518	1,002,236	(1,569,637)	966,975	1,217,439	1,082,468	(287,559)	807,488	212,912	(4,999)	252,593
Benefit Payments, including Refunds of Member Contributions	(341,761)	(413,966)	(227,834)	(215,972)	(213,522)	(209,505)	(220,598)	(202,383)	(190,002)	(159,444)	(113,222)
Administrative Expense	(13,500)	-	(4,900)	(7,000)	(4,900)	(6,700)	(4,800)	(6,800)	(6,300)	(8,700)	-
Net Change in Plan Fiduciary Net Position	**$ 380,791**	**$ 716,784**	**$ (1,680,153)**	**$ 1,014,071**	**$ 1,216,154**	**$ 1,060,765**	**$ (375,624)**	**$ 730,485**	**$ 151,192**	**$ 54,294**	**$ 355,940**
Plan Net Position - Beginning	7,717,418	7,000,634	8,680,787	7,666,716	6,450,562	5,389,797	5,765,421	5,034,936	4,883,744	4,829,450	4,473,510
Plan Net Position - Ending	**$ 8,098,209**	**$ 7,717,418**	**$ 7,000,634**	**$ 8,680,787**	**$ 7,666,716**	**$ 6,450,562**	**$ 5,389,797**	**$ 5,765,421**	**$ 5,034,936**	**$ 4,883,744**	**$ 4,829,450**
Borough's Net Pension Liability (Asset)	**$ (500,848)**	**$ (543,888)**	**$ 52,158**	**$ (2,134,187)**	**$ (1,453,183)**	**$ (676,561)**	**$ 17,005**	**$ (707,695)**	**$ (245,025)**	**$ (395,121)**	**$ (268,826)**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**106.60%**	**107.58%**	**99.26%**	**132.60%**	**123.39%**	**111.72%**	**99.68%**	**113.99%**	**105.12%**	**108.80%**	**105.89%**
Covered Employee Payroll	**$ 1,192,401**	**$ 1,130,941**	**$ 1,233,915**	**$ 1,193,376**	**$ 1,187,650**	**$ 1,060,619**	**$ 1,078,518**	**$ 966,351**	**$ 992,971**	**$ 983,083**	**$ 901,757**
Borough's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	**(48.09%)**	**(42.00%)**	**4.23%**	**(178.84%)**	**(122.36%)**	**(63.79%)**	**1.06%**	**(73.23%)**	**(24.68%)**	**(40.19%)**	**(29.81%)**

SCHEDULE OF PENSION CONTRIBUTIONS
NON-UNIFORM PENSION PLAN

Last Ten Fiscal Years

Year-Ended December 31,	Actuarially Determined Contribution	Contributions from Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
2014	$ 71,055	$ 81,890	$ (10,835)	$ 2,324,479	3.52%
2015	241,045	241,125	(80)	2,196,450	10.98%
2016	250,418	250,458	(40)	2,314,341	10.82%
2017	326,278	326,338	(60)	2,398,399	13.61%
2018	330,960	330,960	-	2,505,074	13.21%
2019	373,686	373,706	(20)	2,556,757	14.62%
2020	378,554	378,574	(20)	2,778,315	13.63%
2021	403,082	403,162	(80)	2,661,869	15.15%
2022	404,228	352,138	52,090	2,708,467	13.00%
2023	428,899	428,939	(40)	2,812,962	15.25%
2024	428,899	428,939	(40)	2,812,962	115.25%

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 2025 is based upon the January 1, 2024 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:	2.2%
Salary Increases:	Age related scale with merit and inflation component
COLA Increases:	2.2% for those eligible for a COLA
Pre-Retirement Mortality:	Males – PUB-2010
	Females – PUB-2010
Healthy Post-Retirement Mortality:	Males – RP 2006 Annuitant Male table
	Females – RP 2006 Annuitant Female table
Changes in Benefit Terms:	None

SCHEDULE OF PENSION CONTRIBUTIONS
POLICE PENSION PLAN

Last Ten Fiscal Years

Year-Ended December 31,	Actuarially Determined Contribution	Contributions from Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
2014	$ 168,437	$ 168,437	$ -	$ 901,757	18.68%
2015	179,232	179,232	-	983,083	18.23%
2016	85,978	85,978	-	992,971	8.66%
2017	81,099	81,099	-	966,351	8.39%
2018	84,887	84,887	-	1,078,518	7.87%
2019	139,393	139,393	-	1,060,619	13.14%
2020	158,687	158,687	-	1,187,650	13.36%
2021	209,630	209,630	-	1,193,376	17.57%
2022	59,599	59,599	-	1,233,915	4.83%
2023	69,581	69,581	-	1,130,941	6.15%
2024	49,771	49,771	-	1,192,401	4.17%

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:	1/1/2024
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 1/1/2024.

