

**REPORT ON  
THE BOROUGH OF QUAKERTOWN  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

THE BOROUGH OF QUAKERTOWN

Financial Statements

For the Year Ended December 31, 2020

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Financial Statements

For the Year Ended December 31, 2020

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**FINANCIAL SECTION**

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August 19, 2021

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, 2020, 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, 2020, 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.

### ***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 4-12 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.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report on August 19, 2021, 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

**BOROUGH OF QUAKERTOWN**

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.*

August 19, 2021

**BOROUGH OF QUAKERTOWN**  
**Quakertown, Pennsylvania**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Required Supplementary Information (RSI)**  
**For the Year Ended December 31, 2020**

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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, 2020. 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 \$471,779 including special and extraordinary items. The net assets increased in the governmental activities by \$30,514 and increased in the business-type activities by \$441,265.

During the year, the Borough issued General Obligation Bonds – Series 2020 in the amount of \$20,805,000. The General Obligation Bonds – Series 2020 was issued for future construction projects and to refinance the General Obligation Bonds – Series 2012. The Borough's outstanding debt as of December 31, 2020 is \$20,805,000.



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

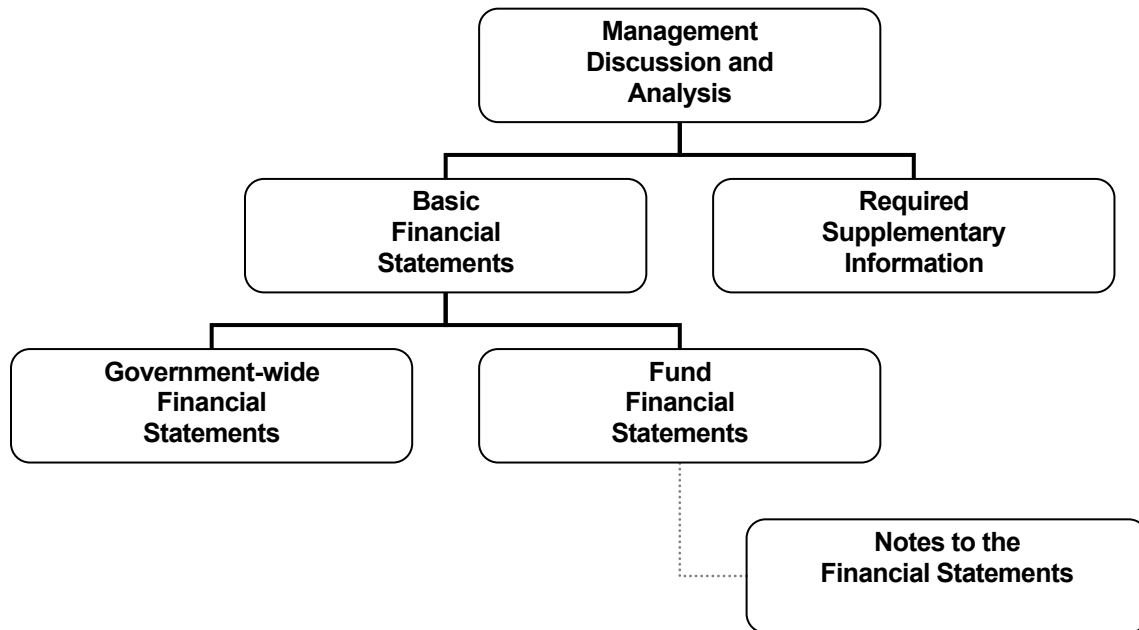
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The remaining statements are fund financial statements that focus on individual parts of the Borough's operations in more detail than the government-wide statements. The governmental funds statements tell how general Borough services were financed 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**

	<b>Fund Statements</b>			
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
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"> <li>• Electric</li> <li>• Water</li> <li>• Sewer</li> <li>• Pool</li> <li>• Park</li> </ul>	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)**

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**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 15, 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)**

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*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, the medical reimbursement benefit plan 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 23-24. The Escrow Fund, Medical Reimbursement Benefit Plan 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 \$67,967,423 at December 31, 2020.

**Table 3 – Net Position**  
**Year Ended December 31, 2020 and 2019**

	2020			2019		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and Other Assets	\$ 51,511,242	\$ 52,098,382	\$ 103,609,624	\$ 26,528,896	\$ 51,675,026	\$ 78,203,922
Current and Other Liabilities	29,391,833	6,250,368	35,642,201	4,440,001	6,268,277	10,708,278
Net Position						
Invested in Capital Assets,						
Net of Related Debt	\$ 23,105,812	\$ 34,136,675	\$ 57,242,487	\$ 22,347,243	\$ 30,722,301	\$ 53,069,544
Unrestricted	(986,403)	11,711,339	10,724,936	(258,348)	14,684,448	14,426,100
<b>TOTAL NET POSITION</b>	<b>\$ 22,119,409</b>	<b>\$ 45,848,014</b>	<b>\$ 67,967,423</b>	<b>\$ 22,088,895</b>	<b>\$ 45,406,749</b>	<b>\$ 67,495,644</b>

The results of this year's operations as a whole are reported in the statement of activities on page 14. 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, 2020 and 2019**

	2020			2019		
	(Accrual Basis)			(Accrual Basis)		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 486,305	\$ 19,020,323	\$ 19,506,628	\$ 754,889	\$ 20,707,778	\$ 21,462,667
Operating Grants and Contributions	2,106,478	123,096	2,229,574	644,714	133,132	777,846
Capital Grants and Contributions	244,353	14,100	258,453	250,728	37,380	288,108
<b>General Revenues</b>						
Properties Taxes	126,856	-	126,856	129,045	-	129,045
Other Taxes Levied for General Purposes	1,690,687	-	1,690,687	1,747,745	-	1,747,745
Grant, Subsidies and Contributions						
Unrestricted	416,807	-	416,807	116,104	-	116,104
BCWS Project Reimbursement	-	-	-	-	4,229	4,229
Investment Earnings	34,169	217,695	251,864	59,765	344,469	404,234
Other Revenue	111,325	37,435	148,760	71,467	723,195	794,662
<b>TOTAL REVENUES</b>	<b>5,216,980</b>	<b>19,412,649</b>	<b>24,629,629</b>	<b>3,774,457</b>	<b>21,950,183</b>	<b>25,724,640</b>
<b>EXPENSES</b>						
<b>Governmental Activities</b>						
General Government	1,044,050	-	1,044,050	1,033,253	-	1,033,253
Public Safety	3,218,005	-	3,218,005	3,124,476	-	3,124,476
Public Works	1,815,756	-	1,815,756	1,219,093	-	1,219,093
Culture and Recreation	346,359	-	346,359	324,421	-	324,421
Community Development	1,564,258	-	1,564,258	222,401	-	222,401
Non-Departmental	2,176,298	-	2,176,298	2,535,198	-	2,535,198
Debt Service Payments	68,012	-	68,012	-	-	-
Depreciation	453,728	-	453,728	429,541	-	429,541
Transfers Between Activities	(5,500,000)	5,500,000	-	(5,497,100)	5,497,100	-
<b>Business-Type Activities</b>						
Electric	-	8,266,830	8,266,830	-	8,968,215	8,968,215
Water	-	1,889,809	1,889,809	-	1,960,751	1,960,751
Sewer	-	2,813,737	2,813,737	-	2,877,979	2,877,979
Pool	-	360,548	360,548	-	369,294	369,294
Park	-	140,460	140,460	-	571,904	571,904
<b>TOTAL EXPENSES</b>	<b>5,186,466</b>	<b>18,971,384</b>	<b>24,157,850</b>	<b>3,391,283</b>	<b>20,245,243</b>	<b>23,636,526</b>
<b>INCREASE IN NET POSITION</b>	<b>\$ 30,514</b>	<b>\$ 441,265</b>	<b>\$ 471,779</b>	<b>\$ 383,174</b>	<b>\$ 1,704,940</b>	<b>\$ 2,088,114</b>

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

**DEBT ADMINISTRATION**

As of January 1, 2020, the Borough had total outstanding debt of \$4,285,000. During the year, the Borough issued General Obligation Bonds – Series 2020 in the amount of \$20,805,000. The General Obligation Bonds – Series 2020 was issued for future construction projects and to refinance the General Obligation Bonds – Series 2012. The Borough's outstanding debt (Table 5) as of December 31, 2020 is \$20,805,000.

**Table 5 - Outstanding Debt**

	2020	2019
2020 General Obligation Bonds	\$ 20,805,000	\$ -
2012 General Obligation Bonds	\$ -	\$ 4,285,000

**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**

	2020			
	Budgeted	Budget	Actual	Variances with
	Original	Amounts Final	(Budgetary	Final Budget
	Original	Amounts Final	Basis)	Positive
				(Negative)
Revenues	\$ 8,672,300	\$ 8,672,300	\$ 8,525,830	\$ (146,470)
Expenditures	9,316,082	9,316,082	8,925,807	390,275
Excess (Deficiency) of Revenues over Expenditures	(643,782)	(643,782)	(399,977)	243,805
Other Financing Sources	-	-	-	-
Net Change in Fund Balance	(643,782)	(643,782)	(399,977)	243,805
Fund Balance - January 1, 2020	643,782	643,782	1,580,933	937,151
Fund Balance - December 31, 2020	\$ -	\$ -	\$ 1,180,956	\$ 1,180,956
<b>2019</b>				
				Variances with
	Budgeted	Budget	Actual	Final Budget
	Original	Amounts Final	(Budgetary	Positive
			Basis)	(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	\$ -	\$ -	\$ 1,580,933	\$ 1,580,933

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

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***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 2021 Budget reflects cautious optimism about the local economy. The 2021 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 2021 budget. Below are a few highlights of 2020, which will have an impact on 2021 and future years:

- After 18 years of contracting the Borough's trash and recycling collection service, on February 1, 2021, we once again started providing the service in-house. The process began in 2020, with hiring staff, and purchasing equipment and vehicles. By bringing this service back in-house, it allows the Borough to provide an efficient and customer friendly service to our residents. The Borough established the Solid Waste Fund-5 to account for the Solid Waste and Recycling funds.
- Although 2020 was a stressful year, due to the COVID-19 pandemic, the Borough did not suffer economically. When asked about the overall economic condition of the Borough of Quakertown, we are pleased to report an increasingly positive outlook for 2021. Borough business continue to improve with an increasing workforce and building expansions.
- The Borough borrowed \$20 million for the following projects:
  - Wastewater Treatment Plant Bio-Gas Project – The design is based on maximizing the use of existing infrastructure at the Wastewater Treatment Plant for co-designation with wastewater sludge with external organics from surrounding food processing facilities, and the utilization of biogas to produce heat and power.
  - Playground Reconstruction – removal of existing wooden play structure and creation of a state-of-the-art all-inclusive playground.
  - For 27 years, children in the Quakertown area have grown up playing and building memories on the Borough's beloved wooden "Panther Playground" located in Memorial Park. Unfortunately, Panther Playground was officially closed as of September 3, 2020, to make room for QuiNBy's Playground, an all-inclusive and multigenerational playground that allows individuals of all ages and abilities an equal opportunity of play.
  - Pool Reconstruction and Splashpad – Repair and upgrade the existing failing Community Pool to include additional features such as a kiddie pool, rock wall, slide and splashpad.

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

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- The Quakertown Community Pool has provided families in the Quakertown Area a place to cool off and build memories since the summer of 1957. During the summer of 2020, the Pool Maintenance staff found a large tear in the pool liner, which caused the pool to lose 2 inches of water per day along with other mechanical issues that were unrepairable forcing the pool to be closed for renovations during the Summer of 2021. The facility will undergo several repairs and upgrades, such as, a new zero-degree kiddie pool, rock wall, slide, and a splashpad. The completion of these projects will offer new and exciting recreational opportunities for the Quakertown area just in time to celebrate 65 years in the Community.
  
