

**REPORT ON
THE BOROUGH OF QUAKERTOWN
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

THE BOROUGH OF QUAKERTOWN

Financial Statements

For the Year Ended December 31, 2019

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Financial Statements

For the Year Ended December 31, 2019

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FINANCIAL SECTION



June 17, 2020

Borough Council
The Borough of Quakertown
35 North Third Street
Quakertown, PA 18951

INDEPENDENT AUDITOR'S REPORT

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 Quakertown, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

BOROUGH OF QUAKERTOWN

Opinions

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 Quakertown at December 31, 2019, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Borough has changed the presentation of its fiduciary funds in the financial statements for the 2019 calendar year as required by the provisions of GASB Statement Number 84, *Fiduciary Activities*. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the United States is currently operating under a state of National Emergency due to the Coronavirus Pandemic. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 be presented to supplement the basic financial statements. The Borough of Quakertown has presented the Schedule of Funding Progress for the Pension Funds and the modified approach to reporting infrastructure assets that accounting principles generally accepted in the United States of America has determined is required to be part of 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Quakertown'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.

BOROUGH OF QUAKERTOWN

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards we have also issued our report on June 17, 2020, on our consideration of the Borough of Quakertown'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 the Borough of Quakertown's internal control over financial reporting and compliance.

Respectfully submitted,

Hutchinson, Gillahan & Freeh, P.C.

June 17, 2020

BOROUGH OF QUAKERTOWN
Quakertown, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
For the Year Ended December 31, 2019

The discussion and analysis of the Borough of Quakertown's financial performance provides an overall review of the Borough's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the Borough's financial performance as a whole. The reader should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Borough's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

FINANCIAL HIGHLIGHTS

The Borough's overall financial position, as reflected in total net assets, increased by \$2,088,114 including special and extraordinary items. The net assets increased in the governmental activities by \$383,174 and increased in the business-type activities and funds by \$1,704,940.

During the year, the Borough paid principal of \$1,085,000 resulting in ending outstanding debt as of December 31, 2019, of \$4,285,000.

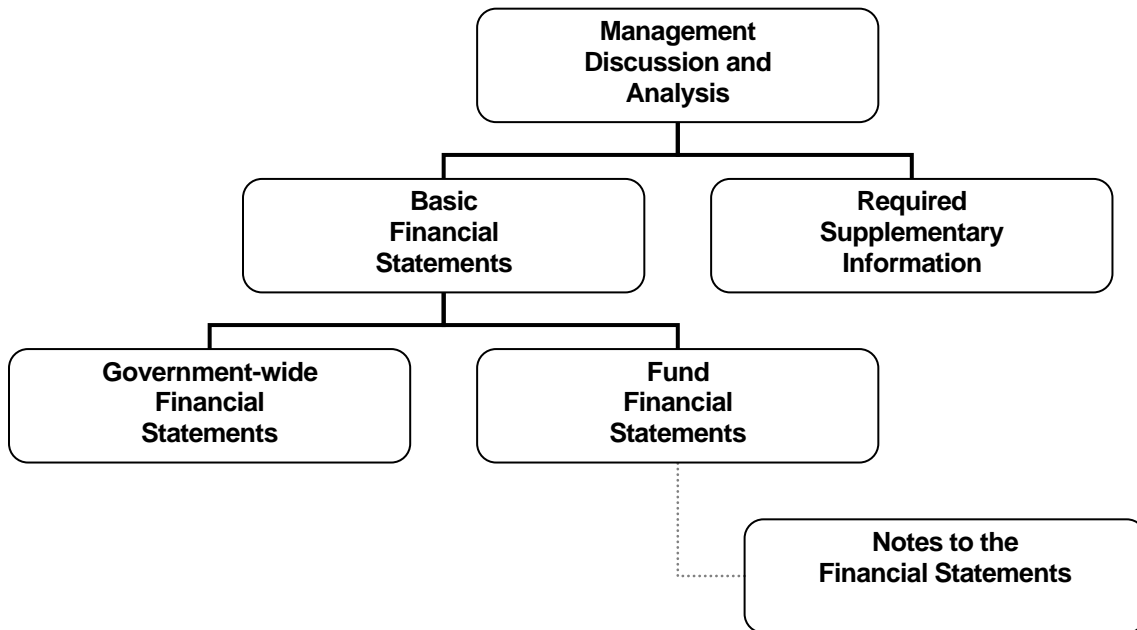
THE BOROUGH OF QUAKERTOWN
Management's Discussion and Analysis (MD&A)

The remaining statements are fund financial statements that focus on individual parts of the Borough's operations in more detail than the government-wide statements. The governmental funds statements tell how general Borough services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the Borough operates like a business. For this Borough, this is our Electric, Water, Sewer, Pool, and Park Funds. Fiduciary fund statements provide information about financial relationships where the Borough acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Table 1 shows how the required parts of the Financial Section are arranged and relate to one another:

Table 1 – Required Components of The Borough of Quakertown Financial Report



THE BOROUGH OF QUAKERTOWN
Management's Discussion and Analysis (MD&A)

Table 2 summarizes the major features of the Borough's financial statements, including the portion of the Borough they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Table 2

Major Features of the Borough of Quakertown's Government-wide and Fund Financial Statements

		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Borough (except proprietary and fiduciary funds)	The activities of the Borough that are not proprietary or fiduciary.	Activities the Borough operates similar to private business: <ul style="list-style-type: none"> • Electric • Water • Sewer • Pool • Park 	Instances in which the Borough is the trustee or agent to someone else's resources.
Required financial statements	Statement of net position, Statement of activities	Balance Sheet, Statement of revenues, expenditures, and changes in fund balance	Statement of net assets, Statement of revenues, expenses and changes in net assets, Statement of cash flows	Statement of fiduciary net position, Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods and services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

THE BOROUGH OF QUAKERTOWN
Management's Discussion and Analysis (MD&A)

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the Borough as a whole. The statement of net position includes all assets and liabilities, both financial and capital, short-term and long-term. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the Borough's net position and how they have changed. Net position, the difference between the Borough's assets and liabilities are one way to measure the Borough's financial health or position.

Over time, increases or decreases in the Borough's net position are an indication of whether its financial health is improving or deteriorating, respectively, based upon the basis of accounting used.

To assess the overall health of the Borough, you need to consider additional non-financial factors, such as changes in the Borough's property tax base and changes in the utility rates and usage.

The government-wide financial statements of the Borough are divided into two categories:

Governmental Activities

All of the Borough's basic services are included here, such as General Government, Public Safety, Public Works and Parks. Property Taxes, Earned Income Taxes and Other Public Taxes finance most of these activities.

Business-Type Activities

The Borough provides electric, water and sewer utilities as well as a recreation pool and park to residents of the Borough. Fees received for these utilities and pool/park use fees cover the costs of operations.

The Borough's fund financial statements, which begin on page 14, provide detailed information about the most significant funds - not the Borough as a whole.

Fund Financial Statements includes:

Governmental Funds

Most of the Borough's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual basis of accounting. Under this method revenues are recognized when cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after. The governmental fund statements provide a detailed short-term view of the Borough's operations and services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

THE BOROUGH OF QUAKERTOWN
Management's Discussion and Analysis (MD&A)

Proprietary Funds

These funds are used to account for the Borough's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the Borough charges customers for services it provides - these services are generally reported in proprietary funds. The electric, water, sewer, pool, and park funds, are the Borough's proprietary funds and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information such as cash flow.

Fiduciary Funds

The Borough is a fiduciary for the uniform and non-uniform pension funds as well as the escrow fund and the police health reimbursement arrangement fund. All of the Borough's fiduciary activities are reported in separate statements of fiduciary net position on pages 22-23. The Escrow Fund and Police Health Reimbursement Arrangement Fund are further classified as Custodial Funds with the implementation of GASB Statement No. 84.

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE

The Borough's total net position (Table 3) was \$67,495,644 at December 31, 2019.

Table 3 – Net Position
Year Ended December 31, 2019 and 2018

	2019			2018		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and Other Assets	<u>\$ 26,528,896</u>	<u>\$ 51,675,026</u>	<u>\$ 78,203,922</u>	<u>\$ 26,633,903</u>	<u>\$ 51,220,791</u>	<u>\$ 77,854,694</u>
Current and Other Liabilities	<u>4,440,001</u>	<u>6,268,277</u>	<u>10,708,278</u>	<u>4,928,182</u>	<u>7,518,982</u>	<u>12,447,164</u>
Net Position						
Invested in Capital Assets,						
Net of Related Debt	\$ 22,347,243	\$ 30,722,301	\$ 53,069,544	\$ 22,634,443	\$ 30,652,204	\$ 53,286,647
Unrestricted	(258,348)	14,684,448	14,426,100	(928,722)	13,049,605	12,120,883
TOTAL NET POSITION	<u>\$ 22,088,895</u>	<u>\$ 45,406,749</u>	<u>\$ 67,495,644</u>	<u>\$ 21,705,721</u>	<u>\$ 43,701,809</u>	<u>\$ 65,407,530</u>

The results of this year's operations as a whole are reported in the statement of activities on page 13. All expenses are reported in the first column. The two largest revenues are provided by utility services and general public taxes.

THE BOROUGH OF QUAKERTOWN
Management's Discussion and Analysis (MD&A)

Table 4 takes the information from the statements, rearranges it slightly, so that you can see our total revenues and expenses for the year.

Table 4 – Changes in Net Position
Year Ended December 31, 2019 and 2018

	2019			2018		
	(Accrual Basis)			(Accrual Basis)		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
REVENUES						
<i>Program Revenues</i>						
Charges for Services	\$ 754,889	\$ 20,707,778	\$ 21,462,667	\$ 507,024	\$ 20,890,473	\$ 21,397,497
Operating Grants and Contributions	644,714	133,132	777,846	615,782	124,137	739,919
Capital Grants and Contributions	250,728	37,380	288,108	244,986	128,050	373,036
<i>General Revenues</i>						
Properties Taxes	129,045	-	129,045	128,336	-	128,336
Other Taxes Levied for General Purposes	1,747,745	-	1,747,745	1,633,206	-	1,633,206
Grant, Subsidies and Contributions						
Unrestricted	116,104	-	116,104	162,644	-	162,644
BCWS Project Reimbursement	-	4,229	4,229	-	3,868	3,868
Investment Earnings	59,765	344,469	404,234	56,331	273,631	329,962
Other Revenue	71,467	723,195	794,662	32,062	74,939	107,001
TOTAL REVENUES	3,774,457	21,950,183	25,724,640	3,380,371	21,495,098	24,875,469
EXPENSES						
<i>Governmental Activities</i>						
General Government	1,033,253	-	1,033,253	891,987	-	891,987
Public Safety	3,124,476	-	3,124,476	2,993,309	-	2,993,309
Public Works	1,219,093	-	1,219,093	1,177,793	-	1,177,793
Culture and Recreation	324,421	-	324,421	298,650	-	298,650
Community Development	222,401	-	222,401	265,940	-	265,940
Non-Departmental	2,535,198	-	2,535,198	2,147,825	-	2,147,825
Depreciation	429,541	-	429,541	391,617	-	391,617
Transfers Between Activities	(5,497,100)	5,497,100	-	(5,170,200)	5,170,200	-
<i>Business-Type Activities</i>						
Electric	-	8,968,215	8,968,215	-	9,154,089	9,154,089
Water	-	1,960,751	1,960,751	-	1,906,994	1,906,994
Sewer	-	2,877,979	2,877,979	-	2,836,586	2,836,586
Pool	-	369,294	369,294	-	346,671	346,671
Park	-	571,904	571,904	-	489,114	489,114
TOTAL EXPENSES	3,391,283	20,245,243	23,636,526	2,996,921	19,903,654	22,900,575
INCREASE IN NET POSITION	\$ 383,174	\$ 1,704,940	\$ 2,088,114	\$ 383,450	\$ 1,591,444	\$ 1,974,894

THE BOROUGH OF QUAKERTOWN
Management's Discussion and Analysis (MD&A)

DEBT ADMINISTRATION

As of January 1, 2018, the Borough had total outstanding debt of \$5,370,000. During the year, the Borough paid principal of \$1,085,000 resulting in ending outstanding debt (Table 5) as of December 31, 2019, of \$4,285,000.

Table 5 - Outstanding Debt

	2019	2018
2012 General Obligation Bonds	<u>\$ 4,285,000</u>	<u>\$ 5,370,000</u>

General Fund Budget

The Borough adopts an annual budget for its General Fund. This adoption, by law, occurs prior to December 31 of each year for the subsequent year. A comprehensive budgetary comparison (Table 6), original to final is provided in this report. Below is a summarized version of the budget comparison.

Table 6 – Budgetary Comparison

	2019			
	Budgeted	Budget	Actual	Variances with
	Original	Amounts Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues	\$ 8,891,179	\$ 8,891,179	\$ 8,958,578	\$ 67,399
Expenditures	9,260,568	9,260,568	8,270,257	990,311
Excess (Deficiency) of Revenues over Expenditures	(369,389)	(369,389)	688,321	1,057,710
Other Financing Sources	-	-	-	-
Net Change in Fund Balance	(369,389)	(369,389)	688,321	1,057,710
Fund Balance - January 1, 2019	369,389	369,389	892,612	523,223
Fund Balance - December 31, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,580,933</u>	<u>\$ 1,580,933</u>
	2018			
	Budgeted	Budget	Actual	Variances with
	Original	Amounts Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues	\$ 3,250,855	\$ 3,250,855	\$ 2,953,325	\$ (297,530)
Expenditures	9,481,461	9,481,461	8,264,480	1,216,981
Excess (Deficiency) of Revenues over Expenditures	(6,230,606)	(6,230,606)	(5,311,155)	919,451
Other Financing Sources	5,370,200	5,370,200	5,170,200	200,000
Net Change in Fund Balance	(860,406)	(860,406)	(140,955)	719,451
Fund Balance - January 1, 2018	860,406	860,406	1,033,567	173,161
Fund Balance - December 31, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 892,612</u>	<u>\$ 892,612</u>

THE BOROUGH OF QUAKERTOWN
Management's Discussion and Analysis (MD&A)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Borough of Quakertown has always been and will continue to be the core of Upper Bucks County. Although the neighboring municipalities continue to expand in population, the Borough of Quakertown remains the center of activity and focus. Quakertown is a "full-service community" that provides a comprehensive complement of public services to our residents. Not only do we provide these services, but they are provided in an efficient and cost-effective way. Many of the services are subtle, but are not provided by any other municipalities in our larger region. The list includes police services, water, sewer, electric, leaf collection, brush clipping and branch drop-off, streetlights, traffic light maintenance, street maintenance, community swimming pool, and park and recreation facilities. We look forward to our continued focus of Economic Development and the recruitment of new businesses. Creating and retaining jobs for our Borough will help stabilize our local economy as well as assist with maintaining a stable tax rate. Our water, sewer and electric rates are competitive compared to others in our region. Our property tax rate of 1.625 mills equates to the average property owner paying approximately \$40 in real estate taxes per year for the services we provide to residents and non-residents.

The 2020 Budget reflects cautious optimism about the local economy. The 2020 Budget is reflective of the economic situation faced by everyone. It is the universal belief by each department that we must continue to deliver core municipal services foremost. The budget responds to the challenge of balancing the preservation of our infrastructure and maintaining the community's high standards of quality of life. Each Department was instructed to be cautious when developing the 2020 budget, and instructed to:

- Maintain services while adhering to a budget freeze in 2020;
- Postpone or delay, where possible, the hiring or replacement of positions that are vacant;
- Limit unnecessary travel and training;
- Continue to review and implement streamlining and cost savings measures;
- Reduce all non-emergency overtime;

This relative strength allows the Borough of Quakertown to continue to focus resources on building the infrastructure to deliver core services while addressing community priorities. Although there is limited revenue growth, the 2020 budget responds to the challenge of continuing to provide exceptional municipal services.

CONTACTING THE BOROUGH FINANCIAL MANAGEMENT

The Borough's financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Borough's finances and to show Borough Council's accountability for the money it receives. If you have questions, please contact Borough Manager, Scott McElree, 35 North Third Street, Quakertown, PA 18951, phone 215.536.5001.

