

**KUTZTOWN TRANSPORTATION AUTHORITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

# KUTZTOWN TRANSPORTION AUTHORITY

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## Hutchinson, Gillahan & Freeh

Operating as a Division of MVA Audit PLLC

June 24, 2024

Members of the Board  
Kutztown Transportation Authority  
Kutztown, PA 19530

### INDEPENDENT AUDITOR'S REPORT

#### ***Opinion***

We have audited the accompanying Statement of Net Position of the business-type activities of the Kutztown Transportation Authority, a component unit of the Borough of Kutztown, as of December 31, 2023, 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 Transportation Authority, as of December 31, 2023, 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 Transportation 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 Transportation 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.

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

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 an attest basis, evidence regarding the amounts and disclosures in the financial statements.

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 Transportation Authority's internal control. Accordingly, no such opinion is expressed.

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.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kutztown Transportation 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 24, 2024, on our consideration of Kutztown Transportation 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 Transportation Authority's internal control over financial reporting and compliance.

Respectfully submitted,

***Hutchinson, Gillahan & Freeh***  
***and***  
***MVA Audit PLLC***

June 24, 2024

## FINANCIAL STATEMENTS

**KUTZTOWN TRANSPORTATION AUTHORITY**  
**A Component Unit of the Borough of Kutztown**

**STATEMENT OF NET POSITION**

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**As of December 31, 2023**

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**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 89,431	
Accounts receivable	<u>-</u>	
<b>Total current assets</b>		<b><u>\$ 89,431</u></b>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	<u>\$ -</u>	
<b>Totala current liabilities</b>		<b>\$ -</b>

**NET POSITION**

Net investment in capital assets	\$ -	
Restricted net position	1,145	
Unrestricted net position	<u>88,286</u>	
<b>Total net position</b>		<b><u>89,431</u></b>
<b>Total liabilities &amp; net position</b>		<b><u>\$ 89,431</u></b>

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

**KUTZTOWN TRANSPORTATION AUTHORITY**  
**A Component Unit of the Borough of Kutztown**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN NET POSITION**

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For the Year Ended December 31, 2023

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**OPERATING REVENUES**

Charges for services	\$ 1,396	
Other operating revenue - rent	<u>798</u>	
<b>Total operating revenues</b>		\$ 2,194

**OPERATING EXPENSES**

Legal and auditing services	131	
Advertising and other services	1,407	
Other services and charges	<u>28,717</u>	
<b>Total operating expenses</b>		<u>30,255</u>

<b>Operating income</b>	\$ (28,061)
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**NON-OPERATING REVENUES**

Interest income	<u>2,759</u>
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<b>Change in net position</b>	(25,302)
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<b>Net position - beginning</b>	<u>114,733</u>
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<b>Net position - ending</b>	<u><u>\$ 89,431</u></u>
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The Accompanying notes are an integral part of these financial statements.



# KUTZTOWN TRANSPORTATION AUTHORITY

## A Component Unit of the Borough of Kutztown

### STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

#### CASH FLOWS FROM OPERATING ACTIVITIES

Receipt from customers	\$ 10,450
Payments for transportation operating expenses	<u>(30,375)</u>
<b>Net cash provided (used) for operating activities</b>	<b>(19,925)</b>

#### CASH FLOWS FROM NON-OPERATING ACTIVITIES

Miscellaneous	-
Interest income	2,759
Interfund transactions	<u>-</u>
<b>Net cash provided (used) by non-operating activities</b>	<b>2,759</b>

#### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investmetns	<u>-</u>
<b>Net cash provided (used) by investing activities</b>	<b>-</b>

**Net increase in cash and cash equivalents** (17,166)

**Cash and cash equivalents at January 1, 2023** 106,597

**Cash and cash equivalents at December 31, 2023** **\$ 89,431**

#### ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET

##### CASH PROVIDED BY OPERATING ACTIVITIES

Operating income (loss)	\$ (28,061)
(Increase) decrease in accounts receivable	8,256
Increase (decrease) in accounts payable	<u>(120)</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ (19,925)</u></b>

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

# KUTZTOWN TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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Year Ended December 31, 2023

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### **Note 1 - Description of the Authority and Reporting Entity**

The Kutztown Transportation Authority is a Transportation authority created under the Pennsylvania Transportation Authorities Act of 1945. The Transportation Authority is governed by a five-member board appointed by the Borough of Kutztown. The Transportation Authority maintains the railroad system that provides services to residents and businesses located in the Borough of Kutztown and surrounding areas. The Transportation Authority receives payments from the Borough and users of the railroad system. The Transportation Authority was created on August 8, 2000.