- Juniper Street Reconstruction – This project is necessary to eliminate major runoff onto properties due to outdated existing storm water pipes deteriorating and ceasing to properly function. In addition to the replacing storm water pipes, construction will include road resurfacing and the addition of ADA accessibility to sidewalks. This project is part of the Borough's efforts to improve roadway safety, improve the deteriorating roadway surface and improve overall drainage.

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 2021 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.



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**BASIC FINANCIAL STATEMENTS**

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**THE BOROUGH OF QUAKERTOWN**  
**Statement of Net Position**  
**As of December 31, 2020**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and Cash Equivalents	\$ 21,392,494	\$ 10,188,094	\$ 31,580,588
Investments	-	5,271,612	5,271,612
Taxes Receivable	25,879	-	25,879
Accounts Receivable (Net of Allowance for Doubtful Accounts)	1,557,611	2,429,926	3,987,537
Intergovernmental Receivable	-	-	-
Prepaid Expenses	-	72,075	72,075
Internal Balances	4,605,405	-	-
Other Receivables	28,515	-	28,515
<b>TOTAL CURRENT ASSETS</b>	<u>27,609,904</u>	<u>17,961,707</u>	<u>40,966,206</u>
<b>NON-CURRENT ASSETS:</b>			
Land	1,851,952	-	1,851,952
Buildings (Net of Depreciation)	1,265,131	12,535,255	13,800,386
Improvements other than Buildings (Net of Depreciation)	670,940	1,458,259	2,129,199
Machinery and Equipment (Net of Depreciation)	2,531,922	2,269,964	4,801,886
Sewer Lines Infrastructure (Net of Depreciation)	-	10,627,770	10,627,770
Water Lines Infrastructure (Net of Depreciation)	-	7,245,427	7,245,427
Infrastructure	16,045,900	-	16,045,900
Construction in Progress	739,967	-	739,967
Unamortized Bond Issuance Costs	259,253	-	259,253
<b>TOTAL NON-CURRENT ASSETS</b>	<u>23,365,065</u>	<u>34,136,675</u>	<u>57,501,740</u>
<b>TOTAL ASSETS</b>	<u>\$ 50,974,969</u>	<u>\$ 52,098,382</u>	<u>\$ 98,467,946</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 536,273</u>	<u>\$ -</u>	<u>\$ 536,273</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Internal Balances	\$ -	\$ 4,605,405	\$ -
Sales Tax Payable	-	8,304	8,304
Accounts Payable	1,431,926	727,961	2,159,887
Accrued Salaries and Benefits	79,718	40,264	119,982
Interest Payable	68,012	-	68,012
Bonds Payable	455,000	-	455,000
Accrued Compensated Absences	177,562	-	177,562
Other Payables	2,179	-	2,179
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,214,397</u>	<u>5,381,934</u>	<u>2,990,926</u>
<b>NON-CURRENT LIABILITIES:</b>			
Accrued Compensated Absences	887,809	625,605	1,513,414
Net Pension Liability	1,735,792	(363,679)	1,372,113
Unamortized Premiums on Bonds Sold	3,060,937	-	3,060,937
Bonds Payable	20,350,000	-	20,350,000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>26,034,538</u>	<u>261,926</u>	<u>26,296,464</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 28,248,935</u>	<u>\$ 5,643,860</u>	<u>\$ 29,287,390</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 1,142,898</u>	<u>\$ 606,508</u>	<u>\$ 1,749,406</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	23,105,812	34,136,675	57,242,487
Unrestricted	(986,403)	11,711,339	10,724,936
<b>TOTAL NET POSITION</b>	<u>\$ 22,119,409</u>	<u>\$ 45,848,014</u>	<u>\$ 67,967,423</u>

(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, 2020**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>GOVERNMENTAL ACTIVITIES:</b>							
General Government	\$ 1,044,050	\$ 204,993	\$ -	\$ -	\$ (839,057)	\$ -	\$ (839,057)
Public Safety	3,218,005	241,748	224,680	-	(2,751,577)	-	(2,751,577)
Public Works	1,815,756	-	10,899	244,353	(1,560,504)	-	(1,560,504)
Culture and Recreation	346,359	39,564	225,000	-	(81,795)	-	(81,795)
Community Development	1,564,258	-	1,340,621	-	(223,637)	-	(223,637)
Non-Departmental	2,176,298	-	305,278	-	(1,871,020)	-	(1,871,020)
Debt Service Payments	68,012	-	-	-	(68,012)	-	(68,012)
Depreciation	453,728	-	-	-	(453,728)	-	(453,728)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>10,686,466</b>	<b>486,305</b>	<b>2,106,478</b>	<b>244,353</b>	<b>(7,849,330)</b>	<b>-</b>	<b>(7,849,330)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Electric	8,266,830	13,461,967	49,238	-	-	5,244,375	5,244,375
Water	1,889,809	2,231,118	29,543	-	-	370,852	370,852
Sewer	2,813,737	3,183,172	44,315	-	-	413,750	413,750
Pool	360,548	142,866	-	-	-	(217,682)	(217,682)
Park	140,460	1,200	-	14,100	-	(125,160)	(125,160)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 24,157,850</b>	<b>\$ 19,506,628</b>	<b>\$ 2,229,574</b>	<b>\$ 258,453</b>	<b>\$ (7,849,330)</b>	<b>\$ 5,686,135</b>	<b>\$ (2,163,195)</b>
<b>GENERAL REVENUES:</b>							
Property Taxes. Levied for General Purposes					\$ 126,856	\$ -	\$ 126,856
Other Taxes Levied for General Purposes					1,690,687	-	1,690,687
Grants, Subsidies, & Contributions Not Restricted					416,807	-	416,807
BCWS Reimbursement					-	-	-
Investment and Rental Earnings					34,169	217,695	251,864
Legal Settlement					-	-	-
Gain (Loss) on Sale of Fixed Assets					-	-	-
Miscellaneous Income					95,707	37,435	133,142
Insurance Refunds					15,618	-	15,618
Transfers					5,500,000	(5,500,000)	-
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS</b>					<b>7,879,844</b>	<b>(5,244,870)</b>	<b>2,634,974</b>
<b>CHANGE IN NET POSITION</b>					<b>30,514</b>	<b>441,265</b>	<b>471,779</b>
<b>NET POSITION - BEGINNING</b>					<b>22,088,895</b>	<b>45,406,749</b>	<b>67,495,644</b>
<b>NET POSITION - ENDING</b>					<b>\$ 22,119,409</b>	<b>\$ 45,848,014</b>	<b>\$ 67,967,423</b>

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

**THE BOROUGH OF QUAKERTOWN**  
**Balance Sheet**  
**All Governmental Funds**  
**As of December 31, 2020**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>LIQUID FUELS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,261,123	\$ 19,836,437	\$ 294,934	\$ 21,392,494
Investments	-	-	-	-
Taxes Receivable	25,879	-	-	25,879
Accounts Receivable	55,781	1,340,621	-	1,396,402
Intergovernmental Receivable	-	-	-	-
Due from Other Funds	182,676	4,444,985	-	4,627,661
Other Receivables	6,261	-	-	6,261
<b>TOTAL ASSETS</b>	<b><u>\$ 1,531,720</u></b>	<b><u>\$ 25,622,043</u></b>	<b><u>\$ 294,934</u></b>	<b><u>\$ 27,448,697</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Accounts Payable	91,305	1,340,621	-	1,431,926
Accrued Salaries and Benefits	79,718	-	-	79,718
Accrued Compensated Absences	177,562	-	-	177,562
Deferred Revenue	-	51,396	-	51,396
Other Payables	2,179	-	-	2,179
<b>TOTAL LIABILITIES</b>	<b><u>350,764</u></b>	<b><u>1,392,017</u></b>	<b><u>-</u></b>	<b><u>1,742,781</u></b>
<b>FUND BALANCES:</b>				
- Nonspendable	-	-	-	-
- Restricted	-	-	294,934	294,934
- Committed	-	-	-	-
- Assigned	-	24,230,026	-	24,230,026
- Unassigned	1,180,956	-	-	1,180,956
<b>TOTAL FUND BALANCES</b>	<b><u>1,180,956</u></b>	<b><u>24,230,026</u></b>	<b><u>294,934</u></b>	<b><u>25,705,916</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,531,720</u></b>	<b><u>\$ 25,622,043</u></b>	<b><u>\$ 294,934</u></b>	<b><u>\$ 27,448,697</u></b>

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, 2020**

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**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 25,705,916

**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 \$28,204,679 and the accumulated depreciation is \$5,098,867. 23,105,812

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. 161,208

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:

Bonds Payable	\$ (20,805,000)	
Unamortized Bond Premium	(3,060,937)	
Unamortized Bond Issuance Costs	259,253	
Accrued Interest on the Bonds	(68,012)	
Compensated Absences	(887,810)	
GASB 68 Liability	(2,291,021)	
Other Retirement Benefits	-	(26,853,527)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 22,119,409**

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, 2020**

	GENERAL	CAPITAL PROJECTS	LIQUID FUELS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Taxes	\$ 1,642,991	\$ -	\$ -	\$ 1,642,991
Licenses and Permits	158,985	-	-	158,985
Fines and Forfeits	76,804	-	-	76,804
Intergovernmental	422,563	1,565,621	244,354	2,232,538
Charges for Services	403,366	-	-	403,366
Investment and Rental Earnings	23,684	6,842	3,643	34,169
Contributions	-	323,664	-	323,664
Miscellaneous	180,602	-	-	180,602
<b>TOTAL REVENUES</b>	<b>2,908,995</b>	<b>1,896,127</b>	<b>247,997</b>	<b>5,053,119</b>
<b>EXPENDITURES</b>				
<b>CURRENT:</b>				
General Government	1,024,697	-	-	1,024,697
Public Safety	3,324,443	-	-	3,324,443
Public Works	1,639,290	-	517,802	2,157,092
Culture and Recreation	342,124	650,938	-	993,062
Community Development	228,699	1,357,809	-	1,586,508
Non-Departmental	2,366,554	-	-	2,366,554
<b>DEBT SERVICE:</b>				
Principal	-	-	-	-
Interest	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>8,925,807</b>	<b>2,008,747</b>	<b>517,802</b>	<b>11,452,356</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(6,016,812)</b>	<b>(112,620)</b>	<b>(269,805)</b>	<b>(6,399,237)</b>
<b>OTHER FINANCING SOURCES</b>				
Refund of Prior Year Expenditures	116,835	-	-	116,835
General Obligation Bonds 2020 Proceeds	-	20,805,000	-	20,805,000
Bond Premiums	-	3,060,937	-	3,060,937
Underwriter's Discount	-	(82,180)	-	(82,180)
Fiscal Agent Fees	-	(177,073)	-	(177,073)
Interfund Transfers In	5,500,000	-	-	5,500,000
Interfund Transfers Out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>5,616,835</b>	<b>23,606,684</b>	<b>-</b>	<b>29,223,519</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(399,977)</b>	<b>23,494,064</b>	<b>(269,805)</b>	<b>22,824,282</b>
<b>FUND BALANCES - BEGINNING</b>	<b>1,580,933</b>	<b>735,962</b>	<b>564,739</b>	<b>2,881,634</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 1,180,956</b>	<b>\$ 24,230,026</b>	<b>\$ 294,934</b>	<b>\$ 25,705,916</b>

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, 2020**

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**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 22,824,282**

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	\$ (453,728)	
	Asset Deletions	-	
	Capital Outlays	<u>1,212,297</u>	758,569

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. 97,370

In the statement of activities, the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which proceeds exceeded repayments. (23,674,697)

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. 24,990

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 30,514**

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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, 2020**