BASIC FINANCIAL STATEMENTS

THE BOROUGH OF QUAKERTOWN
Statement of Net Position
As of December 31, 2019

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 2,902,146	\$ 8,441,540	\$ 11,343,686
Investments	-	5,193,030	5,193,030
Taxes Receivable	24,020	-	24,020
Accounts Receivable (Net of Allowance for Doubtful Accounts)	193,880	2,820,596	3,014,476
Intergovernmental Receivable	-	-	-
Prepaid Expenses	-	54,697	54,697
Internal Balances	294,687	-	-
Other Receivables	30,314	-	30,314
TOTAL CURRENT ASSETS	3,445,047	16,509,863	19,660,223
NON-CURRENT ASSETS:			
Land	1,851,952	-	1,851,952
Buildings (Net of Depreciation)	1,310,886	12,981,439	14,292,325
Improvements other than Buildings (Net of Depreciation)	725,427	1,557,023	2,282,450
Machinery and Equipment (Net of Depreciation)	2,324,049	2,187,385	4,511,434
Sewer Lines Infrastructure (Net of Depreciation)	-	10,848,943	10,848,943
Water Lines Infrastructure (Net of Depreciation)	-	7,432,511	7,432,511
Infrastructure	16,045,900	-	16,045,900
Construction in Progress	89,029	-	89,029
TOTAL NON-CURRENT ASSETS	22,347,243	35,007,301	57,354,544
TOTAL ASSETS	\$ 25,792,290	\$ 51,517,164	\$ 77,014,767
DEFERRED OUTFLOWS OF RESOURCES	\$ 736,606	\$ 157,862	\$ 894,468
LIABILITIES			
CURRENT LIABILITIES:			
Internal Balances	\$ -	\$ 294,687	\$ -
Sales Tax Payable	-	10,089	10,089
Accounts Payable	39,396	679,048	718,444
Accrued Salaries and Benefits	120,407	53,913	174,320
Notes Payable	-	-	-
Accrued Compensated Absences	152,819	-	152,819
Other Payables	228	-	228
TOTAL CURRENT LIABILITIES	312,850	1,037,737	1,055,900
NON-CURRENT LIABILITIES:			
Accrued Compensated Absences	764,094	531,076	1,295,170
Net Pension Liability	2,519,730	100,027	2,619,757
Notes Payable	-	4,285,000	4,285,000
TOTAL NON-CURRENT LIABILITIES	3,283,824	4,916,103	8,199,927
TOTAL LIABILITIES	\$ 3,596,674	\$ 5,953,840	\$ 9,255,827
DEFERRED INFLOWS OF RESOURCES	\$ 843,327	\$ 314,437	\$ 1,157,764
NET POSITION			
Invested in Capital Assets, Net of Related Debt	22,347,243	30,722,301	53,069,544
Unrestricted	(258,348)	14,684,448	14,426,100
TOTAL NET POSITION	\$ 22,088,895	\$ 45,406,749	\$ 67,495,644

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

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

THE BOROUGH OF QUAKERTOWN
Statement of Activities
For the Year Ended December 31, 2019

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
General Government	\$ 1,033,253	\$ 397,681	\$ -	\$ -	\$ (635,572)	\$ -	\$ (635,572)
Public Safety	3,124,476	297,284	214,553	-	(2,612,639)	-	(2,612,639)
Public Works	1,219,093	-	93,739	250,728	(874,626)	-	(874,626)
Culture and Recreation	324,421	59,924	-	-	(264,497)	-	(264,497)
Community Development	222,401	-	13,831	-	(208,570)	-	(208,570)
Non-Departmental	2,535,198	-	322,591	-	(2,212,607)	-	(2,212,607)
Debt Service Payments	-	-	-	-	-	-	-
Depreciation	429,541	-	-	-	(429,541)	-	(429,541)
TOTAL GOVERNMENTAL ACTIVITIES	8,888,383	754,889	644,714	250,728	(7,238,052)	-	(7,238,052)
BUSINESS-TYPE ACTIVITIES:							
Electric	8,968,215	14,081,942	56,325	-	-	5,170,052	5,170,052
Water	1,960,751	2,215,605	30,723	-	-	285,577	285,577
Sewer	2,877,979	3,943,225	46,084	-	-	1,111,330	1,111,330
Pool	369,294	245,013	-	-	-	(124,281)	(124,281)
Park	571,904	221,993	-	37,380	-	(312,531)	(312,531)
TOTAL PRIMARY GOVERNMENT	\$ 23,636,526	\$ 21,462,667	\$ 777,846	\$ 288,108	\$ (7,238,052)	\$ 6,130,147	\$ (1,107,905)
GENERAL REVENUES:							
Property Taxes. Levied for General Purposes					\$ 129,045	\$ -	\$ 129,045
Other Taxes Levied for General Purposes					1,747,745	-	1,747,745
Grants, Subsidies, & Contributions Not Restricted					116,104	-	116,104
BCWS Reimbursement					-	4,229	4,229
Investment and Rental Earnings					59,765	344,469	404,234
Legal Settlement					-	650,000	650,000
Gain (Loss) on Sale of Fixed Assets					(1,594)	-	(1,594)
Miscellaneous Income					71,342	62,636	133,978
Insurance Refunds					1,719	10,559	12,278
Transfers					5,497,100	(5,497,100)	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					7,621,226	(4,425,207)	3,196,019
CHANGE IN NET POSITION					383,174	1,704,940	2,088,114
NET POSITION - BEGINNING					21,705,721	43,701,809	65,407,530
NET POSITION - ENDING					\$ 22,088,895	\$ 45,406,749	\$ 67,495,644

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

THE BOROUGH OF QUAKERTOWN
Balance Sheet
All Governmental Funds
As of December 31, 2019

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>LIQUID FUELS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,621,368	\$ 716,040	\$ 564,739	\$ 2,902,147
Investments	-	-	-	-
Taxes Receivable	24,020	-	-	24,020
Accounts Receivable	57,661	-	-	57,661
Intergovernmental Receivable	-	-	-	-
Due from Other Funds	183,371	134,267	-	317,638
Other Receivables	7,363	-	-	7,363
TOTAL ASSETS	<u>\$ 1,893,783</u>	<u>\$ 850,307</u>	<u>\$ 564,739</u>	<u>\$ 3,308,829</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Accounts Payable	39,396	-	-	39,396
Accrued Salaries and Benefits	120,407	-	-	120,407
Accrued Compensated Absences	152,819	-	-	152,819
Deferred Revenue	-	114,345	-	114,345
Other Payables	228	-	-	228
TOTAL LIABILITIES	<u>312,850</u>	<u>114,345</u>	<u>-</u>	<u>427,195</u>
FUND BALANCES:				
- Nonspendable	-	-	-	-
- Restricted	-	-	564,739	564,739
- Committed	-	-	-	-
- Assigned	-	735,962	-	735,962
- Unassigned	1,580,933	-	-	1,580,933
TOTAL FUND BALANCES	<u>1,580,933</u>	<u>735,962</u>	<u>564,739</u>	<u>2,881,634</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,893,783</u>	<u>\$ 850,307</u>	<u>\$ 564,739</u>	<u>\$ 3,308,829</u>

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

THE BOROUGH OF QUAKERTOWN
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
As of December 31, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,881,634

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$26,992,382 and the accumulated depreciation is \$4,645,139. 22,347,243

In the statement of activities, certain operating revenues are recognized when earned versus the revenues using the modified accrual basis of accounting in the fund statements that are recognized when the funds are available. As such, accounts receivable increased by this amount this year. 136,218

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Notes Payable	\$	-	
Accrued Interest on the Bonds		-	
Compensated Absences		(764,094)	
GASB 68 Liability		(2,512,106)	
Other Retirement Benefits		-	(3,276,200)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 22,088,895**

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

THE BOROUGH OF QUAKERTOWN
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
For the Year Ended December 31, 2019

	GENERAL	CAPITAL PROJECTS	LIQUID FUELS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 1,694,790	\$ -	\$ -	\$ 1,694,790
Licenses and Permits	166,739	-	-	166,739
Fines and Forfeits	133,751	-	-	133,751
Intergovernmental	550,753	-	250,728	801,481
Charges for Services	632,479	-	-	632,479
Investment and Rental Earnings	35,046	14,734	9,985	59,765
Contributions	-	25,935	-	25,935
Miscellaneous	129,890	-	-	129,890
TOTAL REVENUES	3,343,448	40,669	260,713	3,644,830
EXPENDITURES				
CURRENT:				
General Government	1,013,716	-	-	1,013,716
Public Safety	3,164,506	-	-	3,164,506
Public Works	1,247,626	-	-	1,247,626
Culture and Recreation	321,863	25,935	-	347,798
Community Development	225,171	6,522	-	231,693
Non-Departmental	2,297,375	-	-	2,297,375
DEBT SERVICE:				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	8,270,257	32,457	-	8,302,714
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,926,809)	8,212	260,713	(4,657,884)
OTHER FINANCING SOURCES				
Refund of Prior Year Expenditures	110,929	-	-	110,929
Sale of Fixed Assets	7,101	-	-	7,101
Interfund Transfers In	5,497,100	-	-	5,497,100
Interfund Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES	5,615,130	-	-	5,615,130
NET CHANGE IN FUND BALANCES	688,321	8,212	260,713	957,246
FUND BALANCES - BEGINNING	892,612	727,750	304,026	1,924,388
FUND BALANCES - ENDING	\$ 1,580,933	\$ 735,962	\$ 564,739	\$ 2,881,634

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

THE BOROUGH OF QUAKERTOWN
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, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 957,246

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

	Depreciation Expense	\$ (429,541)		
	Asset Deletions	(1,714)		
	Capital Outlays	<u>144,055</u>		(287,200)

In the statement of activities, certain operating expenses--compensated absences and GASB 68 Pension Liabilities--are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. (300,182)

In the statement of activities, certain operating revenues are recognized when earned versus the revenues using the modified accrual basis of accounting in the fund statements that are recognized when the funds are available. As such, accounts receivable increased by this amount this year. 13,310

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 383,174**

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

THE BOROUGH OF QUAKERTOWN
Combining Statement of Net Position
All Proprietary Funds
As of December 31, 2019

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
ASSETS						
CURRENT ASSETS:						
Cash and Cash Equivalents	\$ 3,732,019	\$ 1,909,853	\$ 2,566,195	\$ 165,473	\$ 68,000	\$ 8,441,540
Investments	1,531,714	-	3,661,316	-	-	5,193,030
Accounts Receivable (Net of Allowance for Doubtful Accounts)	2,556,462	159,180	39,061	-	65,893	2,820,596
Intergovernmental Receivable	-	-	-	-	-	-
Prepaid Expenses	-	33,912	20,785	-	-	54,697
Due from Other Funds	-	-	-	-	-	-
TOTAL CURRENT ASSETS	7,820,195	2,102,945	6,287,357	165,473	133,893	16,509,863
NON-CURRENT ASSETS:						
Buildings (Net of Depreciation)	5,064,598	1,853,169	4,598,776	581,126	883,770	12,981,439
Improvements other than Buildings (Net of Depreciation)	21,850	17,488	35,130	537,395	945,160	1,557,023
Machinery and Equipment (Net of Depreciation)	850,366	402,298	665,407	35,052	234,262	2,187,385
Construction in Progress	-	-	-	-	-	-
Sewer Lines Infrastructure (Net of Depreciation)	-	-	10,848,943	-	-	10,848,943
Water Lines Infrastructure (Net of Depreciation)	-	7,432,511	-	-	-	7,432,511
TOTAL NON-CURRENT ASSETS	5,936,814	9,705,466	16,148,256	1,153,573	2,063,192	35,007,301
TOTAL ASSETS	\$ 13,757,009	\$ 11,808,411	\$ 22,435,613	\$ 1,319,046	\$ 2,197,085	\$ 51,517,164
DEFERRED OUTFLOWS OF RESOURCES	\$ 60,579	\$ 42,336	\$ 54,947	\$ -	\$ -	\$ 157,862
LIABILITIES						
CURRENT LIABILITIES:						
Sales Tax Payable	\$ 10,089	\$ -	\$ -	\$ -	\$ -	\$ 10,089
Accounts Payable	590,381	40,374	47,130	-	1,163	679,048
Accrued Salaries and Benefits	20,867	12,460	19,108	-	1,478	53,913
Due to Other Funds	-	-	-	-	294,687	294,687
Notes Payable	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	621,337	52,834	66,238	-	297,328	1,037,737
NON-CURRENT LIABILITIES:						
Compensated Absences	250,692	163,918	110,425	-	6,041	531,076
Net Pension Liability	38,385	26,826	34,816	-	-	100,027
Notes Payable	-	2,670,000	1,615,000	-	-	4,285,000
TOTAL NON-CURRENT LIABILITIES	289,077	2,860,744	1,760,241	-	6,041	4,916,103
TOTAL LIABILITIES	910,414	2,913,578	1,826,479	-	303,369	5,953,840
DEFERRED INFLOWS OF RESOURCES	\$ 120,664	\$ 84,328	\$ 109,445	\$ -	\$ -	\$ 314,437
NET POSITION						
Invested in Capital Assets, Net of Related Debt	5,936,814	7,035,466	14,533,256	1,153,573	2,063,192	30,722,301
Restricted	-	-	-	-	-	-
Unrestricted Net Position	6,849,696	1,817,375	6,021,380	165,473	(169,476)	14,684,448
TOTAL NET POSITION	\$ 12,786,510	\$ 8,852,841	\$ 20,554,636	\$ 1,319,046	\$ 1,893,716	\$ 45,406,749

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

THE BOROUGH OF QUAKERTOWN
Combining Statement of Revenues, Expenses and Changes in Net Position –
All Proprietary Funds
For the Year Ended December 31, 2019

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
<u>OPERATING REVENUES</u>						
Charges for Services	\$ 13,840,796	\$ 1,664,932	\$ 3,921,994	\$ 245,013	\$ 221,993	\$ 19,894,728
Debt Service Fees	-	453,539	-	-	-	453,539
Permits and Fees	82,108	72,002	-	-	-	154,110
Penalties	159,038	25,132	21,231	-	-	205,401
Rental Income	-	70,232	-	-	-	70,232
Other Income	14,694	37,984	8,867	1,091	-	62,636
TOTAL OPERATING REVENUES	14,096,636	2,323,821	3,952,092	246,104	221,993	20,840,646
<u>OPERATING EXPENSES</u>						
Costs of Furnishing Utility	8,214,791	1,253,715	1,747,656	-	-	11,216,162
Costs of Pool Operations	-	-	-	248,397	-	248,397
Costs of Park Operations	-	-	-	-	498,349	498,349
Employee Benefits	349,819	220,306	357,389	9,944	18,057	955,515
Employee Pension	87,380	66,957	93,880	-	-	248,217
Insurance	72,235	55,246	96,717	13,966	4,844	243,008
Debt Service	-	71,173	43,622	-	-	114,795
Depreciation	243,990	293,354	538,715	96,987	50,654	1,223,700
TOTAL OPERATING EXPENSES	8,968,215	1,960,751	2,877,979	369,294	571,904	14,748,143
OPERATING INCOME (LOSS)	5,128,421	363,070	1,074,113	(123,190)	(349,911)	6,092,503
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Interest Earned	117,702	37,503	113,142	4,300	1,590	274,237
Donations	-	-	-	-	37,380	37,380
BCWS Project Reimbursement	-	-	4,229	-	-	4,229
Insurance Claim Refund	-	-	-	-	10,559	10,559
State Aid - Pension	56,325	30,723	46,084	-	-	133,132
Legal Settlement	650,000	-	-	-	-	650,000
Gain (Loss) on Sale of Fixed Assets	-	-	-	-	-	-
Transfers from Other Funds	-	-	-	50,000	150,000	200,000
Transfers to Other Funds	(5,200,000)	(217,100)	(280,000)	-	-	(5,697,100)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(4,375,973)	(148,874)	(116,545)	54,300	199,529	(4,387,563)
CHANGES IN NET POSITION	752,448	214,196	957,568	(68,890)	(150,382)	1,704,940
NET POSITION, JANUARY 1, 2019	12,034,062	8,638,645	19,597,068	1,387,936	2,044,098	43,701,809
NET POSITION, DECEMBER 31, 2019	\$ 12,786,510	\$ 8,852,841	\$ 20,554,636	\$ 1,319,046	\$ 1,893,716	\$ 45,406,749