Schedule of Changes in the Net OPEB Liabilities and Related Ratios

	Measurement Year Ending 12/30/2024	Measurement Year Ending 12/31/2023	Measurement Year Ending 12/31/2022	Measurement Year Ending 12/31/2021	Measurement Year Ending 12/31/2020	Measurement Year Ending 12/31/2019	Measurement Year Ending 12/31/2018
Total OPEB Liability							
Service Cost	$ 48,071	$ 83,556	$ 73,802	$ 58,181	$ 56,092	$ 57,635	$ 50,567
Interest Cost	32,249	59,297	18,705	26,969	29,106	24,112	24,999
Changes in Benefit Terms	-	-	-	-	-	-	-
Differences between Expected and Actual Experience	42,716	(193,654)	(183,004)	-	(61,726)	-	-
Changes of Assumptions	24,306	6,376	(13,788)	68,778	23,474	(23,649)	28,564
Benefit Payments	(59,297)	-	(30,244)	(24,567)	(17,692)	(22,591)	(21,312)
Other Changes	-	-	-	-	-	-	-
Net Change in OPEB Liability	88,045	(44,425)	(134,529)	129,361	29,254	35,507	82,818
Total OPEB Liability - Beginning	732,791	777,216	911,745	782,384	753,130	717,623	634,805
Total OPEB Liability - Ending	**$ 820,836**	**$ 732,791**	**$ 777,216**	**$ 911,745**	**$ 782,384**	**$ 753,130**	**$ 717,623**
Covered Employee Payroll	**$ 3,867,419**	**$ 3,850,919**	**$ 3,850,919**	**$ 3,481,617**	**$ 3,481,617**	**$ 3,246,432**	**$ 3,246,432**
Borough's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	**21.22%**	**19.02%**	**20.18%**	**26.19%**	**22.47%**	**23.20%**	**22.10%**

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

OTHER SUPPLEMENTAL INFORMATION

For the Year Ended December 31, 2025

	Non-Major					Total
	Fire Protection Fund	Recreation Tax Fund	Road Tax Fund	Highway Aid Fund	Ambulance Fund	Special Revenue Funds
ASSETS						
Cash and cash equivalents	$ 662,469	$ 101,079	$ 185,923	$ 60,702	$ 10,882	$ 1,021,055
Real estate taxes receivable	1,990	795	2,280	-	995	6,060
Due from other funds	-	-	-	-	-	-
Total assets	**$ 664,459**	**$ 101,874**	**$ 188,203**	**$ 60,702**	**$ 11,877**	**$ 1,027,115**
LIABILITIES AND FUND BALANCES						
Liabilities						
Due to other funds	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund Balances						
Nonspendable	-	-	-	-	-	-
Restricted	664,459	101,874	188,203	60,702	11,877	1,027,115
Total fund balances	664,459	101,874	188,203	60,702	11,877	1,027,115
Total liabilities and fund balances	**$ 664,459**	**$ 101,874**	**$ 188,203**	**$ 60,702**	**$ 11,877**	**$ 1,027,115**

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

For the Year Ended December 31, 2025

	Non-Major					Total
	Fire Protection Fund	Recreation Tax Fund	Road Tax Fund	Highway Aid Fund	Ambulance Fund	Special Revenue Funds
REVENUES						
Real estate taxes	$ 191,797	$ 76,723	$ 191,810	$ -	$ 95,904	$ 556,234
Liquid fuels taxes	-	-	-	128,636	-	128,636
Investment earnings	-	-	-	7,534	-	7,534
Total revenues	191,797	76,723	191,810	136,170	95,904	692,404
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	191,797	76,723	191,810	136,170	95,904	692,404
OTHER FINANCING SOURCES (SOURCES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(60,000)	(185,048)	(300,000)	(90,000)	(635,048)
Total other financing sources	-	(60,000)	(185,048)	(300,000)	(90,000)	(635,048)
Net changes in fund balance	191,797	16,723	6,762	(163,830)	5,904	57,356
Fund balances - beginning	472,662	85,151	181,441	224,532	5,973	969,759
Fund balances - ending	**$ 664,459**	**$ 101,874**	**$ 188,203**	**$ 60,702**	**$ 11,877**	**$ 1,027,115**