KUTZTOWN MUNICIPAL AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

KUTZTOWN MUNICIPAL AUTHORITY

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Members of the Board
Kutztown Municipal Authority

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying Statement of Net Position of the business-type activities of the Kutztown Municipal Authority, a component unit of the Borough of Kutztown, as of December 31, 2025, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Kutztown Municipal Authority, as of December 31, 2025, and the respective change in financial position 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 Kutztown Municipal Authority, 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 Kutztown Municipal Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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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 atest 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 Kutztown Municipal Authority'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 Kutztown Municipal Authority'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

Management has omitted the management's discussion and analysis and budgetary comparison schedule that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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 operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 5, 2025, on our consideration of Kutztown Municipal Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Kutztown Municipal Authority's internal control over financial reporting and compliance

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MVA Audit PLLC

Quakertown, Pennsylvania
June 1st 2026

KUTZTOWN MUNICIPAL AUTHORITY
A Component Unit of the Borough of Kutztown

STATEMENT OF NET POSITION

As of December 31, 2025

	Proprietary Fund Types 2025
ASSETS	
Current Assets	
Cash and cash equivalents	$ 3,083,099
Accounts receivable	9,710
Due from Borough of Kutztown	
Due from other funds	
Total current assets	3,092,809
Infrastructure, net	1,062,004
Total assets	**$ 4,154,813**
Deferred outflow of resources	**$ -**
LIABILITIES	
Accounts payable	$ 120,178
Developer deposits held	39,968
Due to other funds	-
Total current liabilities	160,146
Total liabilities	**$ 160,146**
Deferred inflow of resources	**$ -**
NET POSITION	
Infrastructure assets, net of related debt	1,062,004
Unrestricted	2,932,663
Total net position	**$ 3,994,667**

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION

For the Year Ended December 31, 2025

	2025		
	Proprietary Fund Types		
	Water Fund	**Sewer Fund**	**Total**
OPERATING REVENUES			
Charges for services	$ 1,347,337	$ 317,315	$ 1,664,652
OPERATING EXPENSES			
Water purchases	1,109,467		1,109,467
Sewer processing charges		241,941	241,941
Management and facility fees			-
Depreciation	22,752	1,475	24,227
Other administrative costs	6,490	11,266	17,756
Other operating costs			
	1,138,709	254,682	1,393,391
Excess (deficit) operating revenues over operating expenes	208,628	62,633	271,261
NON-OPERATING REVENUES			
Interest income	75,695	32,440	108,135
Other income			
Transfer to the Borough of Kutztown	-	-	-
	75,695	32,440	108,135
Change in net position	284,323	95,073	379,396
Net position - January 1	2,991,895	623,376	3,615,271
Net position - December 31	**$ 3,276,218**	**$ 718,449**	**$ 3,994,667**

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

KUTZTOWN MUNICIPAL AUTHORITY
A Component Unit of the Borough of Kutztown

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025

	2025 Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 1,800,596
Payments for water and sewer services	(1,349,737)
Payments for other operating costs	(17,756)
Net cash provided (used) for operating activities	433,103
CASH FLOWS FROM NON-OPERATING ACTIVITIES	
Interest income	108,135
Interfund transactions	
Net cash provided (used) by non-operating activities	108,135
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	-
Net cash provided (used) by investing activities	-
Net increase in cash and cash equivalents	541,238
Cash and cash equivalents at January 1	2,541,861
Cash and cash equivalents at December 31	**$3,083,099**
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	$ 271,261
Depreciation expense	24,227
(Increase) decrease in accounts receivable	135,944
(Increase) decrease in due from Borough of Kutztown	-
Increase (decrease) in customer deposits	-
Increase (decrease) in accounts payable	1,671
Net cash provided by operating activities	**$ 433,103**

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

Note 1 - Description of the Authority and Reporting Entity

The Kutztown Municipal Authority is a municipal authority created under the Pennsylvania Municipal Authorities Act of 1945. The Municipal Authority is governed by a five-member board appointed by the Borough of Kutztown. The Municipal Authority furnishes water and sewer services to residents and businesses located outside the Borough of Kutztown. The Municipal Authority was created on August 22, 1962 and was reactivated in 1999.

Financial Reporting Entity

Generally accepted accounting principles require that the reporting entity include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the Authority. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statement to be misleading or incomplete. Based upon the application of these criteria, the Kutztown Borough Municipal Authority has determined it does not have component units. The Authority is a component unit of the Borough of Kutztown and should be included in a combined statement with the Borough. The financial statements represent the activity of the Kutztown Municipal Authority only, and do not reflect any activity of the primary government. Financial statements for the Borough of Kutztown can be obtained at the Borough offices during normal business hours.

Measurement Focus and Basis of Accounting

The Authority's financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which cases, GASB prevails. The accounting and financial reporting treatment applied to the Authority is determined by using the economic resources measurement focus. Accordingly, all assets and all liabilities associated with operations are included in the statement of net position.

Net position is classified into three categories, as applicable, as follows:

> ***Net Investment*** in capital assets consists of capital assets, net of accumulated depreciation and related debt.
>
> ***Restricted*** net position is amounts that have externally imposed restrictions on how the funds can be spent.
>
> ***Unrestricted net position*** includes amounts that do not meet the definitions of "net investment in capital assets" or "restricted" and are available for Authority operations.

It is the Authority's policy to first use restricted net position prior to the use of unrestricted net position when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Authority distinguishes operating revenues and expenses from non-operating items in the statement of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

Note 2 - Basis of Presentation and Fund Accounting

The accounts of the Authority are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures.