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

THE BOROUGH OF QUAKERTOWN
Statement of Cash Flows
Proprietary Funds
As of December 31, 2019

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Cash Received from Users	\$ 13,710,764	\$ 2,437,771	\$ 4,135,162	\$ 245,013	\$ 257,439	\$ 20,786,149
Cash Received from Other Operating Revenue	14,694	37,984	8,867	1,091	-	62,636
Cash Payments to Employees for Services	(1,114,346)	(703,633)	(1,067,346)	(105,314)	(76,067)	(3,066,706)
Cash Payments to Suppliers for Goods and Services	(7,573,838)	(967,429)	(1,245,439)	(166,261)	(450,026)	(10,402,993)
Cash Payments to Other Operating Expenses	-	(49)	-	(732)	-	(781)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	5,037,274	804,644	1,831,244	(26,203)	(268,654)	7,378,305
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>						
State Sources	56,325	30,723	46,084	-	-	133,132
Donations	-	-	-	-	37,380	37,380
BCWS Project Reimbursement	-	-	4,229	-	-	4,229
Insurance Claim Refund	-	-	-	-	10,559	10,559
Legal Settlement	650,000	-	-	-	-	650,000
Operating Transfers In	-	-	-	50,000	150,000	200,000
Operating Transfers Out	(5,200,000)	(217,100)	(280,000)	-	-	(5,697,100)
NET CASH PROVIDED BY (USED) FOR NON-CAPITAL FINANCING ACTIVITIES	(4,493,675)	(186,377)	(229,687)	50,000	197,939	(4,661,800)
<u>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</u>						
Loan Principal Payments/Proceeds	-	(675,000)	(410,000)	-	-	(1,085,000)
Purchase of Fixed Assets	(21,635)	(99,064)	(38,798)	(7,499)	(41,800)	(208,796)
Sale of Fixed Assets	-	-	-	-	-	-
Interfund Loan Payments	-	-	-	-	-	-
NET CASH (USED) FOR CAPITAL FINANCING ACTIVITIES	(21,635)	(774,064)	(448,798)	(7,499)	(41,800)	(1,293,796)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Sale of Investments	-	-	553,834	-	-	553,834
Purchase of Investments	(431,274)	-	(1,029,635)	-	-	(1,460,909)
Earnings on Investments	117,702	37,503	113,142	4,300	1,590	274,237
NET CASH PROVIDED BY INVESTING ACTIVITIES	(313,572)	37,503	(362,659)	4,300	1,590	(632,838)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	208,392	(118,294)	790,100	20,598	(110,925)	789,871
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,523,627	2,028,147	1,776,095	144,875	178,925	7,651,669
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,732,019	\$ 1,909,853	\$ 2,566,195	\$ 165,473	\$ 68,000	\$ 8,441,540

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

THE BOROUGH OF QUAKERTOWN
Statement of Cash Flows
Proprietary Funds
As of December 31, 2019

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

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
OPERATING INCOME (LOSS)	\$ 5,128,421	\$ 363,070	\$ 1,074,113	\$ (123,190)	\$ (349,911)	\$ 6,092,503
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Depreciation	243,990	293,354	538,715	96,987	50,654	1,223,700
CHANGE IN ASSETS AND LIABILITIES:						
(Increase) Decrease in Accounts Receivable	(371,178)	151,934	191,937	-	35,446	8,139
(Increase) Decrease in Prepaid Expenses	-	(33,912)	(20,785)	-	-	(54,697)
(Increase) Decrease in Deferred Outflows	136,915	72,055	65,396	-	-	274,366
Increase (Decrease) in Accounts Payable	(18,229)	12,246	8,754	-	856	3,627
Increase (Decrease) in Accrued Salaries and Benefits	2,941	367	1,157	-	120	4,585
Increase (Decrease) in Sales Tax Payable	(609)	-	-	-	-	(609)
Increase (Decrease) in GASB 68 Pension Liability	(203,143)	(113,070)	(112,359)	-	-	(428,572)
Increase (Decrease) in Deferred Inflows	115,567	81,376	106,339	-	-	303,282
Increase (Decrease) in Compensated Absences	2,599	(22,776)	(22,023)	-	(5,819)	(48,019)
TOTAL ADJUSTMENTS	<u>(91,147)</u>	<u>441,574</u>	<u>757,131</u>	<u>96,987</u>	<u>81,257</u>	<u>1,285,802</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 5,037,274</u>	<u>\$ 804,644</u>	<u>\$ 1,831,244</u>	<u>\$ (26,203)</u>	<u>\$ (268,654)</u>	<u>\$ 7,378,305</u>

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

THE BOROUGH OF QUAKERTOWN
Statement of Net Position
Fiduciary Funds
As of December 31, 2019

	PENSION AND MEDICAL BENEFIT TRUST FUNDS	CUSTODIAL FUNDS	
		ESCROW FUND	POLICE HEALTH REIMBURSEMENT ARRANGEMENT FUND
ASSETS			
Cash and Cash Equivalents	\$ 400,279	\$ 386,835	\$ 188,588
Investments	22,775,918	-	-
Accrued Investment Income	54,940	-	-
Accounts Receivable	-	-	-
TOTAL ASSETS	\$ 23,231,137	\$ 386,835	\$ 188,588
DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ -
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Advance Deposits	-	-	-
Due to General Fund	-	-	22,951
Due to Escrow Holders	-	-	-
Due to Police Officers	-	-	-
TOTAL LIABILITIES	-	-	22,951
DEFERRED INFLOWS OF RESOURCES	\$ -	\$ -	\$ -
NET POSITION			
Restricted for:			
Individuals, Organizations, and Other Governments	\$ -	\$ 386,835	\$ 165,637
Employee Benefits	23,231,137	-	-
TOTAL NET POSITION	\$ 23,231,137	\$ 386,835	\$ 165,637

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

THE BOROUGH OF QUAKERTOWN
Statement of Additions, Deductions and Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2019

	PENSION AND MEDICAL BENEFIT TRUST FUNDS	CUSTODIAL FUNDS	
		ESCROW FUND	POLICE HEALTH REIMBURSEMENT ARRANGEMENT FUND
ADDITIONS:			
Contributions - Employer	\$ 417,959	\$ -	\$ -
Contributions - Employee	98,529	-	-
Contributions - Private Sources	-	-	-
State Aid	455,724	-	-
Employee Contribution Receipts	-	-	36,750
Escrow Receipts	-	203,719	-
INVESTMENT EARNINGS:			
Interest and Dividends	673,916	6,914	-
Change in Fair Value of Investments	3,381,378	-	-
TOTAL ADDITIONS	<u>5,027,506</u>	<u>210,633</u>	<u>36,750</u>
DEDUCTIONS:			
Administrative Charges	76,189	-	-
Investment Expenses	13,100	-	-
Miscellaneous	14,872	-	-
Employee Benefits	831,183	-	-
Employee Benefit Disbursements	-	-	29,617
Escrow Disbursements	-	160,789	-
TOTAL DEDUCTIONS	<u>935,344</u>	<u>160,789</u>	<u>29,617</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	4,092,162	49,844	7,133
NET POSITION - BEGINNING (RESTATED - NOTE 16)	<u>19,138,975</u>	<u>336,991</u>	<u>158,504</u>
NET POSITION - DECEMBER 31, 2019	<u>\$ 23,231,137</u>	<u>\$ 386,835</u>	<u>\$ 165,637</u>

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

THE BOROUGH OF QUAKERTOWN
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended December 31, 2019

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>	<u>BUDGET TO</u>	<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>(BUDGETARY</u> <u>BASIS)</u>	<u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>	<u>GAAP</u> <u>DIFFERENCE</u>	<u>AMOUNTS</u> <u>GAAP</u> <u>BASIS</u>
RESOURCES (INFLOW):						
Taxes	\$ 1,530,000	\$ 1,530,000	\$ 1,694,790	\$ 164,790	\$ -	\$ 1,694,790
Licenses and Permits	192,000	192,000	166,739	(25,261)	-	166,739
Fines and Forfeits	90,400	90,400	133,751	43,351	-	133,751
Intergovernmental	602,665	602,665	550,753	(51,912)	-	550,753
Charges for Services	540,150	540,150	632,479	92,329	-	632,479
Miscellaneous	100,000	100,000	128,171	28,171	-	128,171
Sale of Fixed Assets	300,000	300,000	7,101	(292,899)	-	7,101
Insurance Claim Refund	10,000	10,000	1,719	(8,281)	-	1,719
Investment and Rental Earnings	28,864	28,864	35,046	6,182	-	35,046
Refund of Prior Year Expenditures	-	-	110,929	110,929	-	110,929
Transfers from Other Funds	5,497,100	5,497,100	5,497,100	-	-	5,497,100
TOTAL RESOURCES	8,891,179	8,891,179	8,958,578	67,399	-	8,958,578
CHARGES TO APPROPRIATIONS (OUTFLOWS):						
General Government						
Legal	50,500	50,500	60,036	(9,536)	-	60,036
Mayor, Legislative, Borough Manager	298,886	298,886	302,356	(3,470)	-	302,356
Finance and Accounting	272,987	272,987	279,980	(6,993)	-	279,980
Tax Collection	7,200	7,200	7,426	(226)	-	7,426
IT-Networking Services-Data Processing	94,100	94,100	93,731	369	-	93,731
Engineering	110,000	110,000	92,407	17,593	-	92,407
Buildings and Plant	238,200	238,200	177,780	60,420	-	177,780
Public Safety						
Police	2,815,550	2,815,550	2,750,542	65,008	-	2,750,542
Fire Department	283,200	283,200	250,971	32,229	-	250,971
Inspections	152,050	152,050	162,993	(10,943)	-	162,993
Public Works						
Solid Waste and Collection	6,000	6,000	-	6,000	-	-
Street Maintenance and Lighting	1,301,100	1,301,100	1,247,626	53,474	-	1,247,626
Culture and Recreation						
Parks	859,700	859,700	321,863	537,837	-	321,863
Community Development						
	257,344	257,344	225,171	32,173	-	225,171
Non-Departmental						
Employer Paid Benefits and Withholding Items	2,212,051	2,212,051	2,160,797	51,254	-	2,160,797
Insurance	138,700	138,700	124,165	14,535	-	124,165
Miscellaneous	9,000	9,000	12,413	(3,413)	-	12,413
Budgetary Reserve	154,000	154,000	-	154,000	-	-
Transfer to Other Funds	-	-	-	-	-	-
TOTAL CHARGES TO APPROPRIATIONS	9,260,568	9,260,568	8,270,257	990,311	-	8,270,257
Excess (Deficiency) of Inflows Over Outflows	(369,389)	(369,389)	688,321	1,057,710	-	688,321
FUND BALANCE - JANUARY 1, 2019	369,389	369,389	892,612	523,223	-	892,612
FUND BALANCE - DECEMBER 31, 2019	\$ -	\$ -	\$ 1,580,933	\$ 1,580,933	\$ -	\$ 1,580,933

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

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Note 1 - Description of the Borough and Reporting Entity

The Borough of Quakertown, Pennsylvania (Borough) was incorporated in 1855, under the provisions of the Laws of the Commonwealth of Pennsylvania. The Borough operates under a council-manager form of government and provides the following services as authorized by its charter: public safety (police), streets, sanitation, culture-recreation, public improvements, planning and zoning and general administrative services. Other services include providing water, sewer, and electricity.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure 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.

The Borough of Quakertown is a municipal Corporation governed by an elected council. As required by generally accepted accounting principles, these financial statements are to present the Borough of Quakertown (the primary government) and organizations for which the primary government is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the Borough in that the Borough approved the budget, the issuance of debt, or the levying of taxes. The Borough of Quakertown does not have any material component units.

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,

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

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:

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

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 waste water 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 four (4) trust funds, consisting of a Police Pension Fund, a Non-Uniform Pension Fund, a Defined Compensation Plan Fund, and a Medical Reimbursement Benefit Plan Fund. Custodial Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Borough has two (2) Custodial Funds, consisting of an Escrow Fund and a Police Health Reimbursement Arrangement Fund.

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.

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

E. Budgets and Budgetary Accounting

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

1. In accordance with the Borough Code and Borough procedures, the Borough Manager submits to the Council, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget must be advertised and available for public inspection before adoption. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. Departments for budgetary purposes are general government, public safety, public works, culture and recreation, and insurance, employee benefits and miscellaneous.
2. Public hearings are conducted to obtain taxpayer comment.
3. By December 31, the budget is approved by motion of the Council. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.
4. All modifications, transfers and amendments must be approved by the Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The legally adopted budgets of the Borough are for the General Fund.
7. The budgets are adopted on the modified accrual basis of accounting discussed above. (The basis of accounting for budget purposes is the same as for financial statement reporting purposes.)
8. The Council may authorize supplemental appropriations during the year.

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, expect 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.

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

G. Implementation of New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following standards that were scheduled to take effect for calendar year 2019:

GASB Statement No. 83, *Certain Asset Retirement Obligations*

GASB Statement No. 84, *Fiduciary Activities*

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61.*

On May 8, 2020, GASB postponed by one year the effective dates of certain provisions in these pronouncements.

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. 87, *Leases* – Originally effective for calendar year 2020 – effective date postponed 18 months

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – Effective for calendar year 2021

GASB Statement No. 91, *Conduit Debt Obligations* – Effective for calendar year 2022

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.

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

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.

Real Estate Taxes

The total taxable assessed real estate valuation for the year ended 2019 is \$79,783,850 at a rate of 1.625 mills. Real estate taxes are levied on March 1 and are payable by June 30.

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

Fund Balance Classifications

GASB Statement No 54, effective for financial statements for periods beginning after June 14, 2010, 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

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net assets but are not reported in the fund financial statements.

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Borough maintains a capitalization threshold of five thousand (\$5,000) dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land, certain land improvements, infrastructure and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated
	Lives
Buildings and Improvements	20 - 50 years
Machinery and Equipment	5 - 20 years
Vehicles	10 - 30 years
Infrastructure	Modified Approach
Water Lines	30 - 50 years
Sewer Lines	50 - 90 years

Compensated Absences

The Borough reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Borough will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the Borough's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

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.

Reclassification

Certain amounts have been reclassified to conform to the December 31, 2019, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis of accounting.

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

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.

Inventory

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.

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 assets – governmental activities” as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in government activities are not financial resources and therefore are not reported as assets in governmental funds”. The cost of the capital assets net of depreciation totals \$22,347,243. Another element of the reconciliation explains that “long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds”.

The details of this \$3,276,200 difference are:

Compensated Absences	\$ 764,094
GASB 68 Pension Liability	<u>2,512,106</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities"	<u>\$ 3,276,200</u>

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.

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

- 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.