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and Cash Equivalents	\$ 4,644,266	\$ 2,437,061	\$ 2,998,329	\$ 40,421	\$ 68,017	\$ 10,188,094
Investments	1,558,167	-	3,713,445	-	-	5,271,612
Accounts Receivable (Net of Allowance for Doubtful Accounts)	1,901,915	226,498	246,513	-	55,000	2,429,926
Intergovernmental Receivable	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	72,075	72,075
Due from Other Funds	-	-	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>8,104,348</b>	<b>2,663,559</b>	<b>6,958,287</b>	<b>40,421</b>	<b>195,092</b>	<b>17,961,707</b>
<b>NON-CURRENT ASSETS:</b>						
Buildings (Net of Depreciation)	4,902,514	1,821,879	4,378,182	566,618	866,062	12,535,255
Improvements other than Buildings (Net of Depreciation)	19,690	16,739	35,130	460,085	926,615	1,458,259
Machinery and Equipment (Net of Depreciation)	1,049,543	359,127	607,243	35,165	218,886	2,269,964
Construction in Progress	-	-	-	-	-	-
Sewer Lines Infrastructure (Net of Depreciation)	-	-	10,627,770	-	-	10,627,770
Water Lines Infrastructure (Net of Depreciation)	-	7,245,427	-	-	-	7,245,427
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5,971,747</b>	<b>9,443,172</b>	<b>15,648,325</b>	<b>1,061,868</b>	<b>2,011,563</b>	<b>34,136,675</b>
<b>TOTAL ASSETS</b>	<b>\$ 14,076,095</b>	<b>\$ 12,106,731</b>	<b>\$ 22,606,612</b>	<b>\$ 1,102,289</b>	<b>\$ 2,206,655</b>	<b>\$ 52,098,382</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Sales Tax Payable	\$ 8,304	\$ -	\$ -	\$ -	\$ -	\$ 8,304
Accounts Payable	642,342	39,525	46,094	-	-	727,961
Accrued Salaries and Benefits	16,215	9,456	13,651	-	942	40,264
Due to Other Funds	-	2,685,945	1,624,773	-	294,687	4,605,405
Notes Payable	-	-	-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>666,861</b>	<b>2,734,926</b>	<b>1,684,518</b>	<b>-</b>	<b>295,629</b>	<b>5,381,934</b>
<b>NON-CURRENT LIABILITIES:</b>						
Compensated Absences	274,000	204,816	137,846	-	8,943	625,605
Net Pension Liability	(137,523)	(96,868)	(129,288)	-	-	(363,679)
Notes Payable	-	-	-	-	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>136,477</b>	<b>107,948</b>	<b>8,558</b>	<b>-</b>	<b>8,943</b>	<b>261,926</b>
<b>TOTAL LIABILITIES</b>	<b>803,338</b>	<b>2,842,874</b>	<b>1,693,076</b>	<b>-</b>	<b>304,572</b>	<b>5,643,860</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 179,078</b>	<b>\$ 126,138</b>	<b>\$ 168,354</b>	<b>\$ -</b>	<b>\$ 132,938</b>	<b>\$ 606,508</b>
<b>NET POSITION</b>						
Invested in Capital Assets, Net of Related Debt	5,971,747	9,443,172	15,648,325	1,061,868	2,011,563	34,136,675
Restricted	-	-	-	-	-	-
Unrestricted Net Position	7,121,932	(305,453)	5,096,857	40,421	(242,418)	11,711,339
<b>TOTAL NET POSITION</b>	<b>\$ 13,093,679</b>	<b>\$ 9,137,719</b>	<b>\$ 20,745,182</b>	<b>\$ 1,102,289</b>	<b>\$ 1,769,145</b>	<b>\$ 45,848,014</b>

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, 2020**

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
<b><u>OPERATING REVENUES</u></b>						
Charges for Services	\$ 13,206,588	\$ 1,704,258	\$ 3,177,174	\$ 142,866	\$ 1,200	\$ 18,232,086
Debt Service Fees	-	452,583	-	-	-	452,583
Permits and Fees	205,011	67,624	-	-	-	272,635
Penalties	50,368	6,653	5,998	-	-	63,019
Rental Income	-	72,370	-	-	-	72,370
Other Income	3,172	28,240	6,003	20	-	37,435
<b>TOTAL OPERATING REVENUES</b>	<b>13,465,139</b>	<b>2,331,728</b>	<b>3,189,175</b>	<b>142,886</b>	<b>1,200</b>	<b>19,130,128</b>
<b><u>OPERATING EXPENSES</u></b>						
Costs of Furnishing Utility	7,607,809	1,236,509	1,793,332	-	-	10,637,650
Costs of Pool Operations	-	-	-	239,889	-	239,889
Costs of Park Operations	-	-	-	-	69,082	69,082
Employee Benefits	357,255	232,768	342,283	7,671	15,029	955,006
Employee Pension	(18,806)	(12,708)	(14,429)	-	-	(45,943)
Insurance	67,398	57,499	103,347	15,833	4,720	248,797
Debt Service	-	80,391	49,272	-	-	129,663
Depreciation	253,174	295,350	539,932	97,155	51,629	1,237,240
<b>TOTAL OPERATING EXPENSES</b>	<b>8,266,830</b>	<b>1,889,809</b>	<b>2,813,737</b>	<b>360,548</b>	<b>140,460</b>	<b>13,471,384</b>
<b>OPERATING INCOME (LOSS)</b>	<b>5,198,309</b>	<b>441,919</b>	<b>375,438</b>	<b>(217,662)</b>	<b>(139,260)</b>	<b>5,658,744</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>						
Interest Earned	59,622	13,416	70,793	905	589	145,325
Donations	-	-	-	-	14,100	14,100
BCWS Project Reimbursement	-	-	-	-	-	-
Insurance Claim Refund	-	-	-	-	-	-
State Aid - Pension	49,238	29,543	44,315	-	-	123,096
Economic Development Grant	-	-	-	-	-	-
Gain (Loss) on Sale of Fixed Assets	-	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	(5,000,000)	(200,000)	(300,000)	-	-	(5,500,000)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(4,891,140)</b>	<b>(157,041)</b>	<b>(184,892)</b>	<b>905</b>	<b>14,689</b>	<b>(5,217,479)</b>
<b>CHANGES IN NET POSITION</b>	<b>307,169</b>	<b>284,878</b>	<b>190,546</b>	<b>(216,757)</b>	<b>(124,571)</b>	<b>441,265</b>
<b>NET POSITION, JANUARY 1, 2020</b>	<b>12,786,510</b>	<b>8,852,841</b>	<b>20,554,636</b>	<b>1,319,046</b>	<b>1,893,716</b>	<b>45,406,749</b>
<b>NET POSITION, DECEMBER 31, 2020</b>	<b>\$ 13,093,679</b>	<b>\$ 9,137,719</b>	<b>\$ 20,745,182</b>	<b>\$ 1,102,289</b>	<b>\$ 1,769,145</b>	<b>\$ 45,848,014</b>

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, 2020**

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>						
Cash Received from Users	\$ 14,116,514	\$ 2,237,082	\$ 2,975,720	\$ 142,841	\$ 145,031	\$ 19,617,188
Cash Received from Other Operating Revenue	3,172	27,328	6,003	45	-	36,548
Cash Payments to Employees for Services	(1,174,050)	(747,352)	(1,075,116)	(81,645)	(56,766)	(3,134,929)
Cash Payments to Suppliers for Goods and Services	(6,827,689)	(815,660)	(1,207,225)	(181,246)	(102,937)	(9,134,757)
Cash Payments to Other Operating Expenses	-	(38)	-	(502)	-	(540)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>6,117,947</b>	<b>701,360</b>	<b>699,382</b>	<b>(120,507)</b>	<b>(14,672)</b>	<b>7,383,510</b>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>						
State Sources	49,238	29,543	44,315	-	-	123,096
Donations	-	-	-	-	14,100	14,100
BCWS Project Reimbursement	-	-	-	-	-	-
Insurance Claim Refund	-	-	-	-	-	-
Economic Development Grant	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	(5,000,000)	(200,000)	(300,000)	-	-	(5,500,000)
<b>NET CASH PROVIDED BY (USED) FOR NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(4,950,762)</b>	<b>(170,457)</b>	<b>(255,685)</b>	<b>-</b>	<b>14,100</b>	<b>(5,362,804)</b>
<b><u>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</u></b>						
Loan Principal Payments/Proceeds	-	(2,670,000)	(1,615,000)	-	-	(4,285,000)
Purchase of Fixed Assets	(288,107)	(33,056)	(40,000)	(5,450)	-	(366,613)
Sale of Fixed Assets	-	-	-	-	-	-
Interfund Loan Payments	-	2,685,945	1,624,773	-	-	4,310,718
<b>NET CASH (USED) FOR CAPITAL FINANCING ACTIVITIES</b>	<b>(288,107)</b>	<b>(17,111)</b>	<b>(30,227)</b>	<b>(5,450)</b>	<b>-</b>	<b>(340,895)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>						
Sale of Investments	-	-	1,531,241	-	-	1,531,241
Purchase of Investments	(26,453)	-	(1,583,370)	-	-	(1,609,823)
Earnings on Investments	59,622	13,416	70,793	905	589	145,325
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>33,169</b>	<b>13,416</b>	<b>18,664</b>	<b>905</b>	<b>589</b>	<b>66,743</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>912,247</b>	<b>527,208</b>	<b>432,134</b>	<b>(125,052)</b>	<b>17</b>	<b>1,746,554</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>3,732,019</b>	<b>1,909,853</b>	<b>2,566,195</b>	<b>165,473</b>	<b>68,000</b>	<b>8,441,540</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 4,644,266</b>	<b>\$ 2,437,061</b>	<b>\$ 2,998,329</b>	<b>\$ 40,421</b>	<b>\$ 68,017</b>	<b>\$ 10,188,094</b>

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, 2020**

**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	
<b>OPERATING INCOME (LOSS)</b>	\$ 5,198,309	\$ 441,919	\$ 375,438	\$ (217,662)	\$ (139,260)	\$ 5,658,744
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>						
Depreciation	253,174	295,350	539,932	97,155	51,629	1,237,240
<b>CHANGE IN ASSETS AND LIABILITIES:</b>						
(Increase) Decrease in Accounts Receivable	654,547	(67,318)	(207,452)	-	10,893	390,670
(Increase) Decrease in Prepaid Expenses	-	33,912	20,785	-	(72,075)	(17,378)
(Increase) Decrease in Deferred Outflows	60,579	42,336	54,947	-	-	157,862
Increase (Decrease) in Accounts Payable	51,961	(849)	(1,037)	-	(1,163)	48,912
Increase (Decrease) in Accrued Salaries and Benefits	(4,652)	(3,004)	(5,457)	-	(536)	(13,649)
Increase (Decrease) in Sales Tax Payable	(1,785)	-	-	-	-	(1,785)
Increase (Decrease) in GASB 68 Pension Liability	(175,908)	(123,694)	(164,104)	-	-	(463,706)
Increase (Decrease) in Deferred Inflows	58,414	41,810	58,909	-	132,938	292,071
Increase (Decrease) in Compensated Absences	23,308	40,898	27,421	-	2,902	94,529
<b>TOTAL ADJUSTMENTS</b>	<u>919,638</u>	<u>259,441</u>	<u>323,944</u>	<u>97,155</u>	<u>124,588</u>	<u>1,724,766</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 6,117,947</u>	<u>\$ 701,360</u>	<u>\$ 699,382</u>	<u>\$ (120,507)</u>	<u>\$ (14,672)</u>	<u>\$ 7,383,510</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, 2020**