### ***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 Transportation 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 Transportation 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.

# KUTZTOWN TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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Year Ended December 31, 2023

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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 – Fund Financial Statements – Basis of Presentation**

The accounts of the Authority are organized on the basis of funds or groups of accounts, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenditures or expenses, as appropriate. The various funds are grouped into two generic fund types as follows:

#### ***Proprietary Activities***

The focus of proprietary account measurement is upon determination of net income, financial position, and changes in cash flows. The accounting principles, generally accepted in the United States of America, applicable are those similar to businesses in the private sector. The following is a description of the Authority's proprietary accounts:

#### ***Enterprise Fund***

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing transportation services to the general public on a continuing basis that are financed through charges.

#### ***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 - Implementation of New Accounting Standards**

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

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

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

# KUTZTOWN TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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Year Ended December 31, 2023

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

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

### **Note 4 – Future Changes in Accounting Standards**

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

GASB Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62 – Effective for the year 2024.

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

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

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

### **Note 5 – Cash and Investments**

#### 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. As of December 31, 2023, none of the Authority's bank balance of \$88,286 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		-
Uninsured and collateral held by the pledging bank's trust department not in the Authority's name		-
<b>Total</b>	<b>\$</b>	<b>-</b>

#### Reconciliation to Financial Statements

Uninsured amount above	\$	-
Plus: insured amount		88,286
Deposit in transit		-
Less: outstanding checks		-
Carrying amount - bank balances		88,286
Plus: deposits in investment pool considered cash equivalents		1,145
<b>Total cash per financial statements</b>	<b>\$</b>	<b>89,431</b>

# KUTZTOWN TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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Year Ended December 31, 2023

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### Restricted Cash

The cash balance includes \$1,145 held for capital projects.

### **Note 6 - Investments**

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

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

# KUTZTOWN TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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Year Ended December 31, 2023

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- 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.

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

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
PA Local Government Investment Trust	N/A	1,145
<b>Total</b>		<b>\$ 1,145</b>

### 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.

# KUTZTOWN TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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Year Ended December 31, 2023

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### Credit Risk

The Authority has no investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2023, the Authority's significant investments were rated as:

<u>Investments</u>	<u>Standard &amp; Poor's</u>
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, 2023, 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.

### Reconciliation to Financial Statements

Total investments above	\$ 1,145
Less: deposits in investment pool considered cash equivalents	<u>(1,145)</u>
<b>Total investments per financial statements</b>	<b><u>\$ -</u></b>

### Restricted Investments

There are no restricted investments held by the Authority.

### **Note 7 – Accounts Receivable**

All accounts receivable are shown net of an applicable allowance for uncollectible accounts. 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. None of the Accounts Receivable are recorded at amortized cost and as such, the current expected credit loss (CECL) Standards do not apply.

# KUTZTOWN TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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Year Ended December 31, 2023

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### 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 – Net Position

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

**Net Investment in Capital Assets** As of December 31, 2023, the Authority did not have any capitalized and depreciated fixed assets.

**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.

### Note 10 – Related Party Transactions and Concentrations

The Transportation Authority may receive funds from the Borough of Kutztown; however, in 2023 no funds were received from the Borough of Kutztown. There was no concentration of risk during the 2023 calendar year.

### Note 11 – 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 Kutztown Borough insurance policy and therefore, no premium for insurance expense is reflected on the financial statements.

#### *Litigation*

In the normal course of operations, the Authority may be involved in various civil disputes. Management is of the opinion that any outcome resulting from these actions would not have a material effect on the Authority’s financial position. The Authority is exposed to various risks of loss related 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.

#### *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.



# KUTZTOWN TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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Year Ended December 31, 2023

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### **Note 10 – Subsequent Events**

Management has evaluated subsequent events through June 24, 2024, the date on which the statements were available to be issued.

## Hutchinson, Gillahan & Freeh

Operating as a Division of MVA Audit PLLC

Members of the Board  
Kutztown Transportation Authority  
Kutztown, PA 19530

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

We have audited the financial statements of Kutztown Transportation Authority, a component unit of the Borough of Kutztown, as of and for the year ended December 31, 2023, which collectively comprise the Kutztown Transportation Authority's basic financial statements and have issued our report thereon dated June 24, 2024. 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 Kutztown Transportation 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 Transportation Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kutztown Transportation 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Kutztown Transportation Authority'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 of other matters that are required to be reported under *Government Auditing Standards*.

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

Respectfully submitted,

*Hutchinson, Gillahan & Freeh*  
*and*  
*MVA Audit PLLC*

June 24, 2024