Explanation of Differences between Governmental Fund Statements and Borough-Wide Statements:

	Total Governmental Funds	Long-Term Revenues/ Expenses	Capital Related Items	Long-Term Debt Trans- actions	Total For Statement of Activities
<u>REVENUES AND OTHER SOURCES</u>					
<u>LOCAL SOURCES</u>					
Property Taxes	\$ 129,045	\$ -	\$ -	\$ -	\$ 129,045
Other Taxes Levied for General Purposes	1,331,160	-	-	-	1,331,160
Franchises Taxes	165,559	-	-	-	165,559
Local Service Taxes	251,026	-	-	-	251,026
Grant, Subsidies and Contributions					
Not Restricted	116,104	-	-	-	116,104
Investment and Rental Earnings	59,765	-	-	-	59,765
Miscellaneous	128,170	(56,828)	-	-	71,342
Charges to Services	767,410	100,080	-	-	867,490
Gain (Loss) on Sale of Fixed Assets	7,101	-	(8,695)	-	(1,594)
Refund of Prior Year Expenditures	110,929	(110,929)	-	-	-
Insurance Refunds	1,719	-	-	-	1,719
Transfers In	5,497,100	-	-	-	5,497,100
<u>STATE SOURCES</u>					
Operating and Capital Grants & Contributions	694,872	87,969	-	-	782,841
<u>FEDERAL SOURCES</u>					
Operating and Capital Grants & Contributions	-	-	-	-	-
TOTAL REVENUES	<u>9,259,960</u>	<u>20,292</u>	<u>(8,695)</u>	<u>-</u>	<u>9,271,557</u>
<u>EXPENDITURES / EXPENSES AND OTHER USES</u>					
General Government	1,013,716	28,832	(9,295)	-	1,033,253
Public Safety	3,164,506	8,800	(48,830)	-	3,124,476
Public Works	1,247,626	22,167	(50,700)	-	1,219,093
Culture and Recreation	347,798	2,558	(25,935)	-	324,421
Community Development	231,693	3	(9,295)	-	222,401
Non-Departmental	2,297,375	237,823	-	-	2,535,198
Debt Service Payments	-	-	-	-	-
Depreciation	-	-	429,541	-	429,541
Transfers Out	-	-	-	-	-
TOTAL EXPENDITURES / EXPENSES	<u>8,302,714</u>	<u>300,183</u>	<u>285,486</u>	<u>-</u>	<u>8,888,383</u>
NET CHANGE FOR THE YEAR	<u>\$ 957,246</u>	<u>\$ (279,891)</u>	<u>\$ (294,181)</u>	<u>\$ -</u>	<u>\$ 383,174</u>

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Note 4 - Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a policy for custodial credit risk. As of December 31, 2019, \$15,495,800 of the Borough's bank balance of \$17,242,367 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		-
Uninsured and collateral held by the pledging bank's trust department not in the Borough's name		15,495,800
TOTAL		\$ 15,495,800

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$	15,495,800
Plus: Insured Amount		1,746,567
Deposits in Transit		266,304
Less: Outstanding Checks		(249,619)
Carry Amount - Bank Balances		17,259,052
Plus: Petty Cash		2,550
Deposits in Investment Pools Considered Cash Equivalents		882,178
Deposits in Money Market Mutual Funds Considered Cash Equivalents		398,639
Less: Certificates in Deposit Considered Investments		(6,223,031)
TOTAL CASH PER FINANCIAL STATEMENTS		\$ 12,319,388

Restricted Cash

The cash balance includes \$400,279 held for pension and post-retirement medical benefits, \$386,835 held as utility escrow funds and \$188,588 held in the Police Health Reimbursement Arrangement Fund. The utility escrow funds are security deposits from renters in the Borough.

Note 5 - Investments

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

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C.; and,
4. Obligations, participations or other instruments of any Federal Agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States

THE BOROUGH OF QUAKERTOWN
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Year Ended December 31, 2019

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

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

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 uniform and non-uniformed pension funds may invest funds outside of those investments permitted for Pennsylvania Boroughs.

As of December 31, 2019, the Borough had the following investments:

<i>Investments</i>	<i>Maturities</i>	<i>Fair Value</i>
PA Local Government Investment Trust		\$ 882,178
Federal Institutional Government Obligation Fund		398,639
Common Stocks		9,736,392
Corporate Bonds	1 mos. - 9 yrs. 10 mos.	2,916,407
U.S. Government Agency Bonds	5 mos. - 9 yrs. 10 mos.	2,257,038
Certificates of Deposit	1 mos. - 9 yrs. 10 mos.	6,223,031
Mutual Funds		6,836,080
TOTAL		\$ 29,249,765

Fair Value Reporting

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

Interest Rate Risk

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

Credit Risk

The Borough has no investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2019, the Borough's significant investments were rated as:

<i>Investments</i>	<i>Standard & Poor's</i>
PLGIT	AAA
Common Stocks	Not Available
Corporate Bonds	Not Available
Federal Agricultural Mortgage Corp. Bonds	AAA
Federal Home Loan Bank Bonds	AAA
Federal Home Loan Mortgage Corp. Bonds	AAA
FNMA Bonds	AAA
Federal Farm Credit Bank Bonds	AAA
American Funds Europacific Growth Fund	Not Available
Vanguard Total International ETF	Not Available
Misc. Mutual Funds	AL/FL

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer. More than 5% of the Borough's investments are in certificates of deposit at Univest Bank and Penn Community Bank. These certificates of deposit represent 10.47% and 7.28%, respectively, of the Borough's investments. More than 5% of the Trust and Agency Funds' investments are in the American Funds Europacific Growth Fund and the Vanguard Total International ETF. These investments are 6.28% and 6.27%, respectively of the Trust and Agency Funds investments. The Proprietary Funds' investments are in certificates of deposit at Univest Bank and Penn Community Bank. These certificates of deposit represent 58.98% and 41.02%, respectively of the Proprietary Funds' investments.

Custodial Credit Risk

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

Foreign Currency Risk

As of December 31, 2019, the Borough had the following investments that were subject to foreign currency risk:

Name	Amount
Corporate Bonds:	
Barclays Bank PLC 2.35% due 10/18/21	\$ 49,493
Mutual Funds:	
American Funds Europacific Growth Fund	1,455,303
Vanguard Total International ETF	1,454,121
Direct Equity Holdings:	
Suncor Energy Inc.	97,580
TE Connectivity Ltd.	219,186

Reconciliation to Financial Statements

Total Investments Above	\$ 29,249,765
Less: Deposits in Investment Pool Consideration Cash Equivalents	(882,178)
Deposits in Money Market Mutual Funds Considered Cash Equivalents	(398,639)
TOTAL	\$ 27,968,948

Restricted Investments

The investments include \$22,775,918 held for future pension obligation for the uniform and non-uniform pension plans, the 401A Retirement Plan, and Post-Retirement Medical Plan.

Note 6 - Receivables

Receivables as of year-end for the government's individual major funds and non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are:

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

	General Fund	Capital Project Funds	Liquid Fuels Fund	Electric Fund	Water Fund	Sewer Fund	Pool Fund	Park Fund	Fiduciary Funds	Total
Receivables										
Taxes	\$ 24,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,020
Accounts	57,661	-	-	2,656,802	167,558	51,756	-	65,893	-	2,999,670
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Other	7,363	-	-	-	-	-	-	-	-	7,363
Gross Receivables	89,044	-	-	2,656,802	167,558	51,756	-	65,893	-	3,031,053
Less: Allowance for Uncollectibles	-	-	-	(100,340)	(8,378)	(12,695)	-	-	-	(121,413)
Net Receivables	\$ 89,044	\$ -	\$ -	\$ 2,556,462	\$ 159,180	\$ 39,061	\$ -	\$ 65,893	\$ -	\$ 2,909,640

Note 7 – Capital Assets

Capital asset balances and activity for the year ending December 31, 2019, were:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 1,851,952	\$ -	\$ -	\$ 1,851,952
Construction-in-Progress	63,094	25,935	-	89,029
Infrastructure	16,045,900	-	-	16,045,900
Total Capital Assets not being depreciated	17,960,946	25,935	-	17,986,881
Capital Assets being depreciated:				
Buildings	2,589,120	9,295	-	2,598,415
Improvements Other than Buildings	1,620,033	-	-	1,620,033
Machinery and Equipment	4,683,268	108,825	(5,040)	4,787,053
Total Capital Assets Being depreciated	8,892,421	118,120	(5,040)	9,005,501
Less: Accumulated Depreciation for:				
Buildings	(1,241,913)	(45,616)	-	(1,287,529)
Improvements Other than Buildings	(840,118)	(54,488)	-	(894,606)
Machinery and Equipment	(2,136,893)	(329,437)	3,326	(2,463,004)
Total Accumulated Depreciation	(4,218,924)	(429,541)	3,326	(4,645,139)
Total Capital Assets Being depreciated Net of Accumulated Depreciation	4,673,497	(311,421)	(1,714)	4,360,362
Governmental Activities Capital Assets Net of Accumulated Depreciation	\$ 22,634,443	\$ (285,486)	\$ (1,714)	\$ 22,347,243
Business-Type Activities				
Capital Assets not being depreciated:				
Construction-In-Progress	-	-	-	-
Capital Assets being depreciated:				
Buildings	26,907,368	6,124	-	26,913,492
Improvements Other than Buildings	3,353,613	13,695	-	3,367,308
Machinery and Equipment	3,801,876	188,978	-	3,990,854
Sewer Lines Infrastructure	14,023,215	-	-	14,023,215
Water Lines Infrastructure	11,075,945	-	-	11,075,945
Less: Accumulated Depreciation	(23,139,813)	(1,223,700)	-	(24,363,513)
Business-Type Activities Capital Assets Net of Accumulated Depreciation	\$ 36,022,204	\$ (1,014,903)	\$ -	\$ 35,007,301

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

The depreciation was charged to the governmental activities as follows:

Depreciation – Unallocated **\$429,541**

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

Depreciation – Unallocated **\$1,223,700**

Note 8 – Short-Term Debt

Interfund Receivables and Payables

The following Interfund receivable and payables were in existence as of December 31, 2019.

	Interfund Receivables	Interfund Payables
General Fund	\$ 183,371	\$ -
Capital Projects Fund	134,267	-
Park (Proprietary) Fund	-	294,687
Police Health Reimbursement Arrangement (Custodial) Fund	-	22,951
TOTAL	<u>\$ 317,638</u>	<u>\$ 317,638</u>

Interfund Transfers

The Borough also made the following interfund transfers during the year ended December 31, 2019.

	Transfer In	Transfer Out
General Fund	\$ 5,497,100	\$ -
Enterprise (Electric) Fund	-	5,200,000
Enterprise (Water) Fund	-	217,100
Enterprise (Sewer) Fund	-	280,000
Enterprise (Pool) Fund	50,000	-
Enterprise (Park) Fund	150,000	-
TOTAL	<u>\$ 5,697,100</u>	<u>\$ 5,697,100</u>

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Note 9 – Long-Term Debt Commitment

Long-Term Liability balances and activity for the year ended December 31, 2019, were:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr
Governmental Activities:					
Compensated Absences	\$ 842,083	\$ 74,830	\$ -	\$ 916,913	\$ 152,819
Total Governmental Activities					
Long-Term Liabilities	\$ 842,083	\$ 74,830	\$ -	\$ 916,913	\$ 152,819
Business-Type Activities					
General Obligation Bonds Payable	\$ 5,370,000	\$ -	\$ 1,085,000	\$ 4,285,000	\$ -
Compensated Absences	579,095	-	48,019	531,076	-
Total Business-Type Activities					
Long-Term Liabilities	\$ 5,949,095	\$ -	\$ 1,133,019	\$ 4,816,076	\$ -

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

Total interest paid during the year:

Business-Type Activities	Paid
General Obligation Bonds Payable	\$ 114,795
Total Interest paid by Business-Type Activities	\$ 114,795

The total interest cost incurred and charged to expense in 2019 was \$114,795.

General Obligation Bonds – Series of 2012 – Water Fund

On August 27, 2012, the Borough issued General Obligation Bonds – Series of 2012 in the amount of \$7,925,000. The portion of the bond issue pertaining to the Water Fund totaled \$4,935,000. The purpose of this issue is to provide funds to: (1) currently refund the Borough's Guaranteed Revenue Note to be outstanding as of the expected issuance date of the Bonds in the principal amount of \$4,872,385, issued to Pennvest, and (2) pay the cost of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from February 1, 2013 to February 1, 2028. Interest rates range from 0.40% to 2.70%. The Borough of Quakertown prepaid the required principal for 2020.

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

The outstanding debt service requirements at December 31, 2019, are:

Fiscal Year	Principal	Interest
2020	\$ -	\$ 64,775
2021	350,000	57,875
2022	355,000	50,825
2023	360,000	43,405
2024	370,000	35,280
2025-2028	1,235,000	51,328
TOTAL OUTSTANDING	\$ 2,670,000	\$ 303,488

General Obligation Bonds – Series of 2012 – Sewer Fund

On August 27, 2012, the Borough issued General Obligation Bonds – Series of 2012 in the amount of \$7,925,000. The portion of the bond issue pertaining to the Sewer Fund totaled \$2,990,000. The purpose of this issue is to provide funds to: (1) currently refund the Borough's Guaranteed Revenue Note to be outstanding as of the expected issuance date of the Bonds in the principal amount of \$2,952,936, issued to Pennvest, and (2) pay the cost of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from February 1, 2013 to February 1, 2028. Interest rates range from 0.40% to 2.70%. The Borough of Quakertown prepaid the required principal for 2020.

The outstanding debt service requirements at December 31, 2019, are:

Fiscal Year	Principal	Interest
2020	\$ -	\$ 39,170
2021	210,000	35,020
2022	215,000	30,770
2023	220,000	26,255
2024	225,000	21,303
2025-2028	745,000	30,952
TOTAL OUTSTANDING	\$ 1,615,000	\$ 183,470

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Combined Long-Term Debt

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

<u>PRINCIPAL REQUIREMENTS</u>	<u>G.O.B.</u>	<u>G.O.B.</u>	
<u>FISCAL YEAR</u>	<u>SERIES 2012</u>	<u>SERIES 2012</u>	<u>TOTAL</u>
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>PAYMENTS</u>
2020	\$ -	\$ -	\$ -
2021	350,000	210,000	560,000
2022	355,000	215,000	570,000
2023	360,000	220,000	580,000
2024	370,000	225,000	595,000
2025-2028	<u>1,235,000</u>	<u>745,000</u>	<u>1,980,000</u>
TOTAL	2,670,000	1,615,000	4,285,000
LESS PAYABLE WITHIN ONE YEAR	<u>-</u>	<u>-</u>	<u>-</u>
LONG-TERM PRINCIPAL DUE AFTER ONE YEAR	<u>\$ 2,670,000</u>	<u>\$ 1,615,000</u>	<u>\$ 4,285,000</u>

PRINCIPAL AND INTEREST REQUIREMENTS

<u>FISCAL YEAR</u>	<u>SERIES 2012</u>	<u>SERIES 2012</u>	<u>TOTAL</u>
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>PAYMENTS</u>
2020	\$ 64,775	\$ 39,170	\$ 103,945
2021	407,875	245,020	652,895
2022	405,825	245,770	651,595
2023	403,405	246,255	649,660
2024	405,280	246,303	651,583
2025-2028	<u>1,286,328</u>	<u>775,952</u>	<u>2,062,280</u>
TOTAL	<u>\$ 2,973,488</u>	<u>\$ 1,798,470</u>	<u>\$ 4,771,958</u>

Compensated Absences

Vacation, Sick and Personal Days

Under the Borough's various agreements and plans, professional and eligible support personnel accumulate unused vacation days and sick days from year to year based on their classification. These accumulated vacation and sick days are non-vesting during the employee's tenure. An estimate based upon a Paychex Benefit Accrual Report valuing these accumulated vacation and sick days has been recorded in these financial statements.

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Note 10 - Pension Plan Obligations

Non-Uniformed Pension Plan

Summary of Significant Accounting Policies

Basis of Accounting:

The financial statements for the Pension Plan for Non-Uniformed Employees of the Borough of Quakertown 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.

Method Used to Value Investments

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 Description and Membership Information

Plan Description:

The Pension Plan for Non-Uniformed Employees of the Borough of Quakertown is a contributory, single-employer retirement plan that covers all full-time non-uniformed employees of the Borough. The plan provides retirement, termination, and death benefits to plan members and their beneficiaries pursuant to the plan document. The plan can be amended by the municipality through its Ordinances and union contracts. The plan is administered by a Chief Administrative Office appointed by the governing body of the municipality.

Plan Membership

As of January 1, 2019, the beginning of the plan year and December 31, 2019, the plan year end, plan membership consisted of the following:

	1/1/2019	12/31/2019
Retirees and Beneficiaries Receiving Benefits (including DROP members)	42	39
Terminated Members entitled to Benefits but not yet receiving them	12	11
Active Plan Members	24	24
TOTAL	78	74

Deferred Retirement Option Program (DROP)

The plan does not offer a Deferred Retirement Option Program (DROP).

Plan Funding

Employees who are members in the plan are required to contribute 3.0% of their salaries to the plan. Interest is credited to each member's account each year at 5.0% per year. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

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 was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 and by rolling forward the liabilities from the January 1, 2019 valuation date to the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

The total pension liability as of January 1, 2019 and December 31, 2019 were determined using the following economic assumptions, applied to all periods included in the measurement.