	PENSION AND MEDICAL BENEFIT TRUST FUNDS	CUSTODIAL FUNDS		
		ESCROW FUND	MEDICAL REIMBURSEMENT BENEFIT PLAN FUND	POLICE HEALTH REIMBURSEMENT ARRANGEMENT FUND
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 416,546	\$ 104,113	\$ 29,633	\$ 202,522
Investments	25,179,163	-	449,676	-
Accrued Investment Income	40,727	-	403	-
Accounts Receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 25,636,436</b>	<b>\$ 104,113</b>	<b>\$ 479,712</b>	<b>\$ 202,522</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 1,266	\$ -	\$ -
Advance Deposits	-	-	-	-
Due to General Fund	-	-	-	22,256
Due to Escrow Holders	-	-	-	-
Due to Police Officers	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>1,266</b>	<b>-</b>	<b>22,256</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET POSITION</b>				
Restricted for:				
Individuals, Organizations, and Other Governments	\$ -	\$ 102,847	\$ 479,712	\$ 180,266
Employee Benefits	25,636,436	-	-	-
<b>TOTAL NET POSITION</b>	<b>\$ 25,636,436</b>	<b>\$ 102,847</b>	<b>\$ 479,712</b>	<b>\$ 180,266</b>

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, 2020**

	PENSION AND MEDICAL BENEFIT TRUST FUNDS	CUSTODIAL FUNDS		
		ESCROW FUND	MEDICAL REIMBURSEMENT BENEFIT PLAN FUND	POLICE HEALTH REIMBURSEMENT ARRANGEMENT FUND
<b>ADDITIONS:</b>				
Contributions - Employer	\$ 458,770	\$ -	\$ 25,000	\$ -
Contributions - Employee	106,961	-	-	-
Contributions - Private Sources	-	-	-	-
State Aid	428,373	-	-	-
Employee Contribution Receipts	-	-	-	38,000
Escrow Receipts	-	296,227	-	-
<b>INVESTMENT EARNINGS:</b>				
Interest and Dividends	481,768	2,132	12,628	-
Change in Fair Value of Investments	2,256,667	-	43,879	-
<b>TOTAL ADDITIONS</b>	<u>3,732,539</u>	<u>298,359</u>	<u>81,507</u>	<u>38,000</u>
<b>DEDUCTIONS:</b>				
Administrative Charges	75,969	-	6,154	-
Investment Expenses	5,750	-	-	-
Miscellaneous	-	-	-	-
Employee Benefits	841,162	-	-	-
Employee Benefit Disbursements	-	-	-	23,371
Escrow Disbursements	-	582,347	-	-
<b>TOTAL DEDUCTIONS</b>	<u>922,881</u>	<u>582,347</u>	<u>6,154</u>	<u>23,371</u>
<b>NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION</b>	2,809,658	(283,988)	75,353	14,629
<b>NET POSITION - JANUARY 1, 2020</b>	<u>22,826,778</u>	<u>386,835</u>	<u>404,359</u>	<u>165,637</u>
<b>NET POSITION - DECEMBER 31, 2020</b>	<u>\$ 25,636,436</u>	<u>\$ 102,847</u>	<u>\$ 479,712</u>	<u>\$ 180,266</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, 2020**

	<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>
<b>RESOURCES (INFLOW):</b>						
Taxes	\$ 1,575,300	\$ 1,575,300	\$ 1,642,991	\$ 67,691	\$ -	\$ 1,642,991
Licenses and Permits	181,800	181,800	158,985	(22,815)	-	158,985
Fines and Forfeits	90,000	90,000	76,804	(13,196)	-	76,804
Intergovernmental	696,100	696,100	422,563	(273,537)	-	422,563
Charges for Services	542,700	542,700	403,366	(139,334)	-	403,366
Miscellaneous	78,500	78,500	164,984	86,484	-	164,984
Sale of Fixed Assets	10,500	10,500	-	(10,500)	-	-
Insurance Claim Refund	10,000	10,000	15,618	5,618	-	15,618
Investment and Rental Earnings	36,400	36,400	23,684	(12,716)	-	23,684
Refund of Prior Year Expenditures	-	-	116,835	116,835	-	116,835
Transfers from Other Funds	5,451,000	5,451,000	5,500,000	49,000	-	5,500,000
<b>TOTAL RESOURCES</b>	<b>8,672,300</b>	<b>8,672,300</b>	<b>8,525,830</b>	<b>(146,470)</b>	<b>-</b>	<b>8,525,830</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>						
<b>General Government</b>						
Legal	58,000	58,000	41,266	16,734	-	41,266
Mayor, Legislative, Borough Manager	310,100	310,100	312,267	(2,167)	-	312,267
Finance and Accounting	281,517	281,517	286,728	(5,211)	-	286,728
Tax Collection	7,500	7,500	7,290	210	-	7,290
IT-Networking Services-Data Processing	80,800	80,800	101,204	(20,404)	-	101,204
Engineering	105,000	105,000	114,978	(9,978)	-	114,978
Buildings and Plant	182,700	182,700	160,964	21,736	-	160,964
<b>Public Safety</b>						
Police	2,970,750	2,970,750	2,906,950	63,800	-	2,906,950
Fire Department	251,500	251,500	254,980	(3,480)	-	254,980
Inspections	167,850	167,850	162,513	5,337	-	162,513
<b>Public Works</b>						
Solid Waste and Collection	5,880	5,880	10,713	(4,833)	-	10,713
Street Maintenance and Lighting	1,682,600	1,682,600	1,628,577	54,023	-	1,628,577
<b>Culture and Recreation</b>						
Parks	375,766	375,766	342,124	33,642	-	342,124
<b>Community Development</b>						
Non-Departmental	274,500	274,500	228,699	45,801	-	228,699
<b>Employer Paid Benefits and Withholding Items</b>						
Employer Paid Benefits and Withholding Items	2,270,919	2,270,919	2,240,591	30,328	-	2,240,591
Insurance	117,700	117,700	113,123	4,577	-	113,123
Miscellaneous	12,000	12,000	12,840	(840)	-	12,840
Budgetary Reserve	161,000	161,000	-	161,000	-	-
Transfer to Other Funds	-	-	-	-	-	-
<b>TOTAL CHARGES TO APPROPRIATIONS</b>	<b>9,316,082</b>	<b>9,316,082</b>	<b>8,925,807</b>	<b>390,275</b>	<b>-</b>	<b>8,925,807</b>
Excess (Deficiency) of Inflows Over Outflows	(643,782)	(643,782)	(399,977)	243,805	-	(399,977)
<b>FUND BALANCE - JANUARY 1, 2020</b>	<b>643,782</b>	<b>643,782</b>	<b>1,580,933</b>	<b>937,151</b>	<b>-</b>	<b>1,580,933</b>
<b>FUND BALANCE - DECEMBER 31, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,180,956</b>	<b>\$ 1,180,956</b>	<b>\$ -</b>	<b>\$ 1,180,956</b>

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

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**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, grants and contributions that are restricted to meeting the operational or capital requirements of a

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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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, 2020**

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**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.

**Capital Projects Fund**

The Capital Projects Fund is used for funding major projects for the Borough. Debt used to finance these projects is recorded in this fund and expenditures related to Capital Projects are paid from this Fund.

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

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

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

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

*Sewer Fund* This fund accounts for the financial transactions related to providing wastewater 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 three (3) trust funds, consisting of a Police Pension Fund, a Non-Uniform Pension Fund and a Defined Compensation Plan Fund. Custodial Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Borough has three (3) Custodial Funds, consisting of an Escrow Fund, a Medical Reimbursement Benefit Plan 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

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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identify the relationship between the government-wide statements and the statements for governmental funds.

***E. Budgets and Budgetary Accounting***

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

1. 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, 2020**

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**G. Implementation of New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following standards that were scheduled to take effect for the 2020 year:

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

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance

On May 8, 2020, GASB postponed by one year the effective dates of certain provisions in these pronouncements (GASB Statement 95).

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* – Effective date postponed 18 months by GASB 95– Now effective for fiscal year 2022

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – Effective date postponed one year by GASB 95 – Now effective for fiscal year 2021

GASB Statement No. 91, *Conduit Debt Obligations* – Effective date postponed one year by GASB 95 – Now effective for fiscal year 2022

GASB Statement No. 92, *Omnibus 2020* – Effective date postponed one year by GASB 95 – Now effective for fiscal year 2021

GASB Statement No. 93, *Replacement of Interbank Offered Rates* – Effective date postponed one year by GASB 95 – Now various portions effective in fiscal year 2022

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

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* - Effective for fiscal year 2023

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* - Effective for fiscal year 2022 (with certain pension reporting requirements effective immediately)

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

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**I. Assets, Liabilities and Net Assets**

*Cash and Cash Equivalents*

For purposes of the Statement of Cash Flows, the Proprietary Fund type considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

*Investments*

In accordance with GASB Statement 31, investments are stated at fair value, except:

- a) Non-participating interest earning investment contracts are recorded at amortized cost;
- b) Money market investments and participating interest earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and,
- c) Investments held in 2a7-like pools (Pennsylvania Local Government Investment Trust, and the Pennsylvania Treasurer's Invest Program) are recorded at the pool's share price.

*Receivables and Payables*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

*Real Estate Taxes*

The total taxable assessed real estate valuation for the year ended 2020 is \$79,604,160 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 lien 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.

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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- **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.

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 BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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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, 2020, 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.

*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 \$23,105,812. 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 BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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The details of this \$26,853,527 difference are:

Bonds Payable	\$ (20,805,000)
Unamortized Bond Premium	(3,060,937)
Unamortized Bond Issuance Costs	259,253
Accrued Interest on the Bonds	(68,012)
Compensated Absences	(887,810)
GASB 68 Liability	<u>(2,291,021)</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net assets - governmental activities"	<u><b>\$ (26,853,527)</b></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.
- 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.

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

**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
<b><u>REVENUES AND OTHER SOURCES</u></b>					
<b><u>LOCAL SOURCES</u></b>					
Property Taxes	\$ 126,856	\$ -	\$ -	\$ -	\$ 126,856
Other Taxes Levied for General Purposes	1,288,874	16,667	-	-	1,305,541
Franchises Taxes	157,885	-	-	-	157,885
Local Service Taxes	227,261	-	-	-	227,261
Grant, Subsidies and Contributions					
Not Restricted	416,807	-	-	-	416,807
Investment and Rental Earnings	34,169	-	-	-	34,169
Miscellaneous	180,602	(84,895)	-	-	95,707
Insurance Refunds	15,618	-	-	-	15,618
Charges to Services	254,216	232,089	-	-	486,305
Gain (Loss) on Sale of Fixed Assets	-	-	-	-	-
Refund of Prior Year Expenditures	116,835	(116,835)	-	-	-
General Obligation Bonds 2020 Proceeds	20,805,000	-	-	(20,805,000)	-
Bond Premiums	3,060,937	-	-	(3,060,937)	-
Transfers In	5,500,000	-	-	-	5,500,000
<b><u>STATE SOURCES</u></b>					
Operating and Capital Grants & Contributions	2,350,831	-	-	-	2,350,831
<b><u>FEDERAL SOURCES</u></b>					
Operating and Capital Grants & Contributions	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>34,535,891</b>	<b>47,026</b>	<b>-</b>	<b>(23,865,937)</b>	<b>10,716,980</b>
<b><u>EXPENDITURES / EXPENSES AND OTHER USES</u></b>					
General Government	1,024,697	26,323	(6,970)	-	1,044,050
Public Safety	3,324,443	42,743	(149,181)	-	3,218,005
Public Works	2,157,092	41,622	(382,958)	-	1,815,756
Culture and Recreation	993,062	4,235	(650,938)	-	346,359
Community Development	1,586,508	-	(22,250)	-	1,564,258
Non-Departmental	2,366,554	(190,256)	-	-	2,176,298
Debt Service Payments	-	68,012	-	-	68,012
Underwriter's Discount	82,180	-	-	(82,180)	-
Fiscal Agent Fees	177,073	-	-	(177,073)	-
Depreciation	-	-	453,728	-	453,728
Transfers Out	-	-	-	-	-
<b>TOTAL EXPENDITURES / EXPENSES</b>	<b>11,711,609</b>	<b>(7,321)</b>	<b>(758,569)</b>	<b>(259,253)</b>	<b>10,686,466</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ 22,824,282</b>	<b>\$ 54,347</b>	<b>\$ 758,569</b>	<b>\$ (23,606,684)</b>	<b>\$ 30,514</b>