The funds of the Municipal Authority are grouped in the financial statements as proprietary funds and include a Water Fund and Sewer Fund, which all started August 10, 1999. The focus of proprietary fund measurement is upon determination of net income, financial position, and changes in cash flow. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector.

The intent of the governing body is that the costs (including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The following are descriptions of the proprietary funds of the Authority that are reported as major funds:

Water Fund

The Water Fund is used to account for the operations of the water supply works and water distribution systems. The water system is a public utility service, which is maintained on a self-supporting basis.

Sewer Fund

The Sewer Fund is used to account for the operations of the sewer system. The sewer system is a public utility service, which is maintained on a self-supporting basis.

Interfund Receivables/Payables

Interfund receivables and payables (recorded as Due To/From Other Funds) arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 – 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 Authority does not have a policy for custodial credit risk.

Note 4 - Investments

The permitted investments for Pennsylvania Boroughs are defined in the Borough Code, as amended by Act 10 of 2016. As of December 31, 2024, the Authority has investments in Pennsylvania Local Government Trust and is considered highly liquid cash and cash equivalent.

Fair Value Reporting

The Authority 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 Authority are categorized as Level 1 inputs.

Interest Rate Risk

The Authority 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 Authority has no investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2024, the Authority's significant investments were rated as:

Investments	**Standard & Poor's**
PLGIT / PA Invest Pool	AAA

Concentration of Credit Risk

Concentration of Credit Risk is the risk associated with the amount of investments the Authority has with any one issuer that exceed 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Authority places no limit on the amount it may invest in any one issuer. At December 31, 2024, the Authority was not exposed to a concentration of credit.

Custodial Credit Risk

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

Foreign Currency Risk

The PA Local Government Investment Trust does not include investments in international equities trades as ADRs and, therefore, has no exposure to foreign currency risk.

Restricted Investments

There are no restricted investments held by the Authority.

Note 7 – Accounts Receivable

All accounts receivable are shown net of an allowance for uncollectible accounts, as applicable. Accounts receivables are evaluated for collectability and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Note 8 – Lease Right of Use Assets and Liabilities

The organization has evaluated their lease obligations and has determined that there are no leases that are material to the financial statements as a whole that would require disclosure based on FASB ASU 2016-02 – Leases (Topic 842).

Note 9 – Related Party Transactions

The Municipal Authority pays a fee to the Borough of Kutztown for water service and sewer fees.

Note 10 – Commitments and Contingencies

Risk Financing

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Authority is covered under the Borough of Kutztown's insurance policy and therefore, no premium for insurance expense is reflected on the financial statements.

Grant Programs

The Authority participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Authority is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs.

Concentrations

Kutztown University accounted for roughly 65% of the Authority's water sales in 2025.

Note 11 – Fixed Assets and Depreciation

Fixed assets are depreciated over their estimated useful lives of 20 to 100 years. Depreciation, computed on the straight-line method.

Maintenance and repairs of capital assets are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of capital assets, the cost and accumulated depreciation are eliminated from the accounts and gain, or loss is included in operations.

Capital Asset activity for the year was as follows:

	Balance 01/01/2025	Additions	Deletions	Balance 12/31/25
Water Fund:				
Infrastructure	$ 1,415,415	$ -	$ -	$ 1,415,415
Sewer Fund:				
Infrastructure	147,581	157,902	-	305,483
Total being depreciated	$ 1,562,996	$ 157,902	$ -	$ 1,720,898
Less: accumulated depreciation				
Water fund	568,402	22,752	-	591,154
Sewer fund	66,265	1,475	-	67,740
Total accumulated depreciation	634,667	24,227	-	658,894
Total Capital Assets, Net:				
Water fund	847,013	(22,752)	-	824,261
Sewer fund	81,316	156,427	-	237,743
Total	**$ 928,329**	**$ 133,675**	**$ -**	**$ 1,062,004**

Note 12 – Subsequent Events

Management has evaluated subsequent events through June 1, 2026, which is the date the financial statements were available to be issued.

Members of the Board
Kutztown Municipal Authority

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 Kutztown Municipal Authority, a component unit of the Borough of Kutztown, as of and for the year ended December 31, 2025, which collectively comprise the Kutztown Municipal Authority'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.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered Kutztown Municipal Authority'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 Kutztown Municipal Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kutztown Municipal Authority'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kutztown Municipal Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and 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 of 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.

MVA Audit PLLC

Quakertown, Pennsylvania
June 1st 2026

Kutztown Municipal Authority
Annual Audit and Financial Report
December 31, 2025

FUND EQUITY - JANUARY 1	$	3,615,271
REVENUES		
User Charges		1,664,652
Investment Income		108,135
Grant Revenue		-
Other Revenue		-
TOTAL REVENUES		1,772,787
EXPENSES		
Utility Charges		1,351,408
Maintenance & Other Operating Expenses		
Depreciation		
Administrative Expenses		17,756
Other Expenses		24,227
TOTAL EXPENSES		1,393,391
FUND EQUITY - DECEMBER 31	**$**	**3,994,667**

STATEMENT OF RESOURCES, LIABILITIES AND FUND EQUITY

ASSETS		
Cash and Investments	$	3,083,099
Accounts Receivable		9,710
Other Assets		
Property, Plant & Equipment		1,062,004
TOTAL ASSETS	**$**	**4,154,813**
LIABILITES & FUND EQUITY		
Accounts Payable	$	120,178
Other Liabilities		39,968
Net Assets		3,994,667
TOTAL LIABILITIES AND FUND EQUITY	**$**	**4,154,813**

The books and accounts have been audited by the Authority's auditors for the year ended December 31, 2025. The above statements have been compiled from the audit report for 2025. The complete audit report is available for inspection at the Authority office.