- Inflation: 2.0%
- Salary Increases: 5.0%
- Investment Return: 7.5% (including inflation)

Mortality rates were based on the RP-2000 Mortality tables for males and females.

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 is summarized in the following table. This information was provided by the plan's investment consultants, Univest.

Determination of Long-Term Expected Rate of Return

Asset Class	Target Allocation	Long-Term Expected Rate of Return	Contribution to Rate of Return
Domestic Equity-Large Cap	41.60%	5.20%	2.16%
Domestic Equity-Mid Cap	5.20%	5.50%	0.29%
Domestic Equity-Small Cap	5.20%	6.40%	0.33%
International Equity	13.00%	6.40%	0.83%
Fixed Income	35.00%	2.00%	0.70%
TOTAL	100.00%		4.31%
Inflation			2.00%
Long-Term Expected Rate of Return			6.31%

Discount Rate:

The discount rate used to measure the total pension liability was 7.5%. 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's

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

funding policy requires the full funding of the entry age normal cost-plus plan expenses, as well as an amortization of the unfunded liability.

Changes in the Net Pension Liability

The schedule below shows the changes in the Net Pension Liability during the most recent year.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 1/1/2019	\$ 10,669,055	\$ 9,735,793	\$ 933,262
Changes during 2019:			
Service Cost	122,025	-	122,025
Interest	827,545	-	827,545
Differences between expected and actual experience	499,686	-	499,686
Changes in Actuarial Assumptions	-	-	-
Employer Contributions	-	177,307	(177,307)
Employee Contributions	-	51,708	(51,708)
Net Investment Income	-	2,021,971	(2,021,971)
Benefit Payments (including contribution refunds)	(513,667)	(513,667)	-
Administration Expenses	-	(42,548)	42,548
Other Changes	-	-	-
Net Changes	<u>935,589</u>	<u>1,694,771</u>	<u>(759,182)</u>
Balances at 12/31/2019	<u>\$ 11,604,644</u>	<u>\$ 11,430,564</u>	<u>\$ 174,080</u>

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

The schedule below shows the impact on the pension liability if it were calculated using a discount rate that is 1% higher and lower than the current discount rate.

	1% Decrease in Discount Rate 6.50%	Current Discount Rate 7.50%	1% Increase in Discount Rate 8.50%
Total Pension Liability	\$ 12,807,869	\$ 11,604,644	\$ 10,559,548
Plan Fiduciary Net Position	<u>(11,430,564)</u>	<u>(11,430,564)</u>	<u>(11,430,564)</u>
Net Pension Liability	<u>\$ 1,377,305</u>	<u>\$ 174,080</u>	<u>\$ (871,016)</u>

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Components of Pension Expense for Fiscal Year Ended December 31, 2019

Service Cost	\$ 122,025
Interest on the Total Pension Liability	827,545
Differences between Expected and Actual Experience ¹	247,288
Changes in Assumptions ¹	(5,435)
Employee Contributions	(51,708)
Projected Earnings on Pension Plan Investments	(717,914)
Difference between Projected and Actual Earnings on Investments ²	(30,308)
Pension Plan Administrative Expense	42,548
Other Changes in Net Fiduciary Position	-
Total Pension Expense	\$ 434,041

¹ Each year's gain or loss and/or changes in actuarial assumptions is recognized over a closed period, using the average of the expected remaining service lives off active and inactive employees that are provided pensions through this pension plan. This average is 2.17 years as of January 1, 2019.

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

Year Established	2015	2016	2017	2018	2019	Total
Investment (Gain)/Loss	\$ 655,619	\$ (35,409)	\$ (918,553)	\$ 1,450,866	\$ (1,304,057)	
Years Recognized:						
2015	\$ 131,124					\$ 131,124
2016	131,124	\$ (7,082)				124,042
2017	131,124	(7,082)	\$ (183,711)			(59,669)
2018	131,124	(7,082)	(183,711)	\$ 290,173		230,504
2019	131,123	(7,082)	(183,711)	290,173	\$ (260,811)	(30,308)
2020		(7,081)	(183,711)	290,173	(260,811)	(161,430)
2021			(183,709)	290,173	(260,811)	(154,347)
2022				290,174	(260,811)	29,363
2023					(260,813)	(260,813)

Determination of Difference in Projected and Actual Earnings on Pension Plan Investments

Expected Return	\$ 717,914
Actual Return	(2,021,971)
(Gain)/Loss on Pension Plan Investments	\$ (1,304,057)

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Amortization of Difference between Actual and Expected Experience

Year Established	2016	2017	2018	2019	Total
Experience (Gain)/Loss	\$ (395,062)	\$ (49,465)	\$ 67,871	\$ 499,686	
Amortization Period	2.81	2.81	2.17	2.17	
Years Recognized:					
2016	\$ (140,591)				\$ (140,591)
2017	(140,591)	\$ (17,603)			(158,194)
2018	(113,880)	(17,603)	\$ 31,277		(100,206)
2019		(14,259)	31,277	\$ 230,270	247,288
2020			5,317	230,270	235,587
2021				39,146	39,146

Determination of Difference in Expected and Actual Actuarial Accrued Liability

Actuarial Accrued Liability	\$ 11,168,741
Expected Actuarial Accrued Liability	<u>(10,669,055)</u>
Difference	<u>\$ 499,686</u>

Amortization of Change in Actuarial Assumptions

Year Established	2017
Change in Actuarial Assumptions	\$ (18,853)
Amortization Period	2.81
Years Recognized:	
2017	\$ (6,709)
2018	(6,709)
2019	(5,435)

Calculation of Expected Future Service

	Active	Terminated	Retired	Total
Total Expected Future Service	169.44	0.00	0.00	169.44
Plan-Members	24	12	42	78
Average Expected Future Service				<u><u>2.17</u></u>

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2019, the actuarially determined pension expense is \$434,041. The Borough had deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Projected and Actual Experience	\$ 274,733	\$ -
Net Difference in Projected and Actual Earnings on Plan Investments	-	(547,227)
Changes in Actuarial Assumptions	-	-
TOTALS	\$ 274,733	\$ (547,227)

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

2020	\$ 74,157
2021	(115,201)
2022	29,363
2023	(260,813)

Reconciliation of Pension Expense with Net Pension Liability

Change in Net Pension Liability	\$ (759,182)
Change in Deferred (Outflows) of Resources	488,383
Change in Deferred Inflows of Resources	527,533
Employer Contributions	177,307
Total Pension Expense	\$ 434,041

Employer Contributions

Contributions Required and Contributions Made:

The actuarially determined employer contribution, (ADEC) to the retirement fund for 2019 was the 2019 Minimum Municipal Obligation of \$177,307. The Borough contributed \$177,307 toward the plan's ADEC for 2019, including General Municipal Pension System State aid allocated to the plan. Employee contributions in 2019 totaled \$51,708.

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Determination of Actuarially Determined Employer Contribution (ADEC)

The ADEC is equal to the Minimum Municipal Obligation determined for the fiscal year, based on the most recent actuarial valuation report. The Minimum Municipal Obligation for 2019 was determined as follows:

Based on Actuarial Valuation as of:	1/1/2017
Normal Cost Percentage	10.8%
Administrative Expense Percentage	1.8%
Estimated W-2 Payroll for Previous Year	\$ 1,750,133
Normal Cost	189,014
Administrative Expense	<u>31,503</u>
Annual Cost	220,517
Amortization Payment	<u>9,294</u>
Total Financial Requirement	229,811
Member Contributions Anticipated	(52,504)
Funding Adjustment	<u>-</u>
Minimum Municipal Obligation	<u>\$ 177,307</u>

The funding of the Minimum Municipal Obligation is shown below:

Municipal Contributions:	
State Aid Portion	\$ 128,012
Local Portion	<u>49,295</u>
Total Municipal Contributions	<u>\$ 177,307</u>

Notes to Schedules

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 of the fiscal year in which the contributions are reported.

The methods and assumptions used to determine contribution rates are as follows:

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method.

- Amortization Method: Level Dollar, Closed
- Remaining Amortization Period: Not Applicable
- Asset Valuation Method: The actuarial value of assets is equal to the market value adjusted to recognize investment gains and losses over a five-year period, limited to 20% above or below the fair market value.
- Inflation: 2.0%
- Salary Increases: 5.0%
- Investment Rate of Return: 7.5%

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

- Retirement Age: Members are assumed retire on their normal retirement date, or on the valuation date if later.
- Mortality: RP-2000 Table.

Police Pension Plan

Summary of Significant Accounting Policies

Basis of Accounting:

The financial statements for the Borough of Quakertown 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.

Methods Used to Value Investments:

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 Description and Membership Information

Plan Description:

The Borough of Quakertown Police Pension Plan is a contributory, single-employer retirement plan that covers all full-time uniformed police officers of the Borough. The plan provides retirement, termination, disability and death benefits to plan members and their beneficiaries, pursuant to Act 600 of 1956, as amended. The plan can be amended by the municipality through its Ordinances and union contracts. The plan is administered by a Chief Administrative Officer appointed by the governing body of the municipality.

Plan Membership:

As of January 1, 2019, the beginning of the plan year and December 31, 2019, the plan year end, plan membership consisted of the following:

	1/1/2019	12/31/2019
Retirees and Beneficiaries Receiving Benefits (including DROP members)	15	17
Terminated Members entitled to Benefits but not yet receiving them	1	1
Active Plan Members	19	17
TOTAL	35	35

Deferred Retirement Option Program (DROP)

The plan offers a Deferred Retirement Option Program (DROP) to officers who are eligible to retire. The maximum DROP period is 60 months. The DROP provisions are described in more detail in Section 3 of this report.

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Plan Funding

Officers who are members in the plan are required to contribute 1.5% of their salaries to the plan. Interest is credited to each member's account each year at 5.0%. 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 was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 and by rolling forward the liabilities from the January 1, 2019 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

The total pension liability as of December 31, 2019 were determined using the following economic assumptions, applied to all periods included in the measurement.

- Inflation: 3.0%
- Salary Increases: 5.0%
- Investment Return: 7.5% (including inflation)

Mortality rates were based on the RP-2000 Mortality tables for males and females.

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 is summarized in the following table. This information was provided by the plan's investment consultants, Univest.

Determination of Long-Term Expected Rate of Return

Asset Class	Target Allocation	Long-Term Expected Rate of Return	Contribution to Rate of Return
Domestic Equity-Large Cap	41.60%	4.20%	1.75%
Domestic Equity-Mid Cap	5.20%	4.55%	0.24%
Domestic Equity-Small Cap	5.20%	5.40%	0.28%
International Equity	13.00%	5.40%	0.70%
Fixed Income	35.00%	1.00%	0.35%
TOTAL	100.00%		3.32%
Inflation			3.00%
Long-Term Expected Rate of Return			6.32%

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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's funding policy requires the full funding of the entry age normal cost-plus plan expenses, as well as an amortization of the unfunded liability.

The schedule below shows the changes in the Net Pension Liability during the most recent year.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 1/1/2019	\$ 11,919,004	\$ 8,589,679	\$ 3,329,325
Changes during 2019:			
Service Cost	199,170	-	199,170
Interest	925,987	-	925,987
Differences between expected and actual experience	-	-	-
Changes in Actuarial Assumptions	386,639	-	386,639
Employer Contributions	-	563,186	(563,186)
Employee Contributions	-	30,656	(30,656)
Net Investment Income	-	1,846,893	(1,846,893)
Benefit Payments (including contribution refunds)	(316,653)	(316,653)	-
Administration Expenses	-	(45,290)	45,290
Other Changes	-	-	-
Net Changes	1,195,143	2,078,792	(883,649)
Balances at 12/31/2019	\$ 13,114,147	\$ 10,668,471	\$ 2,445,676

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

The schedule below shows the impact on the pension liability if it were calculated using a discount rate that is 1% higher and lower than the current discount rate.

	1% Decrease in Discount Rate 6.50%	Current Discount Rate 7.50%	1% Increase in Discount Rate 8.50%
Total Pension Liability	\$ 14,847,184	\$ 13,114,147	\$ 11,684,273
Plan Fiduciary Net Position	(10,668,471)	(10,668,471)	(10,668,471)
Net Pension Liability	\$ 4,178,713	\$ 2,445,676	\$ 1,015,802

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Components of Pension Expense for Fiscal Year Ended December 31, 2019

Service Cost	\$ 199,170
Interest on the Total Pension Liability	925,987
Differences between Expected and Actual Experience	155,339
Changes in Assumptions	89,500
Employee Contributions	(30,656)
Projected Earnings on Pension Plan Investments	(652,922)
Difference between Projected and Actual Earnings on Investments	(38,357)
Pension Plan Administrative Expense	45,290
Other Changes in Net Fiduciary Position	-
Total Pension Expense	\$ 693,351

¹ Each year's gain or loss is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are provided pensions through this pension plan. This average is 4.32 years as of January 1, 2019.

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

Amortization of Investments (Gains)/Losses

Year Established	2015	2016	2017	2018	2019	Total
Investment (Gain)/Loss	\$ 502,529	\$ (25,145)	\$ (745,648)	\$ 1,270,454	\$ (1,193,971)	
Years Recognized:						
2015	\$ 100,506					\$ 100,506
2016	100,506	\$ (5,029)				95,477
2017	100,506	(5,029)	\$ (149,130)			(53,653)
2018	100,506	(5,029)	(149,130)	\$ 254,091		200,438
2019	100,505	(5,029)	(149,130)	254,091	\$ (238,794)	(38,357)
2020		(5,029)	(149,130)	254,091	(238,794)	(138,862)
2021			(149,128)	254,091	(238,794)	(133,831)
2022				254,090	(238,794)	15,296
2023					(238,795)	(238,795)

Determination of Difference in Projected and Actual Earnings on Pension Plan Investments

Expected Return	\$ 652,922
Actual Return	(1,846,893)
(Gain)/Loss on Pension Plan Investments	\$ (1,193,971)

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Amortization of Difference between Actual and Expected Experience

Year Established	2016	2018	TOTAL
Experience (Gain)/Loss	\$ 92,722	\$ 581,854	
Amortization Period	4.49	4.32	
Years Recognized:			
2016	\$ 20,651		\$ 20,651
2017	20,651		20,651
2018	20,651	\$ 134,688	155,339
2019	20,651	134,688	155,339
2020	10,118	134,688	144,806
2021		134,688	134,688
2022		43,102	43,102

Amortization of Change in Actuarial Assumptions

Year Established	2019
Change in Actuarial Assumptions	\$ 386,639
Amortization Period	4.32
Years Recognized:	
2019	\$ 89,500
2020	89,500
2021	89,500
2022	89,500
2023	28,639

Determination of Difference in Expected and Actual Actuarial Accrued Liability

Actuarial Accrued Liability	\$ 12,305,643
Expected Actuarial Accrued Liability	(11,919,004)
Difference	\$ 386,639

Calculation of Expected Future Service

Calculation of Expected Future Service	Active	Terminated	Retired	Total
Total Expected Future Service	151.15	0.00	0.00	151.15
Plan-Members	19	1	15	35
Average Expected Future Service				<u><u>4.32</u></u>

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2019, the actuarially determined pension expense is \$693,351. The Borough has deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2019:

Deferred Outflows and Inflows of Resources Related to Pension

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Projected and Actual Experience	\$ 322,596	\$ -
Net Difference in Projected and Actual Earnings on Plan Investments	-	(496,192)
Changes in Actuarial Assumptions	297,139	-
Totals	\$ 619,735	\$ (496,192)

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

2020	\$ 95,444
2021	90,357
2022	147,898
2023	(210,156)

Reconciliation of Pension Expense with Net Pension Liability

Change in Net Pension Liability, Net of Other Changes	\$ (883,649)
Change in Deferred (Outflows) of Resources	517,622
Change in Deferred Inflows of Resources	496,192
Employer Contributions	563,186
Total Pension Expense	\$ 693,351

Employer Contributions

Contributions Required and Contributions Made:

The actuarially determined employer contribution, (ADEC) to the retirement fund for 2019 was the 2019 Minimum Municipal Obligation of \$563,186. The Borough contributed \$563,186 toward the plan's ADEC for 2019, including General Municipal Pension System State aid allocated to the plan. Employee contributions in 2019 totaled \$30,656.