**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**Note 4 - Cash**

*Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a policy for custodial credit risk. As of December 31, 2020, \$16,519,848 of the Borough's bank balance of \$18,349,848 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		16,519,848
<b>TOTAL</b>	<b>\$</b>	<b><u>16,519,848</u></b>

*Reconciliation to Financial Statements*

Uncollateralized Amount Above	\$	16,519,848
Plus: Insured Amount		1,830,000
Deposits in Transit		50,236
Less: Outstanding Checks		<u>(420,909)</u>
Carry Amount - Bank Balances		17,979,175
Plus: Petty Cash		2,550
Deposits in Investment Pools Considered Cash Equivalents		20,257,109
Deposits in Money Market Mutual Funds Considered Cash Equivalents		446,179
Less: Certificates in Deposit Considered Investments		<u>(6,351,611)</u>
<b>TOTAL CASH PER FINANCIAL STATEMENTS</b>	<b>\$</b>	<b><u>32,333,402</u></b>

*Restricted Cash*

The cash balance includes \$416,546 held for pension benefits, \$104,113 held as utility escrow funds, \$29,633 held in the Medical Reimbursement Benefit Plan Fund and \$202,522 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**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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, 2020, the Borough had the following investments:

<b>Investments</b>	<b>Maturities</b>	<b>Fair Value</b>
PA Local Government Investment Trust		\$ 20,257,109
Federal Institutional Government Obligation Fund		446,179
Common Stocks		11,245,069
Corporate Bonds	1 mos. - 9 yrs. 7 mos.	3,254,185
U.S. Government Agency Bonds	3 yrs. 8 mos. - 11 yrs. 10 mos.	1,856,319
Certificates of Deposit	1 mos. - 9 yrs. 8 mos.	6,351,611
Mutual Funds		8,193,267
<b>TOTAL</b>		<b>\$ 51,603,739</b>

**Fair Value Reporting**

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

**Interest Rate Risk**

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

**Credit Risk**

The Borough has no investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2020, the Borough's significant investments were rated as:

<b>Investments</b>	<b>Standard &amp; Poor's</b>
PLGIT	AAA
Common Stocks	Not Available
Corporate Bonds	Not Available
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, 2020**

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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 a certificate of deposit at Univest Bank. This certificate of deposit represents 6.04% 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 6.96% and 6.74%, 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 59.11% and 40.89%, 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, 2020, the Borough had the following investments that were subject to foreign currency risk:

Name	Amount
<b>Corporate Bonds:</b>	
Barclays Bank PLC 2.35% due 10/18/21	\$ 50,325
<b>Mutual Funds:</b>	
American Funds Europacific Growth Fund	1,815,581
Vanguard Total International ETF	1,756,913
ICMA International/Global Stock Funds	61,598
<b>Direct Equity Holdings:</b>	
TE Connectivity Ltd.	349,045

Reconciliation to Financial Statements

Total Investments Above	\$ 51,603,739
Less: Deposits in Investment Pool Consideration Cash Equivalents	(20,257,109)
Deposits in Money Market Mutual Funds Considered Cash Equivalents	(446,179)
<b>TOTAL</b>	<b>\$ 30,900,451</b>

Restricted Investments

The investments include \$25,628,839 held for future pension obligation for the uniform and non-uniform pension plans, the 401A Retirement Plan, and Post-Retirement Medical Plan.

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

**Note 6 - Receivables**

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

	General Fund	Capital Project Funds	Liquid Fuels Fund	Electric Fund	Water Fund	Sewer Fund	Pool Fund	Park Fund	Fiduciary Funds	Total
<b>Receivables</b>										
Taxes	\$ 25,879	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,879
Accounts	55,781	1,340,621	-	2,002,255	238,419	259,208	-	55,000	-	3,951,284
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Other	6,261	-	-	-	-	-	-	-	-	6,261
<b>Gross Receivables</b>	<b>87,921</b>	<b>1,340,621</b>	<b>-</b>	<b>2,002,255</b>	<b>238,419</b>	<b>259,208</b>	<b>-</b>	<b>55,000</b>	<b>-</b>	<b>3,983,424</b>
Less: Allowance for Uncollectibles	-	-	-	(100,340)	(11,921)	(12,695)	-	-	-	(124,956)
<b>Net Receivables</b>	<b>\$ 87,921</b>	<b>\$ 1,340,621</b>	<b>\$ -</b>	<b>\$ 1,901,915</b>	<b>\$ 226,498</b>	<b>\$ 246,513</b>	<b>\$ -</b>	<b>\$ 55,000</b>	<b>\$ -</b>	<b>\$ 3,858,468</b>

**Note 7 – Capital Assets**

Capital asset balances and activity for the year ending December 31, 2020, were:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets not being depreciated:				
Land	\$ 1,851,952	\$ -	\$ -	\$ 1,851,952
Construction-in-Progress	89,029	650,938	-	739,967
Infrastructure	16,045,900	-	-	16,045,900
<b>Total Capital Assets not being depreciated</b>	<b>17,986,881</b>	<b>650,938</b>	<b>-</b>	<b>18,637,819</b>
Capital Assets being depreciated:				
Buildings	2,598,415	-	-	2,598,415
Improvements Other than Buildings	1,620,033	-	-	1,620,033
Machinery and Equipment	4,787,053	561,359	-	5,348,412
<b>Total Capital Assets Being depreciated</b>	<b>9,005,501</b>	<b>561,359</b>	<b>-</b>	<b>9,566,860</b>
Less: Accumulated Depreciation for:				
Buildings	(1,287,529)	-	(45,755)	(1,333,284)
Improvements Other than Buildings	(894,606)	-	(54,487)	(949,093)
Machinery and Equipment	(2,463,004)	-	(353,486)	(2,816,490)
<b>Total Accumulated Depreciation</b>	<b>(4,645,139)</b>	<b>-</b>	<b>(453,728)</b>	<b>(5,098,867)</b>
<b>Total Capital Assets Being depreciated</b>				
<b>Net of Accumulated Depreciation</b>	<b>4,360,362</b>	<b>561,359</b>	<b>(453,728)</b>	<b>4,467,993</b>
<b>Governmental Activities Capital Assets</b>				<b>-</b>
<b>Net of Accumulated Depreciation</b>	<b>\$ 22,347,243</b>	<b>\$ 1,212,297</b>	<b>\$ (453,728)</b>	<b>\$ 23,105,812</b>
<b>Business-Type Activities</b>				
Capital Assets not being depreciated:				
Construction-In-Progress	-	-	-	-
Capital Assets being depreciated:				
Buildings	26,913,492	33,056	-	26,946,548
Improvements Other than Buildings	3,367,308	-	-	3,367,308
Machinery and Equipment	3,990,854	333,558	-	4,324,412
Sewer Lines Infrastructure	14,023,215	-	-	14,023,215
Water Lines Infrastructure	11,075,945	-	-	11,075,945
Less: Accumulated Depreciation	(24,363,513)	-	(1,237,240)	(25,600,753)
<b>Business-Type Activities Capital Assets</b>				
<b>Net of Accumulated Depreciation</b>	<b>\$ 35,007,301</b>	<b>\$ 366,614</b>	<b>\$ (1,237,240)</b>	<b>\$ 34,136,675</b>

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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The depreciation was charged to the governmental activities as follows:

Depreciation – Unallocated            \$453,728

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

Depreciation – Unallocated            \$1,237,240

**Note 8 – Short-Term Debt**

*Interfund Receivables and Payables*

The following Interfund receivable and payables were in existence as of December 31, 2020.

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General Fund	\$ 182,676	\$ -
Capital Projects Fund	4,444,985	-
Water (Proprietary) Fund	-	2,685,945
Sewer (Proprietary) Fund	-	1,624,773
Park (Proprietary) Fund	-	294,687
Police Health Reimbursement Arrangement (Custodial) Fund	-	22,256
<b>TOTAL</b>	<b><u>\$ 4,627,661</u></b>	<b><u>\$ 4,627,661</u></b>

*Interfund Transfers*

The Borough also made the following interfund transfers during the year ended December 31, 2020.

	<b>Transfer In</b>	<b>Transfer Out</b>
General Fund	\$ 5,500,000	\$ -
Enterprise (Electric) Fund	-	5,000,000
Enterprise (Water) Fund	-	200,000
Enterprise (Sewer) Fund	-	300,000
<b>TOTAL</b>	<b><u>\$ 5,500,000</u></b>	<b><u>\$ 5,500,000</u></b>

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
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**Note 9 – Long-Term Debt Commitment**

Long-Term Liability balances and activity for the year ended December 31, 2020, were:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr
<b>Governmental Activities:</b>					
Compensated Absences	\$ 916,913	\$ 148,458	\$ -	\$ 1,065,371	\$ 177,562
General Obligation Bonds Payable	-	20,805,000	-	20,805,000	455,000
<b>Total Governmental Activities</b>					
<b>Long-Term Liabilities</b>	<b>\$ 916,913</b>	<b>\$ 20,953,458</b>	<b>\$ -</b>	<b>\$ 21,870,371</b>	<b>\$ 632,562</b>
<b>Business-Type Activities</b>					
General Obligation Bonds Payable	\$ 4,285,000	\$ -	\$ 4,285,000	\$ -	\$ -
Compensated Absences	531,076	94,529	-	625,605	-
<b>Total Business-Type Activities</b>					
<b>Long-Term Liabilities</b>	<b>\$ 4,816,076</b>	<b>\$ 94,529</b>	<b>\$ 4,285,000</b>	<b>\$ 625,605</b>	<b>\$ -</b>

Payments on bonds were made by the Sewer Fund, Water Fund, and Capital Projects Fund.

Total interest paid during the year:

<b>Governmental Activities</b>		<b>Paid</b>
General Obligation Bonds Payable		\$ -
<b>Total Interest Paid by Governmental Activities</b>		<b>\$ -</b>
<b>Business-Type Activities</b>		<b>Paid</b>
General Obligation Bonds Payable		\$ 129,663
<b>Total Interest Paid by Business-Type Activities</b>		<b>\$ 129,663</b>

The total interest cost incurred and charged to expense in 2020 was \$197,675.

*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%. On November 5, 2020, the General Obligation Bonds – Series of 2012 was refinanced by the General Obligation Bonds – Series of 2020 resulting in an amount due to the Capital Projects Fund of \$2,685,945.

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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*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%. On November 5, 2020, the General Obligation Bonds – Series of 2012 was refinanced by the General Obligations Bonds – Series of 2020 resulting in an amount due to the Capital Projects Fund of \$1,624,773.