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Determination of Actuarially Determined Employer Contribution (ADEC)

The ADEC is equal to the Minimum Municipal Obligation determined for the fiscal year, based on the most recent actuarial valuation report. The Minimum Municipal Obligation for 2019 was determined as follows:

Based on Actuarial Valuation as of:	1/1/2017
Normal Cost Percentage	10.3%
Administrative Expense Percentage	1.5%
 Estimated W-2 Payroll for Previous Year	 \$ 1,889,153
Normal Cost	194,583
Administrative Expense	<u>28,337</u>
Annual Cost	222,920
Amortization Payment	<u>368,603</u>
Total Financial Requirement	591,523
Member Contributions Anticipated (1.0% of Payroll)	(28,337)
Funding Adjustment	<u>-</u>
Minimum Municipal Obligation	<u><u>\$ 563,186</u></u>

The funding of the Minimum Municipal Obligation is shown below:

Municipal Contributions:	
State Aid Portion	\$ 194,579
Local Portion	<u>368,607</u>
Total Municipal Contributions	<u><u>\$ 563,186</u></u>

Notes to Schedules

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1 of the fiscal year in which the contributions are reported.

The methods and assumptions used to determine contribution rates are as follow:

Actuarial Cost Method:

- Entry Age Normal Actuarial Cost Method
- Amortization Method: Level Dollar, Closed
- Remaining Amortization Period: 9 years
- Asset Valuation Method: The actuarial value of assets is equal to the market value adjusted to recognize investment gains and losses over a four-year period, limited to 20% above or below the market value.
- Inflation: 3.0%
- Salary Increases: 5.0%

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

- Investment Rate of Return: 7.5%
- Retirement Age: Members are assumed retired on their normal retirement date, or on the valuation date, if later.
- Mortality: RP-2000 Table.

Deferred Retirement Option Plan

On November 29, 2006, the Borough adopted a Deferred Retirement Option Program (DROP) for Borough police officers.

Under the plan an active participant who has satisfied the eligibility requirements for normal retirement may elect to participate in the DROP plan, defer receipt of his normal retirement benefit, and continue employment with the Borough by filing a written application with the Borough. Participation in the DROP shall be for a period of not less than 12 months or more than 60 months.

Prior to participation in the DROP plan, an eligible participant must:

- a) Identify a binding and irrevocable resignation date from employment from the borough that also disclosed the date on which employee will begin participation in the DROP plan.
- b) Execute an irrevocable written election to participate in the DROP plan.
- c) Complete all other required documents requested by the Pension Committee.

Effective with the participant's date of participation in the DROP plan, the participant's normal retirement benefit under the Plan, effective date of participation in the DROP plan, and effective date of termination of participation in the DROP plan shall be fixed.

The participant's normal retirement benefit shall be calculated as of his effective date of participation in the DROP plan. The participant's normal retirement may be increased by cost-of-living increases.

If a DROP plan participant becomes eligible for a disability pension benefit and terminates employment, the monthly normal retirement benefit of the DROP plan participant shall cease.

During the period of the DROP plan, the participant's monthly normal retirement benefit shall be credited to his DROP account on the first day of each month. Interest shall be credited on the balance in the DROP account at the rate of 1% per annum. The monthly normal retirement benefit credited to the DROP account during the month of the participant's death or termination of the DROP, if earlier, shall be a fraction of the final monthly normal retirement benefit credited to the DROP account pro-rated for the month.

A participant may not draw from nor access his DROP account during the period of participation in the DROP plan.

Upon termination from the DROP plan, the participant shall be separated from employment with the Borough. The participant shall receive distribution of the balance in his DROP account in a lump sum within 30 days following the participant's separation from employment with the Borough. The normal retirement benefit shall commence to the participant.

Upon the death of a participant during his participation in the DROP plan, the participant's named beneficiary shall be entitled to payment of the balance in the participant's account in a lump sum.

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

401(a) Pension Plan

All employees of the Borough hired after January 1, 2008, are ineligible for the Borough's Non-Uniformed Defined Benefit Pension Plan. The Borough has a 401(a) plan known as the Borough of Quakertown 401(a) Plan. The plan provides retirement benefits for the participants. This plan is in accordance with Internal Revenue Code Section 401(a). This plan provides for employer and employee contribution at the election of the Borough. For 2019, the Borough elected to require both employee and employer contributions. In 2019, contributions totaling \$124,337 were contributed to the plan by the Borough and Borough employees.

All contributions made to the plan, all property and rights purchased with those amounts, and all income attributable to such amounts, are solely the property of and rights of the participants. Participant's rights created under the plan are equivalent and, in an amount, equal to the market value of the participant's account maintained for each participant.

Deferred Compensation Plan

The Borough has adopted the Deferred Compensation Plan for voluntary participation of eligible municipal employees. The plan is in accordance with Internal Revenue Code Section 457 and permits the employees to defer a portion of their current salary until future years. The deferred amounts are not available to employees until termination, retirement, death or unforeseeable emergency.

All compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to such amounts, are solely the property and rights of the participants. Participants' rights created under the plan are equivalent and, in an amount, equal to the fair market value of the deferred account maintained with respect to each participant.

OTHER POST EMPLOYMENT BENEFITS

Post-Retirement Medical Reimbursement Benefit Plan for Police Officers

The Borough provides a post-retirement medical reimbursement plan to its police officers. In order to be eligible, the police officer must have been hired prior to December 31, 2017, be employed full-time by the borough and must have been employed continually for twenty-five years and attain the age of 50 years old at retirement. Participants in this Post-Retirement Health Reimbursement Arrangement may submit claims for the reimbursement of Qualifying Medical Premiums up to \$8,500 per year with a maximum life-time benefit of \$85,000. The benefit has a term of no more than twenty years from the first date an officer receives a reimbursement pursuant to this plan.

As allowed by GASB 75, the alternative measurement method permissible for plans with fewer than 100 employees (active and inactive) was used to determine the funding status of the plan. Based on this measurement method it was determined that the plan was fully funded as of December 31, 2019 and no provision for unfunded liability was necessary.

Note 11 – Deferred Inflows of Resources

The Borough deferred donations to the Main Street park renovation project in the amount of \$114,345. As of December 31, 2019, none of these funds have been expended. In addition, the Borough had a total of \$1,043,419 related to pension liabilities recorded as deferred inflows of resources. The amount related to pension liabilities recorded for deferred inflows of resources for governmental activities was \$728,982 and the amount related to pension liabilities recorded as deferred inflows of resources for business-type activities was \$314,437.

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

Note 12 – Deferred Outflows of Resources

The Borough had a total of \$894,468 related to pension liabilities recorded as deferred outflows of resources. The amount related to pension liabilities recorded for deferred outflows of resources recorded for governmental activities was \$736,606 and the amount related to pension liabilities recorded as deferred outflows for business-type activities was \$157,862.

Note 13 - Contingencies

Litigation

The Borough of Quakertown is currently not involved in any material litigation proceedings.

Note 14 – Risk Management

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

Note 15 – Fund Balances

Detailed information about aggregated fund balances:

Assigned Fund Balances

Capital Projects Fund	\$ 735,962
TOTAL	\$ 735,962

Restricted Fund Balances

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

State Liquid Fuels Fund	\$ 564,739
TOTAL	\$ 564,739

Note 16 – Prior Period Adjustment

In accordance with GASB 84, Fiduciary Activities, the restricted net position for Individuals, Organizations, and Other Governments and the change in fiduciary net position are now recognized on the financial statements. The resulting prior period adjustment for the Escrow Fund and the Police Health Reimbursement Arrangement Fund are \$336,835, and \$165,637, respectively.

Note 17 – Subsequent Events

On March 13, 2020, the President of the United States declared a national emergency concerning the novel coronavirus disease (COVID-19) outbreak.

The full impact of the coronavirus continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Borough's financial condition and future results of operations. Management is actively monitoring the situation and its impact on the Borough's financial

THE BOROUGH OF QUAKERTOWN
Notes to Financial Statements
Year Ended December 31, 2019

condition. Given the daily evolution of the coronavirus and the global responses to curb its spread, the Borough is currently not able to estimate the effects of the coronavirus on its results of operations and financial condition.

While the Borough considers these disruptions to be temporary, if it continues, the situation could have an adverse effect on the Borough's future operations.

The subsequent events have been evaluated through June 17, 2020, which is the date of the financial statements were available to be issued.



Borough Council
The Borough of Quakertown
35 North Third Street
Quakertown, PA 18951

**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 Quakertown, Bucks County, PA, as of and for the year ended December 31, 2019, which collectively comprise the Borough of Quakertown's basic financial statements, and have issued our report thereon dated June 17, 2020. 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 Quakertown'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 Quakertown's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Quakertown'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 Borough of Quakertown's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

BOROUGH COUNCIL

We noted certain matters that we reported to management of the Borough of Quakertown in a separate letter dated June 17, 2020.

Purposes of this Report

This 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 Borough'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 Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Hutchinson, Gillahan & Freeh, P.C.

June 17, 2020



REQUIRED SUPPLEMENTAL INFORMATION

THE BOROUGH OF QUAKERTOWN
Required Supplementary Information
December 31, 2019

Schedule of Changes in Net Pension Liability and Related Ratios
Police Pension Plan

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY					
Service Cost	\$ 199,170	\$ 172,911	\$ 194,989	\$ 115,844	\$ 163,083
Interest	925,987	809,077	766,907	709,275	663,552
Differences between Expected and Actual Expense	386,639	581,854	(544)	142,182	-
Benefits payments, including refunds of member contributions	<u>(316,653)</u>	<u>(519,227)</u>	<u>(235,880)</u>	<u>(220,156)</u>	<u>(218,288)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,195,143	1,044,615	725,472	747,145	608,347
TOTAL PENSION LIABILITY, BEGINNING	<u>11,919,004</u>	<u>10,874,389</u>	<u>10,148,917</u>	<u>9,401,772</u>	<u>8,793,425</u>
TOTAL PENSION LIABILITY, ENDING	<u>\$ 13,114,147</u>	<u>\$ 11,919,004</u>	<u>\$ 10,874,389</u>	<u>\$ 10,148,917</u>	<u>\$ 9,401,772</u>
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	563,186	573,479	563,018	545,802	536,145
Contributions - Member	30,656	88,836	19,963	18,602	18,461
Net Investment Income	1,846,893	(586,388)	1,315,273	531,417	(18,346)
Benefit Payments, including Refunds of Member Contributions	(316,653)	(519,227)	(235,880)	(220,156)	(218,288)
Administrative Expense	<u>(45,290)</u>	<u>(32,723)</u>	<u>(36,251)</u>	<u>(28,518)</u>	<u>(26,320)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,078,792	(476,023)	1,626,123	847,147	291,652
PLAN NET POSITION, BEGINNING	<u>8,589,679</u>	<u>9,065,702</u>	<u>7,439,579</u>	<u>6,592,432</u>	<u>6,300,780</u>
PLAN NET POSITION, ENDING	<u>\$ 10,668,471</u>	<u>\$ 8,589,679</u>	<u>\$ 9,065,702</u>	<u>\$ 7,439,579</u>	<u>\$ 6,592,432</u>
Borough's Net Pension Liability (Asset)	<u>\$ 2,445,676</u>	<u>\$ 3,329,325</u>	<u>\$ 1,808,687</u>	<u>\$ 2,709,338</u>	<u>\$ 2,809,340</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.35%	72.07%	83.37%	73.30%	70.12%
Internal Money-Weighted Rate of Return	21.17%	-6.73%	17.36%	8.07%	0.29%
Covered Employee Payroll	<u>\$ 1,819,886</u>	<u>\$ 1,951,922</u>	<u>\$ 1,926,645</u>	<u>\$ 1,886,283</u>	<u>\$ 1,821,078</u>
Borough's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	<u>134.39%</u>	<u>170.57%</u>	<u>93.88%</u>	<u>143.63%</u>	<u>154.27%</u>

THE BOROUGH OF QUAKERTOWN
Required Supplementary Information
December 31, 2019

Schedule of Pension Contributions
Police Pension Plan

<u>YEAR</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Employer Contributions (ADEC)	\$ 563,186	\$ 573,479	\$ 563,018	\$ 545,802	\$ 563,145
Contributions Towards the ADEC	<u>(563,186)</u>	<u>(573,479)</u>	<u>(563,018)</u>	<u>(545,802)</u>	<u>(563,145)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,819,886	\$ 1,951,922	\$ 1,926,645	\$ 1,886,283	\$ 1,821,078
Contributions as a % of Covered Payroll	30.95%	29.38%	29.22%	28.94%	29.44%
<u>YEAR</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially Determined Employer Contributions (ADEC)	\$ 403,613	\$ 402,008	\$ 406,593	\$ 347,966	\$ 354,154
Contributions Towards the ADEC	<u>(403,613)</u>	<u>(402,008)</u>	<u>(406,593)</u>	<u>(347,966)</u>	<u>(354,154)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,695,181	\$ 1,668,541	\$ 1,528,038	\$ 1,560,486	\$ 1,473,176
Contributions as a % of Covered Payroll	23.81%	24.09%	26.61%	22.30%	24.04%

THE BOROUGH OF QUAKERTOWN
Required Supplementary Information
December 31, 2019

Schedule of Changes in the Net Pension Liability and Related Ratios
Non-Uniform Pension Plan

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY					
Service Cost	\$ 122,025	\$ 193,770	\$ 208,628	\$ 193,770	\$ 215,614
Interest	827,545	757,375	727,464	719,150	681,521
Differences between Expected and Actual Expense	499,686	67,871	(68,318)	(395,062)	-
Benefits payments, including refunds of member contributions	<u>(513,667)</u>	<u>(509,036)</u>	<u>(436,884)</u>	<u>(369,127)</u>	<u>(378,021)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	935,589	509,980	430,890	148,731	519,114
TOTAL PENSION LIABILITY, BEGINNING	<u>10,669,055</u>	<u>10,159,075</u>	<u>9,728,185</u>	<u>9,579,454</u>	<u>9,060,340</u>
TOTAL PENSION LIABILITY, ENDING	<u>\$ 11,604,644</u>	<u>\$ 10,669,055</u>	<u>\$ 10,159,075</u>	<u>\$ 9,728,185</u>	<u>\$ 9,579,454</u>
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	177,307	219,772	359,062	398,790	401,064
Contributions - Member	51,708	42,476	37,175	28,924	19,881
Net Investment Income	2,021,971	(660,426)	1,602,684	671,414	(19,358)
Benefit Payments, including Refunds of Member Contributions	(513,667)	(509,036)	(436,884)	(369,127)	(378,021)
Administrative Expense	<u>(42,548)</u>	<u>(39,181)</u>	<u>(43,851)</u>	<u>(33,549)</u>	<u>(36,070)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,694,771	(946,395)	1,518,186	696,452	(12,504)
PLAN NET POSITION, BEGINNING	<u>9,735,793</u>	<u>10,682,188</u>	<u>9,164,002</u>	<u>8,467,550</u>	<u>8,480,054</u>
PLAN NET POSITION, ENDING	<u>\$ 11,430,564</u>	<u>\$ 9,735,793</u>	<u>\$ 10,682,188</u>	<u>\$ 9,164,002</u>	<u>\$ 8,467,550</u>
Borough's Net Pension Liability (Asset)	<u>\$ 174,080</u>	<u>\$ 933,262</u>	<u>\$ (523,113)</u>	<u>\$ 564,183</u>	<u>\$ 1,111,904</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.50%	91.25%	105.15%	94.20%	88.39%
Internal Money-Weighted Rate of Return	20.88%	-6.59%	17.40%	8.03%	-0.23%
Covered Employee Payroll	<u>\$ 1,779,475</u>	<u>\$ 1,718,074</u>	<u>\$ 1,720,472</u>	<u>\$ 1,934,886</u>	<u>\$ 1,972,003</u>
Borough's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	<u>9.78%</u>	<u>54.32%</u>	<u>(30.41%)</u>	<u>29.16%</u>	<u>56.38%</u>

THE BOROUGH OF QUAKERTOWN
Required Supplementary Information
December 31, 2019

Schedule of Pension Contributions
Non-Uniform Pension Plan

<u>YEAR</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Employer Contributions (ADEC)	\$ 177,307	\$ 194,308	\$ 359,062	\$ 398,790	\$ 401,064
Contributions Towards the ADEC	<u>(177,307)</u>	<u>(219,772)</u>	<u>(359,062)</u>	<u>(398,790)</u>	<u>(401,064)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (25,464)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,779,475	\$ 1,718,074	\$ 1,720,472	\$ 1,934,886	\$ 1,972,003
Contributions as a % of Covered Payroll	9.96%	12.79%	20.87%	20.61%	20.34%
<u>YEAR</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially Determined Employer Contributions (ADEC)	\$ 290,322	\$ 287,384	\$ 298,984	\$ 307,724	\$ 269,428
Contributions Towards the ADEC	<u>(290,322)</u>	<u>(287,384)</u>	<u>(298,984)</u>	<u>(307,724)</u>	<u>(269,428)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,886,206	\$ 1,912,075	\$ 1,886,206	\$ 2,165,861	\$ 2,151,885
Contributions as a % of Covered Payroll	15.39%	15.03%	15.85%	14.21%	12.52%

THE BOROUGH OF QUAKERTOWN
Modified Approach to Reporting Infrastructure Assets
Required Supplemental Information
December 31, 2019

As permitted by GASB Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis – for State and Local Governments, the Borough has adopted the modified approach for reporting infrastructure assets. Under the modified approach, depreciation is not reported, and certain preservation and maintenance costs are expenses.