*General Obligation Bonds – Series of 2020 – Capital Projects Funds*

On November 5, 2020, the Borough issued General Obligation Bonds – Series of 2020 in the amount of \$20,805,000. The proceeds of the bonds will provide funds to (1) currently refund the Borough’s outstanding General Obligation Bonds – Series of 2012, currently outstanding in the principal amount of \$4,285,000 (the “2012 bonds”); (2) finance capital projects of the Borough involving the planning, design, acquisition, construction, renovation and improvement of certain Borough streets and facilities; and (3) pay the costs 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, 2021 to February 1, 2040. Interest rates range from 2.00% to 4.00%

The outstanding debt service requirements at December 31, 2020, are:

Fiscal Year	Principal	Interest
2021	\$ 455,000	\$ 585,822
2022	1,205,000	777,850
2023	1,245,000	740,900
2024	1,295,000	690,100
2025	1,350,000	637,200
2026-2040	15,255,000	4,466,900
<b>TOTAL OUTSTANDING</b>	<b>\$ 20,805,000</b>	<b>\$ 7,898,772</b>



**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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*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>FISCAL YEAR</u>	<u>SERIES 2020</u>	<u>TOTAL</u>
	<u>CAPITAL</u>	<u>PAYMENTS</u>
	<u>PROJECTS</u>	
	<u>FUND</u>	<u>FUND</u>
2021	\$ 455,000	\$ 455,000
2022	1,205,000	1,205,000
2023	1,245,000	1,245,000
2024	1,295,000	1,295,000
2025	1,350,000	1,350,000
2026-2041	<u>15,255,000</u>	<u>15,255,000</u>
<b>TOTAL</b>	<b>20,805,000</b>	<b>20,805,000</b>
LESS PAYABLE WITHIN ONE YEAR	<u>455,000</u>	<u>455,000</u>
<b>LONG-TERM PRINCIPAL DUE AFTER ONE YEAR</b>	<b><u>\$ 20,350,000</u></b>	<b><u>\$ 20,350,000</u></b>

<u>PRINCIPAL AND INTEREST REQUIREMENTS</u>	<u>SERIES 2020</u>	
<u>FISCAL YEAR</u>	<u>CAPITAL</u>	<u>TOTAL</u>
	<u>PROJECTS</u>	<u>PAYMENTS</u>
	<u>FUND</u>	<u>FUND</u>
2021	\$ 1,040,822	\$ 1,040,822
2022	1,982,850	1,982,850
2023	1,985,900	1,985,900
2024	1,985,100	1,985,100
2025	1,987,200	1,987,200
2026-2041	<u>19,721,900</u>	<u>19,721,900</u>
<b>TOTAL</b>	<b><u>\$ 28,703,772</u></b>	<b><u>\$ 28,703,772</u></b>

**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, 2020**

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**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 is administered by a Chief Administrative Officer appointed by the governing body of the municipality.

*Plan Membership*

As of January 1, 2020, the beginning of the plan year and December 31, 2020, the plan year end, plan membership consisted of the following:

	1/1/2020	12/31/2020
Retirees and Beneficiaries Receiving Benefits (including DROP members)	39	38
Terminated Members entitled to Benefits but not yet receiving them	11	11
Active Plan Members	24	23
<b>TOTAL</b>	<b>74</b>	<b>72</b>

***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**  
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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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. 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, 2020 and December 31, 2020 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%
<b>TOTAL</b>	<b>100.00%</b>		4.31%
Inflation			2.00%
Long-Term Expected Rate of Return			<b>6.31%</b>

***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**  
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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 1/1/2020	\$ 11,604,644	\$ 11,430,564	\$ 174,080
Changes during 2020:			
Service Cost	97,357	-	97,357
Interest	858,320	-	858,320
Differences between expected and actual experience	(225,598)	-	(225,598)
Changes in Actuarial Assumptions	-	-	-
Employer Contributions	-	181,090	(181,090)
Employee Contributions	-	52,938	(52,938)
Net Investment Income	-	1,364,713	(1,364,713)
Benefit Payments (including contribution refunds)	(515,466)	(515,466)	-
Administration Expenses	-	(40,954)	40,954
Other Changes	-	-	-
Net Changes	<u>214,613</u>	<u>1,042,321</u>	<u>(827,708)</u>
Balances at 12/31/2020	<b><u>\$ 11,819,257</u></b>	<b><u>\$ 12,472,885</u></b>	<b><u>\$ (653,628)</u></b>

***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	\$ 13,010,598	\$ 11,819,257	\$ 10,782,414
Plan Fiduciary Net Position	<u>(12,472,885)</u>	<u>(12,472,885)</u>	<u>(12,472,885)</u>
<b>Net Pension Liability</b>	<b><u>\$ 537,713</u></b>	<b><u>\$ (653,628)</u></b>	<b><u>\$ (1,690,471)</u></b>

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

***Components of Pension Expense for Fiscal Year Ended December 31, 2020***

Service Cost	\$ 97,357
Interest on the Total Pension Liability	858,320
Differences between Expected and Actual Experience <sup>1</sup>	98,861
Changes in Assumptions <sup>1</sup>	-
Employee Contributions	(52,938)
Projected Earnings on Pension Plan Investments	(845,203)
Difference between Projected and Actual Earnings on Investments <sup>2</sup>	(265,332)
Pension Plan Administrative Expense	40,954
Other Changes in Net Fiduciary Position	-
<b>Total Pension Expense</b>	<b>\$ (67,981)</b>

<sup>1</sup> 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 of active and inactive employees that are provided pensions through this pension plan. This average is 1.56 years as of January 1, 2020.

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

***Amortization of Investment (Gains/Losses)***

Year Established	2016	2017	2018	2019	2020	Total
Investment (Gain)/Loss	\$ (35,409)	\$ (918,553)	\$ 1,450,866	\$ (1,304,057)	\$ (519,510)	-
Years Recognized:						
2020	\$ (7,081)	\$ (183,711)	\$ 290,173	\$ (260,811)	\$ (103,902)	\$ (265,332)
2021	-	(183,709)	290,173	(260,811)	(103,902)	(258,249)
2022	-	-	290,174	(260,811)	(103,902)	(74,539)
2023	-	-	-	(260,813)	(103,902)	(364,715)
2024	-	-	-	-	(103,902)	(103,902)

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

Expected Return	\$ 845,203
Actual Return	(1,364,713)
<b>(Gain)/Loss on Pension Plan Investments</b>	<b>\$ (519,510)</b>

***Amortization of Difference between Actual and Expected Experience***

Year Established	2018	2019	2020	Total
Experience (Gain)/Loss	\$ 67,871	\$ 499,686	\$ (225,598)	-
Amortization Period	2.17	2.17	1.65	-
Years Recognized:				
2020	\$ 5,317	\$ 230,270	\$ (136,726)	98,861
2021	-	39,146	(88,872)	(49,726)

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

Determination of Difference in Expected and Actual Actuarial Accrued Liability

Actuarial Accrued Liability	\$ 11,819,257
Expected Actuarial Accrued Liability	<u>(12,044,855)</u>
<b>Difference</b>	<b>\$ <u>(225,598)</u></b>

Calculation of Expected Future Service

	Active	Terminated	Retired	Total
Total Expected Future Service	119	0.00	0.00	119
Plan-Members	23	11	38	<u>72</u>
Average Expected Future Service				<u><u>1.65</u></u>

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

For the year ended December 31, 2020, the actuarially determined pension expense is \$(67,981). The Borough had deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Projected and Actual Experience	\$ -	\$ (49,726)
Net Difference in Projected and Actual Earnings on Plan Investments	-	(801,405)
Changes in Actuarial Assumptions	-	-
<b>TOTALS</b>	<b>\$ -</b>	<b>\$ (851,131)</b>

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

2021	\$ (307,975)
2022	(74,539)
2023	(364,715)
2024	<u>(103,902)</u>

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

*Reconciliation of Pension Expense with Net Pension Liability*

Change in Net Pension Liability	\$ (827,708)
Change in Deferred (Outflows) of Resources	274,733
Change in Deferred Inflows of Resources	303,904
Employer Contributions	181,090
<b>Total Pension Expense</b>	<b>\$ (67,981)</b>

**Employer Contributions**

*Contributions Required and Contributions Made:*

The actuarially determined employer contribution, (ADEC) to the retirement fund for 2020 was the 2020 Minimum Municipal Obligation of \$181,090. The Borough contributed \$181,090 toward the plan's ADEC for 2020, including General Municipal Pension System State aid allocated to the plan. Employee contributions in 2020 totaled \$52,938.

**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 2020 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	\$ 1,789,542
Normal Cost	193,270
Administrative Expense	32,212
Annual Cost	225,482
Amortization Payment	9,294
Total Financial Requirement	234,776
Member Contributions Anticipated	(53,686)
Funding Adjustment	-
Minimum Municipal Obligation	<b>\$ 181,090</b>

The funding of the Minimum Municipal Obligation is shown below:

Municipal Contributions:	
State Aid Portion	\$ 118,172
Local Portion	62,918
<b>Total Municipal Contributions</b>	<b>\$ 181,090</b>

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**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%
- 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.



**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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*Plan Membership:*

As of January 1, 2020, the beginning of the plan year and December 31, 2020, the plan year end, plan membership consisted of the following:

	1/1/2020	12/31/2020
Retirees and Beneficiaries Receiving Benefits (including DROP members)	17	17
Terminated Members entitled to Benefits but not yet receiving them	1	-
Active Plan Members	17	18
<b>TOTAL</b>	<b>35</b>	<b>35</b>

***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 on page 59 of this report.

***Plan Funding***

Officers who are members in the plan are required to contribute 1.5% of their salaries to the plan for 2020, increasing to 2.0% of salaries in 2021. 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. 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, 2020 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 BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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%
<b>TOTAL</b>	<b>100.00%</b>		3.32%
Inflation			3.00%
Long-Term Expected Rate of Return			<b>6.32%</b>

***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 actuarial assumptions and methods used for the actuarial valuation are described in more detail on page 57 of this report.

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

*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	Plan Fiduciary	Net Pension
	Liability (a)	Net Position (b)	Liability (a) - (b)
Balances at 1/1/2020	\$ 13,114,147	\$ 10,668,471	\$ 2,445,676
Changes during 2020:			
Service Cost	212,720	-	212,720
Interest	987,364	-	987,364
Differences between expected and actual experience	201,125	-	201,125
Changes in Actuarial Assumptions	-	-	-
Employer Contributions	-	572,394	(572,394)
Employee Contributions	-	34,082	(34,082)
Net Investment Income	-	1,254,978	(1,254,978)
Benefit Payments (including contribution refunds)	(324,037)	(324,037)	-
Administration Expenses	-	(40,310)	40,310
Other Changes	-	-	-
Net Changes	1,077,172	1,497,107	(419,935)
Balances at 12/31/2020	<b>\$ 14,191,319</b>	<b>\$ 12,165,578</b>	<b>\$ 2,025,741</b>

**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	Current	1% Increase in
	in Discount	Discount Rate	Discount Rate
	Rate 6.50%	7.50%	8.50%
Total Pension Liability	\$ 16,004,289	\$ 14,191,319	\$ 12,691,605
Plan Fiduciary Net Position	(12,165,578)	(12,165,578)	(12,165,578)
<b>Net Pension Liability</b>	<b>\$ 3,838,711</b>	<b>\$ 2,025,741</b>	<b>\$ 526,027</b>

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

**Components of Pension Expense for Fiscal Year Ended December 31, 2020**

Service Cost	\$ 212,720
Interest on the Total Pension Liability	987,364
Differences between Expected and Actual Experience	195,087
Changes in Assumptions	89,500
Employee Contributions	(34,082)
Projected Earnings on Pension Plan Investments	(809,215)
Difference between Projected and Actual Earnings on Investments	(228,015)
Pension Plan Administrative Expense	40,310
Insurance Premiums	-
Other Changes in Net Fiduciary Position	-
<b>Total Pension Expense</b>	<b>\$ 453,669</b>

<sup>1</sup> Each year's gain or loss is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are provided pensions through this pension plan. This average is 4.00 years as of December 31, 2020.