The modified approach requires that the Borough:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale in order to document that the eligible infrastructure assets are being preserved approximately at (or above) the condition level established and disclosed by the government, and
- Estimate each fiscal year the annual amount needed to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

Condition Assessments

The Borough performs yearly condition assessments through its Maintenance Assessment Program. Under this program, visual inspections are conducted on the infrastructure asset. For each section of highway observed, various factors are assessed scores from 0 to 5 (0 = N/A, 1 = Failed, 2 = Poor, 3 = Fair, 4 = Good, 5 = Excellent) in order to determine the condition of the highways. Each factor within a component is weighted according to importance and each component is weighted according to importance to determine the overall condition of the System. The overall score is converted to a percentage measurement for reporting (1 = 20%, 2 = 40%, 3 = 60%, 4 = 80% and 5 = 100%).

Assessed Conditions

The Borough has adopted a minimum condition level of 80% for the System based on the condition assessments. Fiscal year 2010 was the first year that a condition assessment was conducted.

Fiscal Year	Condition Assessment (Minimum 80%)
2019	79.8%
2018	82.3%
2017	82%
2016	80%
2015	82%
2014	82%
2013	78%
2012	74%
2011	74%
2010	70%

THE BOROUGH OF QUAKERTOWN
Modified Approach to Reporting Infrastructure Assets
Required Supplemental Information
December 31, 2019

Estimated and Actual Costs for Maintenance

The table below provides a comparison between the Borough's estimate of maintenance expenditures required to maintain the System at or above the adopted condition level and the actual expenditures.

	Year 2019	Year 2018	Year 2017	Year 2016	Year 2015
Estimate	\$ 2,706,955	\$ 1,945,449	\$ 1,937,325	\$ 2,303,675	\$ 1,218,666
Actual	-	-	629,840	-	-

	Year 2014	Year 2013	Year 2012	Year 2011	Year 2010
Estimate	\$ 919,057	\$ 1,142,093	\$ 744,528	\$ 913,674	\$ 1,064,558
Actual	279,792	337,757	53,214	211,433	300,359

Factors Affecting Condition Assessments

The Borough continues to develop its methods for determining such estimates. As additional experience is acquired in the estimation and reporting processes, the Borough hopes to achieve a greater correlation between the estimated maintenance expenditures needed to maintain the System at or above the adopted condition levels and the condition level of the System. In comparing actual expenditures to estimated expenditures, factors such as increases in traffic, legislative mandates, budgetary constraints, and environmental effects (rainfall, drought, hurricane, freeze thaw, etc.) should be considered as they may have a major impact on needed funds and the condition of system roads.

OTHER SUPPLEMENTAL INFORMATION

THE BOROUGH OF QUAKERTOWN
Combining Statement of Net Position
All Pension Trust Funds
For the Year Ended December 31, 2019

	POLICE PENSION TRUST FUND	NON- UNIFORMED PENSION TRUST FUND	MEDICAL REIMBURSEMENT BENEFIT PLAN FUND	DEFERRED COMPENSATION PLAN FUND	TOTAL TRUST FUNDS
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 172,206	\$ 199,948	\$ 28,125	\$ -	\$ 400,279
Investments	10,469,693	11,202,057	375,654	728,514	22,775,918
Accrued Investment Income	26,664	27,696	580	-	54,940
Due from Other Funds	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
TOTAL ASSETS	<u>\$ 10,668,563</u>	<u>\$ 11,429,701</u>	<u>\$ 404,359</u>	<u>\$ 728,514</u>	<u>\$ 23,231,137</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-
Due to Police Officers	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>NET POSITION</u>					
Restricted for Employee Benefits	10,668,563	11,429,701	404,359	728,514	23,231,137
TOTAL NET POSITION	<u>\$ 10,668,563</u>	<u>\$ 11,429,701</u>	<u>\$ 404,359</u>	<u>\$ 728,514</u>	<u>\$ 23,231,137</u>

THE BOROUGH OF QUAKERTOWN
Combining Statement of Additions, Deductions and Changes in Net Position
All Pension Trust Funds
For the Year Ended December 31, 2019

	POLICE PENSION TRUST FUND	NON- UNIFORMED PENSION TRUST FUND	MEDICAL REIMBURSEMENT BENEFIT PLAN FUND	DEFERRED COMPENSATION PLAN FUND	TOTAL TRUST FUNDS
ADDITIONS:					
Contributions - Employer	\$ 368,607	\$ 18,082	\$ 25,000	\$ 6,270	\$ 417,959
Contributions - Employee	30,674	51,708	-	16,147	98,529
Contributions - Private Sources	-	-	-	-	-
State Aid	194,579	159,225	-	101,920	455,724
Miscellaneous	-	-	-	-	-
INVESTMENT EARNINGS:					
Interest and Dividends	314,059	349,931	9,926	-	673,916
Change in Fair Value of Investments	1,532,833	1,672,040	59,932	116,573	3,381,378
TOTAL ADDITIONS	<u>2,440,752</u>	<u>2,250,986</u>	<u>94,858</u>	<u>240,910</u>	<u>5,027,506</u>
DEDUCTIONS:					
Administrative Charges	37,189	37,548	1,080	372	76,189
Investment Expenses	8,100	5,000	-	-	13,100
Miscellaneous	-	-	-	14,872	14,872
Employee Benefits	316,653	514,530	-	-	831,183
TOTAL DEDUCTIONS	<u>361,942</u>	<u>557,078</u>	<u>1,080</u>	<u>15,244</u>	<u>935,344</u>
CHANGES IN NET POSITION	2,078,810	1,693,908	93,778	225,666	4,092,162
NET POSITION - BEGINNING OF YEAR	<u>8,589,753</u>	<u>9,735,793</u>	<u>310,581</u>	<u>502,848</u>	<u>19,138,975</u>
NET POSITION - END OF YEAR	<u>\$ 10,668,563</u>	<u>\$ 11,429,701</u>	<u>\$ 404,359</u>	<u>\$ 728,514</u>	<u>\$ 23,231,137</u>

THE BOROUGH OF QUAKERTOWN
Combining Statement of Net Position
All Proprietary Funds
As of December 31, 2019

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
ASSETS						
CURRENT ASSETS:						
Cash and Cash Equivalents	\$ 3,732,019	\$ 1,909,853	\$ 2,566,195	\$ 165,473	\$ 68,000	\$ 8,441,540
Investments	1,531,714	-	3,661,316	-	-	5,193,030
Accounts Receivable (Net of Allowance for Doubtful Accounts)	2,556,462	159,180	39,061	-	65,893	2,820,596
Intergovernmental Receivable	-	-	-	-	-	-
Prepaid Expenses	-	33,912	20,785	-	-	54,697
Due from Other Funds	-	-	-	-	-	-
TOTAL CURRENT ASSETS	7,820,195	2,102,945	6,287,357	165,473	133,893	16,509,863
NON-CURRENT ASSETS:						
Buildings (Net of Depreciation)	5,064,598	1,853,169	4,598,776	581,126	883,770	12,981,439
Improvements other than Buildings (Net of Depreciation)	21,850	17,488	35,130	537,395	945,160	1,557,023
Machinery and Equipment (Net of Depreciation)	850,366	402,298	665,407	35,052	234,262	2,187,385
Construction In Progress	-	-	-	-	-	-
Sewer Lines Infrastructure (Net of Depreciation)	-	-	10,848,943	-	-	10,848,943
Water Lines Infrastructure (Net of Depreciation)	-	7,432,511	-	-	-	7,432,511
TOTAL NON-CURRENT ASSETS	5,936,814	9,705,466	16,148,256	1,153,573	2,063,192	35,007,301
TOTAL ASSETS	\$ 13,757,009	\$ 11,808,411	\$ 22,435,613	\$ 1,319,046	\$ 2,197,085	\$ 51,517,164
DEFERRED OUTFLOWS OF RESOURCES						
	\$ 60,579	\$ 42,336	\$ 54,947	\$ -	\$ -	\$ 157,862
LIABILITIES						
CURRENT LIABILITIES:						
Sales Tax Payable	\$ 10,089	\$ -	\$ -	\$ -	\$ -	\$ 10,089
Accounts Payable	590,381	40,374	47,130	-	1,163	679,048
Accrued Salaries and Benefits	20,867	12,460	19,108	-	1,478	53,913
Due to Other Funds	-	-	-	-	294,687	294,687
Notes Payable	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	621,337	52,834	66,238	-	297,328	1,037,737
NON-CURRENT LIABILITIES:						
Compensated Absences	250,692	163,918	110,425	-	6,041	531,076
Net Pension Liability	38,385	26,826	34,816	-	-	100,027
Notes Payable	-	2,670,000	1,615,000	-	-	4,285,000
TOTAL NON-CURRENT LIABILITIES	289,077	2,860,744	1,760,241	-	6,041	4,916,103
TOTAL LIABILITIES	910,414	2,913,578	1,826,479	-	303,369	5,953,840
DEFERRED INFLOWS OF RESOURCES						
	\$ 120,664	\$ 84,328	\$ 109,445	\$ -	\$ -	\$ 314,437
NET POSITION						
Invested in Capital Assets, Net of Related Debt	5,936,814	7,035,466	14,533,256	1,153,573	2,063,192	30,722,301
Restricted	-	-	-	-	-	-
Unrestricted Net Position	6,849,696	1,817,375	6,021,380	165,473	(169,476)	14,684,448
TOTAL NET POSITION	\$ 12,786,510	\$ 8,852,841	\$ 20,554,636	\$ 1,319,046	\$ 1,893,716	\$ 45,406,749

THE BOROUGH OF QUAKERTOWN
Combining Statement of Revenues, Expenses and Changes in Net Position
All Proprietary Funds
For the Year Ended December 31, 2019

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
<u>OPERATING REVENUES</u>						
Charges for Services	\$ 13,840,796	\$ 1,664,932	\$ 3,921,994	\$ 245,013	\$ 221,993	\$ 19,894,728
Debt Service Fees	-	453,539	-	-	-	453,539
Permits and Fees	82,108	72,002	-	-	-	154,110
Penalties	159,038	25,132	21,231	-	-	205,401
Rental Income	-	70,232	-	-	-	70,232
Other Income	14,694	37,984	8,867	1,091	-	62,636
TOTAL OPERATING REVENUES	14,096,636	2,323,821	3,952,092	246,104	221,993	20,840,646
<u>OPERATING EXPENSES</u>						
Costs of Furnishing Utility	8,214,791	1,253,715	1,747,656	-	-	11,216,162
Costs of Pool Operations	-	-	-	248,397	-	248,397
Cost of Park Operations	-	-	-	-	498,349	498,349
Employee Benefits	349,819	220,306	357,389	9,944	18,057	955,515
Employee Pension	87,380	66,957	93,880	-	-	248,217
Insurance	72,235	55,246	96,717	13,966	4,844	243,008
Debt Service	-	71,173	43,622	-	-	114,795
Depreciation	243,990	293,354	538,715	96,987	50,654	1,223,700
TOTAL OPERATING EXPENSES	8,968,215	1,960,751	2,877,979	369,294	571,904	14,748,143
OPERATING INCOME (LOSS)	5,128,421	363,070	1,074,113	(123,190)	(349,911)	6,092,503
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Interest Earned	117,702	37,503	113,142	4,300	1,590	274,237
Donations	-	-	-	-	37,380	37,380
Insurance Claim Refund	-	-	-	-	10,559	10,559
BCWS Project Reimbursement	-	-	4,229	-	-	4,229
State Aid - Pension	56,325	30,723	46,084	-	-	133,132
Legal Settlement	650,000	-	-	-	-	650,000
Gain (Loss) on Sale of Fixed Assets	-	-	-	-	-	-
Transfers from Other Funds	-	-	-	50,000	150,000	200,000
Transfers to Other Funds	(5,200,000)	(217,100)	(280,000)	-	-	(5,697,100)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(4,375,973)	(148,874)	(116,545)	54,300	199,529	(4,387,563)
CHANGES IN NET POSITION	752,448	214,196	957,568	(68,890)	(150,382)	1,704,940
NET POSITION, JANUARY 1, 2019	12,034,062	8,638,645	19,597,068	1,387,936	2,044,098	43,701,809
NET POSITION, DECEMBER 31, 2019	\$ 12,786,510	\$ 8,852,841	\$ 20,554,636	\$ 1,319,046	\$ 1,893,716	\$ 45,406,749

**INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

THE BOROUGH OF QUAKERTOWN
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2019

REVENUES

TAXES:

Real Estate Taxes - Current	\$ 126,167	
Real Estate Taxes - Prior	2,877	
Real Estate Transfer Tax	242,309	
Earned Income Tax	1,072,411	
Local Services Tax	<u>251,026</u>	\$ 1,694,790

FINES AND FORFEITS:

Motor Vehicle Violations	85,896	
Fines	4,758	
Parking Meters	34,667	
Parking Tickets	<u>8,430</u>	133,751

LICENSES AND PERMITS:

Franchise Fee Cable	165,559	
Permits/Reports	<u>1,180</u>	166,739

INTERGOVERNMENTAL:

Public Utility Realty Tax	1,440	
In Lieu of Taxes	15,000	
Beverage Licenses	2,200	
Pension State Aid	322,591	
Allotment - Fireman's Relief	54,560	
Local Government Units	4,534	
Federal Grants	-	
State Grants	<u>150,428</u>	550,753

CHARGES FOR SERVICES:

General Government	68,213	
Public Safety	468,994	
Culture and Recreation	<u>95,272</u>	632,479

INVESTMENT AND RENTAL EARNINGS:

Interest Income	25,348	
Rentals	<u>9,698</u>	35,046

MISCELLANEOUS:

Contributions and Donations	55,322	
Reimbursements	60,372	
Insurance Claim Refund	1,719	
Other	<u>12,477</u>	<u>129,890</u>

TOTAL REVENUES **\$ 3,343,448**

THE BOROUGH OF QUAKERTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2019

EXPENDITURES

GENERAL GOVERNMENT

LEGAL:

Solicitor	\$ 60,036
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MAYOR, LEGISLATIVE, BOROUGH MANAGER:

Salary	235,585
Materials and Supplies	5,837
Contracted Services	1,554
Association Dues and Conventions	23,174
Advertising, Printing and Postage	10,365
Bonding	3,042
Gasoline	1,893
Uniforms	362
Telephone	12,650
Small Tools and Equipment	7,894

FINANCE AND ACCOUNTING:

Salary	226,674
Auditing	27,635
Office Supplies	186
Bonding	1,217
Association Dues and Conventions	4,563
Contracted Services	19,705

TAX COLLECTION:

Salary	6,000
Contracted Services	1,426

IT-NETWORKING SERVICES-DATA PROCESSING:

Computer Hardware and Software	43,995
Computer Parts and Supplies	2,113
Internet Service	2,549
Contracted IT Services	44,153
Web Design and Maintenance	921

ENGINEERING:

Engineering Fees	92,407
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BUILDINGS AND PLANT:

Building Supplies	1,827
Cleaning Supplies	6,727
Repairs and Maintenance	117,879
Natural Gas/Propane	6,102
Architectural Services	28,942
Contracted Services	16,303

TOTAL GENERAL GOVERNMENT	\$ 1,013,716
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THE BOROUGH OF QUAKERTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2019

PUBLIC SAFETY

POLICE:

Salaries and Benefits	\$ 2,408,110
Office Supplies	6,517
Postage	204
Fuel and Oil	26,763
Uniforms	21,905
K9	27,059
Ammunition	13,103
National Night Out	666
Shop with a Cop	32,082
Vehicle Maintenance and Repair	18,826
Small Tools and Equipment	25,007
Telephone	19,218
Towing	14,548
Advertising and Printing	2,171
Asset Forfeiture	6,809
Police Auxilliary	1,537
Association Dues and Conventions	61,607
Contracted Services	21,255
Capital Purchases	43,155

FIRE:

Contribution to Fire Co.	80,000
Fireman's Relief	54,560
Fire Marshal	62,614
Insurance	43,216
Gasoline	9,962
Fire Truck Repairs	619

INSPECTIONS:

Zoning and Administration	91,005
Salary of Clerical	47,175
Office Supplies	2,541
Fuel and Oil	751
Uniforms	778
Small Tools and Equipment	3,771
Telephone	790
Advertising and Printing	6,471
Association Dues and Conventions	4,720
Contracted Services	<u>4,991</u>

TOTAL PUBLIC SAFETY \$ 3,164,506

THE BOROUGH OF QUAKERTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2019

PUBLIC WORKS

STREET MAINTENANCE AND LIGHTING:

Salaries - Highways and Streets	\$ 905,610	
Office Supplies	544	
Fuel and Oil	47,729	
Uniforms	2,764	
Street and Traffic Signs	18,237	
Road Materials	60,327	
Vehicle Maintenance and Repairs	69,165	
Small Tools and Equipment	15,050	
Telephone	6,979	
Association Dues and Conventions	3,555	
CDL Drug and Alcohol Testing	234	
Equipment	50,700	
Contracted Services	-	
Snow Removal Materials	66,732	
TOTAL PUBLIC WORKS		\$ 1,247,626

CULTURE AND RECREATION

PARKS AND POOL:

Salary	123,253	
Supplies	7,091	
Discount Tickets	15,577	
Vehicle Maintenance and Repairs	780	
Small Tools and Equipment	10,434	
Kids Program	5,502	
Events	25,740	
Contracted Services	109,232	
Field Improvements	9,702	
Advertising and Printing	1,234	
Capital Maintenance	13,318	
TOTAL CULTURE AND RECREATION		321,863

COMMUNITY DEVELOPMENT

Quakertown Alive	75,000	
Façade	13,831	
Senior Center	8,400	
Dues	100	
Small Tools and Equipment	4,675	
Contracted Services	77,833	
Freight House Lease	6,443	
Capital Purchase	38,889	
TOTAL COMMUNITY DEVELOPMENT		225,171

THE BOROUGH OF QUAKERTOWN
General Fund (Cont'd)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2019

EMPLOYER BENEFITS AND WITHHOLDING ITEMS	
Police Pension	\$ 563,186
Non-Uniformed Pension	73,412
Employee Benefits	<u>1,524,199</u>
TOTAL EMPLOYER BENEFITS AND WITHHOLDING ITEMS	\$ 2,160,797
INSURANCE	
Insurance, Casualty, and Surety	124,165
UNCLASSIFIED EXPENDITURES	<u>12,413</u>
TOTAL EXPENDITURES	<u>8,270,257</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(4,926,809)
OTHER FINANCING SOURCES AND OTHER FINANCING USES	
Sale of Fixed Assets	7,101
Refund of Prior Year Expenditures	110,929
Interfund Transfers In	5,497,100
Interfund Transfers Out	<u>-</u>
	<u>5,615,130</u>
NET CHANGE IN FUND BALANCES	688,321
FUND BALANCE - JANUARY 1, 2019	<u>892,612</u>
FUND BALANCE - DECEMBER 31, 2019	<u>\$ 1,580,933</u>

THE BOROUGH OF QUAKERTOWN
Electric Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2019

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 14,700,000	\$ 13,840,796
Permits and Fees	74,000	82,108
Penalties	200,000	159,038
Other Income	<u>101,700</u>	<u>14,694</u>
TOTAL OPERATING REVENUES	<u>15,075,700</u>	<u>14,096,636</u>
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Utility	9,448,755	8,214,791
Employee Benefits	344,200	349,819
Employee Pension	38,100	87,380
Insurance	76,700	72,235
Depreciation	-	243,990
Contingency	<u>759,000</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>10,666,755</u>	<u>8,968,215</u>
OPERATING INCOME	<u>4,408,945</u>	<u>5,128,421</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	53,000	117,702
Gain (Loss) on Sale of Fixed Assets	1,500	-
State Aid - Pension	48,700	56,325
Legal Settlement	-	650,000
Transfers to Other Funds	<u>(5,050,000)</u>	<u>(5,200,000)</u>
TOTAL NON-OPERATING (EXPENSES)	<u>(4,946,800)</u>	<u>(4,375,973)</u>
CHANGES IN NET POSITION	(537,855)	752,448
NET POSITION, JANUARY 1, 2019	<u>537,855</u>	<u>12,034,062</u>
NET POSITION, DECEMBER 31, 2019	<u>\$ -</u>	<u>\$ 12,786,510</u>

THE BOROUGH OF QUAKERTOWN
Water Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2019

	BUDGET	ACTUAL
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 1,600,000	\$ 1,664,932
Penalties	27,000	25,132
Debt Service Fee	457,000	453,539
Other Fees	167,000	72,002
Rental Income	71,200	70,232
Other Income	2,000	37,984
TOTAL OPERATING REVENUES	2,324,200	2,323,821
 <u>OPERATING EXPENSES</u>		
Costs of Furnishing Utility	1,619,540	1,253,715
Employee Benefits	220,600	220,306
Employee Pension	26,600	66,957
Insurance	57,000	55,246
Debt Service	406,525	71,173
Depreciation	-	293,354
Contingency	119,000	-
TOTAL OPERATING EXPENSES	2,449,265	1,960,751
 OPERATING INCOME (LOSS)	 (125,065)	 363,070
 <u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	25,000	37,503
State Aid - Pension	34,100	30,723
Note Proceeds	-	-
Gain (Loss) on Sale of Fixed Assets	2,000	-
Transfers from Other Funds	-	-
Transfers to Other Funds	(217,100)	(217,100)
TOTAL NON-OPERATING (EXPENSES)	(156,000)	(148,874)
 CHANGES IN NET POSITION	 (281,065)	 214,196
 NET POSITION, JANUARY 1, 2019	 281,065	 8,638,645
 NET POSITION, DECEMBER 31, 2019	 \$ -	 \$ 8,852,841

THE BOROUGH OF QUAKERTOWN
Sewer Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2019

	BUDGET	ACTUAL
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 3,931,000	\$ 3,921,994
Penalties	24,000	21,231
Other Income	5,600	8,867
TOTAL OPERATING REVENUES	3,960,600	3,952,092
<u>OPERATING EXPENSES</u>		
Costs of Furnishing Utility	2,343,275	1,747,656
Employee Benefits	345,400	357,389
Employee Pension	34,510	93,880
Insurance	98,900	96,717
Debt Service	248,300	43,622
Depreciation	-	538,715
Contingency	199,000	-
TOTAL OPERATING EXPENSES	3,269,385	2,877,979
OPERATING INCOME	691,215	1,074,113
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Earned	17,000	113,142
Gain (Loss) on Sale of Fixed Assets	1,000	-
State Aid - Pension	43,810	46,084
BCWS Project Reimbursement	-	4,229
Transfers to Other Funds	(280,000)	(280,000)
TOTAL NON-OPERATING (EXPENSES)	(218,190)	(116,545)
CHANGES IN NET POSITION	473,025	957,568
NET POSITION, JANUARY 1, 2019	(473,025)	19,597,068
NET POSITION, DECEMBER 31, 2019	\$ -	\$ 20,554,636

THE BOROUGH OF QUAKERTOWN
Pool Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2019

	BUDGET	ACTUAL
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 232,000	\$ 245,013
Other Income	600	1,091
TOTAL OPERATING REVENUES	232,600	246,104
 <u>OPERATING EXPENSES</u>		
Costs of Pool Operations	282,100	248,397
Employee Benefits	10,100	9,944
Insurance	14,120	13,966
Debt Service	-	-
Depreciation	-	96,987
Contingency	11,000	-
TOTAL OPERATING EXPENSES	317,320	369,294
 OPERATING (LOSS)	 (84,720)	 (123,190)
 <u>NON-OPERATING REVENUES</u>		
Interest Earned	-	4,300
Transfers from Other Funds	50,000	50,000
TOTAL NON-OPERATING REVENUES	50,000	54,300
 CHANGES IN NET POSITION	 (34,720)	 (68,890)
 NET POSITION, JANUARY 1, 2019	 34,720	 1,387,936
 NET POSITION, DECEMBER 31, 2019	 \$ -	 \$ 1,319,046

THE BOROUGH OF QUAKERTOWN
Park Fund
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2019

	BUDGET	ACTUAL
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 291,000	\$ 221,993
Other Income	-	-
TOTAL OPERATING REVENUES	291,000	221,993
<u>OPERATING EXPENSES</u>		
Costs of Park Operations	599,725	498,349
Employee Benefits	20,930	18,057
Insurance	14,950	4,844
Depreciation	-	50,654
Contingency	-	-
TOTAL OPERATING EXPENSES	635,605	571,904
OPERATING (LOSS)	(344,605)	(349,911)
<u>NON-OPERATING REVENUES</u>		
Interest Earned	600	1,590
Donations	163,000	37,380
Insurance Claim Refund	-	10,559
Transfer from Other Funds	-	150,000
TOTAL NON-OPERATING REVENUES	163,600	199,529
CHANGES IN NET POSITION	(181,005)	(150,382)
NET POSITION, JANUARY 1, 2019	181,005	2,044,098
NET POSITION, DECEMBER 31, 2019	\$ -	\$ 1,893,716

**The Borough of Quakertown
Liquid Fuels Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2019**

FUND BALANCE - JANUARY 1, 2019	\$	304,026
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
INTERGOVERNMENTAL:		
Liquid Fuels Tax	\$	245,208
Highway/Turnback Income		5,520
INVESTMENT EARNINGS:		
Interest Earnings		9,985
		260,713
TOTAL FUNDS AVAILABLE		564,739
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
PUBLIC WORKS:		
Highway Construction	\$	-
OTHER FINANCING USES:		
Transfer To Other Funds		-
		-
FUND BALANCE - DECEMBER 31, 2019	\$	564,739

**Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2019**

FUND BALANCE - JANUARY 1, 2019	\$	727,750
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Interest Earnings	\$	14,734
Contributions		25,935
OTHER FINANCING SOURCES:		
Sale of Fixed Assets		-
		40,669
TOTAL FUNDS AVAILABLE		768,419
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
CULTURE AND RECREATION:		
Capital Purchases		25,935
Non-Capital Purchases		-
COMMUNITY DEVELOPMENT:		
Community Expenditures - Capital		-
Community Expenditures - Non-Capital		6,522
OTHER FINANCING USES:		
Transfer To Other Funds		-
		32,457
FUND BALANCE - DECEMBER 31, 2019	\$	735,962

THE BOROUGH OF QUAKERTOWN
Escrow Fund
Statement of Additions Received and Deductions Paid
For the Year Ended December 31, 2019

NET POSITION - JANUARY 1, 2019 (RESTATED - NOTE 16)	\$	336,991
 <u>ADDITIONS RECEIVED:</u>		
Escrow Receipts	\$ 203,719	
Interest Earnings	6,914	210,633
 <u>DEDUCTIONS PAID:</u>		
Escrow Disbursements		(160,789)
 NET POSITION - DECEMBER 31, 2019	 \$	 <u>386,835</u>

Police Health Reimbursement Arrangement Fund
Statement of Additions Received and Deductions Paid
For the Year Ended December 31, 2019

NET POSITION - JANUARY 1, 2019 (RESTATED - NOTE 16)	\$	158,504
 <u>ADDITIONS RECEIVED:</u>		
Employee Contributions	\$ 36,750	
Interest Earnings	-	36,750
 <u>DEDUCTIONS PAID:</u>		
Employee Benefits		(29,617)
 NET POSITION - DECEMBER 31, 2019	 \$	 <u>165,637</u>

THE BOROUGH OF QUAKERTOWN
Medical Reimbursement Benefit Plan Fund
Statement of Additions and Deductions
For the Year Ended December 31, 2019

NET POSITION - BEGINNING OF YEAR		\$ 310,581
ADDITIONS:		
Contributions - Employer	\$ 25,000	
Contributions - Private Sources	-	
INVESTMENT EARNINGS:		
Interest and Dividends	9,926	
Change in Fair Value of Investments	<u>59,932</u>	
TOTAL ADDITIONS	<u>94,858</u>	

DEDUCTIONS:		
Administrative Charges	1,080	
Investment Expenses	-	
Miscellaneous	-	
TOTAL DEDUCTIONS	<u>1,080</u>	
CHANGE IN NET POSITION		<u>93,778</u>
NET POSITION - END OF YEAR		<u><u>\$ 404,359</u></u>

Deferred Compensation Plan Fund
Statement of Additions and Deductions
For the Year Ended December 31, 2019

NET POSITION - BEGINNING OF YEAR		\$ 502,848
ADDITIONS:		
Contributions - Employer	\$ 6,270	
Contributions - Employee	16,147	
State Aid	101,920	
INVESTMENT EARNINGS:		
Interest and Dividends	-	
Change in Fair Value of Investments	<u>116,573</u>	
TOTAL ADDITIONS	<u>240,910</u>	

DEDUCTIONS:		
Administrative Charges	372	
Employee Benefits	-	
Forfeiture Distribution	<u>14,872</u>	
TOTAL DEDUCTIONS	<u>15,244</u>	
CHANGE IN NET POSITION		<u>225,666</u>
NET POSITION - END OF YEAR		<u><u>\$ 728,514</u></u>

BOROUGH OF QUAKERTOWN
Police Pension Trust Fund
Statement of Additions and Deductions
For the Year Ended December 31, 2019

NET POSITION - BEGINNING OF YEAR		\$	8,589,753
ADDITIONS:			
Contributions - Employer	\$	368,607	
Contributions - Employee		30,674	
State Aid		194,579	
INVESTMENT EARNINGS:			
Interest and Dividends		314,059	
Change in Fair Value of Investments		<u>1,532,833</u>	
TOTAL ADDITIONS		<u>2,440,752</u>	
DEDUCTIONS:			
Administrative Charges		37,189	
Investment Expenses		8,100	
Employee Benefits		<u>316,653</u>	
TOTAL DEDUCTIONS		<u>361,942</u>	
CHANGE IN NET POSITION			<u>2,078,810</u>
NET POSITION - END OF YEAR		\$	<u><u>10,668,563</u></u>

Non-Uniformed Pension Trust Fund
Statement of Additions and Deductions
For the Year Ended December 31, 2019

NET POSITION - BEGINNING OF YEAR		\$	9,735,793
ADDITIONS:			
Contributions - Employer		18,082	
Contributions - Employee		51,708	
State Aid		159,225	
INVESTMENT EARNINGS:			
Interest and Dividends		349,931	
Change in Fair Value of Investments		<u>1,672,040</u>	
TOTAL ADDITIONS		<u>2,250,986</u>	
DEDUCTIONS:			
Administrative Charges		37,548	
Investment Expenses		5,000	
Employee Benefits		<u>514,530</u>	
TOTAL DEDUCTIONS		<u>557,078</u>	
CHANGE IN NET POSITION			<u>1,693,908</u>
NET POSITION - END OF YEAR		\$	<u><u>11,429,701</u></u>