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

**Amortization of Investments (Gains)/Losses**

Year Established	2016	2017	2018	2019	2020	Total
Investment (Gain)/Loss	\$ (25,145)	\$ (745,648)	\$ 1,270,454	\$ (1,193,971)	\$ (1,193,971)	\$ -
Years Recognized:						
2017	(5,029)	(149,130)	-	-	-	(154,159)
2018	(5,029)	(149,130)	254,091	-	-	99,932
2019	(5,029)	(149,130)	254,091	(238,794)	-	(138,862)
2020	(5,029)	(149,130)	254,091	(238,794)	(89,153)	(228,015)
2021	-	(149,128)	254,091	(238,794)	(89,153)	(222,984)
2022	-	-	254,090	(238,794)	(89,153)	(73,857)
2023	-	-	-	(238,795)	(89,153)	(327,948)
2024	-	-	-	-	(89,151)	(89,151)

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

Expected Return	\$ 809,215
Actual Return	(1,254,978)
<b>(Gain)/Loss on Pension Plan Investments</b>	<b>\$ (445,763)</b>

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

***Amortization of Difference between Actual and Expected Experience***

Year Established	2016	2018	2020	TOTAL
Experience (Gain)/Loss	\$ 92,722	\$ 581,854	\$ 201,125	\$ -
Amortization Period	4.49	4.32	4.00	
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	\$ 50,281	195,087
2021	-	134,688	50,281	184,969
2022	-	43,102	50,281	93,383
2023	-	-	50,282	50,282

***Determination of Difference in Expected and Actual Actuarial Accrued Liability***

Actuarial Accrued Liability	\$ 14,191,319
Expected Actuarial Accrued Liability	(13,990,194)
<b>Difference</b>	<b>\$ 201,125</b>

***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

***Calculation of Expected Future Service***

Calculation of Expected Future Service	Active	Terminated	Retired	Total
Total Expected Future Service	140	-	-	140
Plan-Members	17	-	18	35
Average Expected Future Service				<u>4.00</u>

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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

For the year ended December 31, 2020, the actuarially determined pension expense is \$453,669. The Borough has deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2020:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Projected and Actual Experience	\$ 328,634	\$ -
Net Difference in Projected and Actual Earnings on Plan Investments	-	(713,941)
Changes in Actuarial Assumptions	207,639	-
<b>Totals</b>	<b>\$ 536,273</b>	<b>\$ (713,941)</b>

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

2021	\$ 51,485
2022	109,026
2023	(249,027)
2024	(89,151)

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

Change in Net Pension Liability, Net of Other Changes	\$ (419,935)
Change in Deferred (Outflows) of Resources	83,462
Change in Deferred Inflows of Resources	217,748
Employer Contributions	572,394
<b>Total Pension Expense</b>	<b>\$ 453,669</b>

***Employer Contributions***

***Contributions Required and Contributions Made:***

The actuarially determined employer contribution, (ADEC) to the retirement fund for 2020 was the 2020 Minimum Municipal Obligation of \$572,394. The Borough contributed \$572,394 toward the plan's ADEC for 2020, including General Municipal Pension System State aid allocated to the plan. Employee contributions in 2020 totaled \$34,082.

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

***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 2020 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	\$ 1,978,086
Normal Cost	203,743
Administrative Expense	<u>29,671</u>
Annual Cost	233,414
Amortization Payment	<u>368,603</u>
Total Financial Requirement	602,017
Member Contributions Anticipated (1.5% of Payroll)	(29,623)
Funding Adjustment	<u>-</u>
Minimum Municipal Obligation	<b><u>\$ 572,394</u></b>

The funding of the Minimum Municipal Obligation is shown below:

Municipal Contributions:	
State Aid Portion	\$ 167,410
Local Portion	<u>404,984</u>
<b>Total Municipal Contributions</b>	<b><u>\$ 572,394</u></b>

***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, 2020**

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- 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, 2020**

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***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 2020, the Borough elected to require both employee and employer contributions. In 2020, contributions totaling \$151,985 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.

The plan is not administered through a trust (or equivalent arrangement) that meets the criteria in GASB Statement 74 and is reported as a custodial fund of the Borough and as such, no OPEB plan reporting is required.

As allowed by GASB 74, 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, 2020 and no provision for unfunded liability was necessary. The assets accumulated in excess of the calculated liability is included in the amount restricted for use for employee benefits.

**Note 11 – Deferred Inflows of Resources**

The Borough deferred donations to the Main Street Park renovation project in the amount of \$51,396. As of December 31, 2020, none of these funds have been expended. The Park Fund recorded deferred inflows of resources due to postponing concerts to 2021 in the amount of \$132,938. The concerts were postponed due to COVID restrictions. In addition, the Borough had a total of \$1,565,072 related to pension

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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liabilities recorded as deferred inflows of resources. The amount related to pension liabilities recorded for deferred inflows of resources for governmental activities was \$1,091,502 and the amount related to pension liabilities recorded as deferred inflows of resources for business-type activities was \$473,570.

**Note 12 – Deferred Outflows of Resources**

The Borough had a total of \$536,273 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 \$536,273 and the amount related to pension liabilities recorded as deferred outflows for business-type activities was \$0.

**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	\$ 24,230,026
<b>TOTAL</b>	<b><u>\$ 24,230,026</u></b>

Restricted Fund Balances

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

State Liquid Fuels Fund	\$ 294,934
<b>TOTAL</b>	<b><u>\$ 294,934</u></b>

**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. It was determined that the Medical Reimbursement Benefit Plan Fund should have been classified as a custodial fund in prior years. During the current year, the Medical Reimbursement Benefit Plan Fund was reclassified from a trust fund to a custodial fund resulting in a prior period adjustment of \$404,359.

**THE BOROUGH OF QUAKERTOWN**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**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 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 August 19, 2021, 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, 2020, which collectively comprise the Borough of Quakertown's basic financial statements, and have issued our report thereon dated August 19, 2021. 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 August 19, 2021.

***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.***

August 19, 2021

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**REQUIRED SUPPLEMENTAL INFORMATION**

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**THE BOROUGH OF QUAKERTOWN**  
**Required Supplementary Information**  
**December 31, 2020**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>TOTAL PENSION LIABILITY</b>						
Service Cost	\$ 212,720	\$ 199,170	\$ 172,911	\$ 194,989	\$ 115,844	\$ 163,083
Interest	987,364	925,987	809,077	766,907	709,275	663,552
Differences between Expected and Actual Expense	201,125	386,639	581,854	(544)	142,182	-
Benefits payments, including refunds of member contributions	<u>(324,037)</u>	<u>(316,653)</u>	<u>(519,227)</u>	<u>(235,880)</u>	<u>(220,156)</u>	<u>(218,288)</u>
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	1,077,172	1,195,143	1,044,615	725,472	747,145	608,347
<b>TOTAL PENSION LIABILITY, BEGINNING</b>	<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>	<u>8,793,425</u>
<b>TOTAL PENSION LIABILITY, ENDING</b>	<b><u>\$ 14,191,319</u></b>	<b><u>\$ 13,114,147</u></b>	<b><u>\$ 11,919,004</u></b>	<b><u>\$ 10,874,389</u></b>	<b><u>\$ 10,148,917</u></b>	<b><u>\$ 9,401,772</u></b>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions - Employer	572,394	563,186	573,479	563,018	545,802	536,145
Contributions - Member	34,082	30,656	88,836	19,963	18,602	18,461
Net Investment Income	1,254,978	1,846,893	(586,388)	1,315,273	531,417	(18,346)
Benefit Payments, including Refunds of Member Contributions	(324,037)	(316,653)	(519,227)	(235,880)	(220,156)	(218,288)
Administrative Expense	<u>(40,310)</u>	<u>(45,290)</u>	<u>(32,723)</u>	<u>(36,251)</u>	<u>(28,518)</u>	<u>(26,320)</u>
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	1,497,107	2,078,792	(476,023)	1,626,123	847,147	291,652
<b>PLAN NET POSITION, BEGINNING</b>	<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>	<u>6,300,780</u>
<b>PLAN NET POSITION, ENDING</b>	<b><u>\$ 12,165,578</u></b>	<b><u>\$ 10,668,471</u></b>	<b><u>\$ 8,589,679</u></b>	<b><u>\$ 9,065,702</u></b>	<b><u>\$ 7,439,579</u></b>	<b><u>\$ 6,592,432</u></b>
<b>Borough's Net Pension Liability (Asset)</b>	<b><u>\$ 2,025,741</u></b>	<b><u>\$ 2,445,676</u></b>	<b><u>\$ 3,329,325</u></b>	<b><u>\$ 1,808,687</u></b>	<b><u>\$ 2,709,338</u></b>	<b><u>\$ 2,809,340</u></b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	85.73%	81.35%	72.07%	83.37%	73.30%	70.12%
<b>Internal Money-Weighted Rate of Return</b>	11.47%	21.17%	-6.73%	17.36%	8.07%	0.29%
<b>Covered Employee Payroll</b>	<b><u>\$ 1,989,180</u></b>	<b><u>\$ 1,819,886</u></b>	<b><u>\$ 1,951,922</u></b>	<b><u>\$ 1,926,645</u></b>	<b><u>\$ 1,886,283</u></b>	<b><u>\$ 1,821,078</u></b>
<b>Borough's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	<b><u>101.84%</u></b>	<b><u>134.39%</u></b>	<b><u>170.57%</u></b>	<b><u>93.88%</u></b>	<b><u>143.63%</u></b>	<b><u>154.27%</u></b>

**THE BOROUGH OF QUAKERTOWN**  
**Required Supplementary Information**  
**December 31, 2020**

**Schedule of Pension Contributions**  
**Police Pension Plan**

<u>YEAR</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Employer Contributions (ADEC)	\$ 572,394	\$ 563,186	\$ 573,479	\$ 563,018	\$ 545,802
Contributions Towards the ADEC	(572,394)	(563,186)	(573,479)	(563,018)	(545,802)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,989,180	\$ 1,819,886	\$ 1,951,922	\$ 1,926,645	\$ 1,886,283
Contributions as a % of Covered Payroll	28.78%	30.95%	29.38%	29.22%	28.94%

<u>YEAR</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially Determined Employer Contributions (ADEC)	\$ 563,145	\$ 403,613	\$ 402,008	\$ 406,593	\$ 347,966
Contributions Towards the ADEC	(563,145)	(403,613)	(402,008)	(406,593)	(347,966)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,821,078	\$ 1,695,181	\$ 1,668,541	\$ 1,528,038	\$ 1,560,486
Contributions as a % of Covered Payroll	29.44%	23.81%	24.09%	26.61%	22.30%



**THE BOROUGH OF QUAKERTOWN**  
**Required Supplementary Information**  
**December 31, 2020**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>TOTAL PENSION LIABILITY</b>						
Service Cost	\$ 97,357	\$ 122,025	\$ 193,770	\$ 208,628	\$ 193,770	\$ 215,614
Interest	858,320	827,545	757,375	727,464	719,150	681,521
Differences between Expected and Actual Expense	(225,598)	499,686	67,871	(68,318)	(395,062)	-
Benefits payments, including refunds of member contributions	<u>(515,466)</u>	<u>(513,667)</u>	<u>(509,036)</u>	<u>(436,884)</u>	<u>(369,127)</u>	<u>(378,021)</u>
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	214,613	935,589	509,980	430,890	148,731	519,114
<b>TOTAL PENSION LIABILITY, BEGINNING</b>	<u>11,604,645</u>	<u>10,669,056</u>	<u>10,159,075</u>	<u>9,728,185</u>	<u>9,579,454</u>	<u>9,060,340</u>
<b>TOTAL PENSION LIABILITY, ENDING</b>	<b><u>\$ 11,819,258</u></b>	<b><u>\$ 11,604,645</u></b>	<b><u>\$ 10,669,055</u></b>	<b><u>\$ 10,159,075</u></b>	<b><u>\$ 9,728,185</u></b>	<b><u>\$ 9,579,454</u></b>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions - Employer	181,090	177,307	219,772	359,062	398,790	401,064
Contributions - Member	52,938	51,708	42,476	37,175	28,924	19,881
Net Investment Income	1,364,713	2,021,971	(660,426)	1,602,684	671,414	(19,358)
Benefit Payments, including Refunds of Member Contributions	(515,466)	(513,667)	(509,036)	(436,884)	(369,127)	(378,021)
Administrative Expense	<u>(40,954)</u>	<u>(42,548)</u>	<u>(39,181)</u>	<u>(43,851)</u>	<u>(33,549)</u>	<u>(36,070)</u>
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	1,042,321	1,694,771	(946,395)	1,518,186	696,452	(12,504)
<b>PLAN NET POSITION, BEGINNING</b>	<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>	<u>8,480,054</u>
<b>PLAN NET POSITION, ENDING</b>	<b><u>\$ 12,472,885</u></b>	<b><u>\$ 11,430,564</u></b>	<b><u>\$ 9,735,793</u></b>	<b><u>\$ 10,682,188</u></b>	<b><u>\$ 9,164,002</u></b>	<b><u>\$ 8,467,550</u></b>
<b>Borough's Net Pension Liability (Asset)</b>	<b><u>\$ (653,628)</u></b>	<b><u>\$ 174,080</u></b>	<b><u>\$ 933,262</u></b>	<b><u>\$ (523,113)</u></b>	<b><u>\$ 564,183</u></b>	<b><u>\$ 1,111,904</u></b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	105.53%	98.50%	91.25%	105.15%	94.20%	88.39%
<b>Internal Money-Weighted Rate of Return</b>	11.87%	20.88%	-6.59%	17.40%	8.03%	-0.23%
<b>Covered Employee Payroll</b>	<b><u>\$ 1,805,914</u></b>	<b><u>\$ 1,779,476</u></b>	<b><u>\$ 1,718,074</u></b>	<b><u>\$ 1,720,472</u></b>	<b><u>\$ 1,934,886</u></b>	<b><u>\$ 1,972,003</u></b>
<b>Borough's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	<b><u>-36.19%</u></b>	<b><u>9.78%</u></b>	<b><u>54.32%</u></b>	<b><u>(30.41%)</u></b>	<b><u>29.16%</u></b>	<b><u>56.38%</u></b>

**THE BOROUGH OF QUAKERTOWN**  
**Required Supplementary Information**  
**December 31, 2020**

**Schedule of Pension Contributions**  
**Non-Uniform Pension Plan**

<u>YEAR</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Employer Contributions (ADEC)	\$ 181,090	\$ 177,307	\$ 194,308	\$ 359,062	\$ 398,790
Contributions Towards the ADEC	<u>(181,090)</u>	<u>(177,307)</u>	<u>(219,772)</u>	<u>(359,062)</u>	<u>(398,790)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,464)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,805,914	\$ 1,779,475	\$ 1,718,074	\$ 1,720,472	\$ 1,934,886
Contributions as a % of Covered Payroll	10.03%	9.96%	12.79%	20.87%	20.61%

<u>YEAR</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially Determined Employer Contributions (ADEC)	\$ 401,064	\$ 290,322	\$ 287,384	\$ 298,984	\$ 307,724
Contributions Towards the ADEC	<u>(401,064)</u>	<u>(290,322)</u>	<u>(287,384)</u>	<u>(298,984)</u>	<u>(307,724)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,972,003	\$ 1,886,206	\$ 1,912,075	\$ 1,886,206	\$ 2,165,861
Contributions as a % of Covered Payroll	20.34%	15.39%	15.03%	15.85%	14.21%

**THE BOROUGH OF QUAKERTOWN**  
**Modified Approach to Reporting Infrastructure Assets**  
**Required Supplemental Information**  
**December 31, 2020**

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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.

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<b>Fiscal Year</b>	<b>Condition Assessment (Minimum 80%)</b>
2020	84.3%
2019	79.8%
2018	82.3%
2017	82%
2016	80%
2015	82%
2014	82%
2013	78%
2012	74%
2011	74%

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**THE BOROUGH OF QUAKERTOWN**  
**Modified Approach to Reporting Infrastructure Assets**  
**Required Supplemental Information**  
**December 31, 2020**

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***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 2020	Year 2019	Year 2018	Year 2017	Year 2016
Estimate	\$ 3,056,232	\$ 2,706,955	\$ 1,945,449	\$ 1,937,325	\$ 2,303,675
Actual	448,710	-	-	629,840	-

	Year 2015	Year 2014	Year 2013	Year 2012	Year 2011
Estimate	\$ 1,218,666	\$ 919,057	\$ 1,142,093	\$ 744,528	\$ 913,674
Actual	-	279,792	337,757	53,214	211,433

***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.

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**OTHER SUPPLEMENTAL INFORMATION**

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**THE BOROUGH OF QUAKERTOWN**  
**Combining Statement of Net Position**  
**All Pension Trust Funds**  
**For the Year Ended December 31, 2020**

	<b>POLICE PENSION TRUST FUND</b>	<b>NON- UNIFORMED PENSION TRUST FUND</b>	<b>DEFERRED COMPENSATION PLAN FUND</b>	<b>TOTAL TRUST FUNDS</b>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 177,706	\$ 232,299	\$ 6,541	\$ 416,546
Investments	11,968,943	12,220,429	989,791	25,179,163
Accrued Investment Income	19,571	21,156	-	40,727
Due from Other Funds	-	-	-	-
Accounts Receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 12,166,220</u></b>	<b><u>\$ 12,473,884</u></b>	<b><u>\$ 996,332</u></b>	<b><u>\$ 25,636,436</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Due to Police Officers	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b><u>NET POSITION</u></b>				
Restricted for Employee Benefits	12,166,220	12,473,884	996,332	25,636,436
<b>TOTAL NET POSITION</b>	<b><u>\$ 12,166,220</u></b>	<b><u>\$ 12,473,884</u></b>	<b><u>\$ 996,332</u></b>	<b><u>\$ 25,636,436</u></b>

**THE BOROUGH OF QUAKERTOWN**  
**Combining Statement of Additions, Deductions and Changes in Net Position**  
**All Pension Trust Funds**  
**For the Year Ended December 31, 2020**

	<b>POLICE PENSION TRUST FUND</b>	<b>NON- UNIFORMED PENSION TRUST FUND</b>	<b>DEFERRED COMPENSATION PLAN FUND</b>	<b>TOTAL TRUST FUNDS</b>
<b>ADDITIONS:</b>				
Contributions - Employer	\$ 404,984	\$ 40,767	\$ 13,019	\$ 458,770
Contributions - Employee	34,706	53,929	18,326	106,961
Contributions - Private Sources	-	-	-	-
State Aid	167,410	140,323	120,640	428,373
Miscellaneous	-	-	-	-
<b>INVESTMENT EARNINGS:</b>				
Interest and Dividends	232,675	249,093	-	481,768
Change in Fair Value of Investments	1,022,229	1,115,620	118,818	2,256,667
<b>TOTAL ADDITIONS</b>	<u>1,862,004</u>	<u>1,599,732</u>	<u>270,803</u>	<u>3,732,539</u>
<b>DEDUCTIONS:</b>				
Administrative Charges	40,310	35,204	455	75,969
Investment Expenses	-	5,750	-	5,750
Miscellaneous	-	-	-	-
Employee Benefits	324,037	514,595	2,530	841,162
<b>TOTAL DEDUCTIONS</b>	<u>364,347</u>	<u>555,549</u>	<u>2,985</u>	<u>922,881</u>
<b>CHANGES IN NET POSITION</b>	1,497,657	1,044,183	267,818	2,809,658
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>10,668,563</u>	<u>11,429,701</u>	<u>728,514</u>	<u>22,826,778</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 12,166,220</u>	<u>\$ 12,473,884</u>	<u>\$ 996,332</u>	<u>\$ 25,636,436</u>

**THE BOROUGH OF QUAKERTOWN**  
**Combining Statement of Net Position**  
**All Proprietary Funds**  
**As of December 31, 2020**

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and Cash Equivalents	\$ 4,644,266	\$ 2,437,061	\$ 2,998,329	\$ 40,421	\$ 68,017	\$ 10,188,094
Investments	1,558,167	-	3,713,445	-	-	5,271,612
Accounts Receivable (Net of Allowance for Doubtful Accounts)	1,901,915	226,498	246,513	-	55,000	2,429,926
Intergovernmental Receivable	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	72,075	72,075
Due from Other Funds	-	-	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>8,104,348</b>	<b>2,663,559</b>	<b>6,958,287</b>	<b>40,421</b>	<b>195,092</b>	<b>17,961,707</b>
<b>NON-CURRENT ASSETS:</b>						
Buildings (Net of Depreciation)	4,902,514	1,821,879	4,378,182	566,618	866,062	12,535,255
Improvements other than Buildings (Net of Depreciation)	19,690	16,739	35,130	460,085	926,615	1,458,259
Machinery and Equipment (Net of Depreciation)	1,049,543	359,127	607,243	35,165	218,886	2,269,964
Construction In Progress	-	-	-	-	-	-
Sewer Lines Infrastructure (Net of Depreciation)	-	-	10,627,770	-	-	10,627,770
Water Lines Infrastructure (Net of Depreciation)	-	7,245,427	-	-	-	7,245,427
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5,971,747</b>	<b>9,443,172</b>	<b>15,648,325</b>	<b>1,061,868</b>	<b>2,011,563</b>	<b>34,136,675</b>
<b>TOTAL ASSETS</b>	<b>\$ 14,076,095</b>	<b>\$ 12,106,731</b>	<b>\$ 22,606,612</b>	<b>\$ 1,102,289</b>	<b>\$ 2,206,655</b>	<b>\$ 52,098,382</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Sales Tax Payable	\$ 8,304	\$ -	\$ -	\$ -	\$ -	\$ 8,304
Accounts Payable	642,342	39,525	46,094	-	-	727,961
Accrued Salaries and Benefits	16,215	9,456	13,651	-	942	40,264
Due to Other Funds	-	2,685,945	1,624,773	-	294,687	4,605,405
Notes Payable	-	-	-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>666,861</b>	<b>2,734,926</b>	<b>1,684,518</b>	<b>-</b>	<b>295,629</b>	<b>5,381,934</b>
<b>NON-CURRENT LIABILITIES:</b>						
Compensated Absences	274,000	204,816	137,846	-	8,943	625,605
Net Pension Liability	(137,523)	(96,868)	(129,288)	-	-	(363,679)
Notes Payable	-	-	-	-	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>136,477</b>	<b>107,948</b>	<b>8,558</b>	<b>-</b>	<b>8,943</b>	<b>261,926</b>
<b>TOTAL LIABILITIES</b>	<b>803,338</b>	<b>2,842,874</b>	<b>1,693,076</b>	<b>-</b>	<b>304,572</b>	<b>5,643,860</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 179,078</b>	<b>\$ 126,138</b>	<b>\$ 168,354</b>	<b>\$ -</b>	<b>\$ 132,938</b>	<b>\$ 606,508</b>
<b>NET POSITION</b>						
Invested in Capital Assets, Net of Related Debt	5,971,747	9,443,172	15,648,325	1,061,868	2,011,563	34,136,675
Restricted	-	-	-	-	-	-
Unrestricted Net Position	7,121,932	(305,453)	5,096,857	40,421	(242,418)	11,711,339
<b>TOTAL NET POSITION</b>	<b>\$ 13,093,679</b>	<b>\$ 9,137,719</b>	<b>\$ 20,745,182</b>	<b>\$ 1,102,289</b>	<b>\$ 1,769,145</b>	<b>\$ 45,848,014</b>



**THE BOROUGH OF QUAKERTOWN**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**All Proprietary Funds**  
**For the Year Ended December 31, 2020**

	MAJOR			NON-MAJOR		TOTAL
	ELECTRIC FUND	WATER FUND	SEWER FUND	POOL FUND	PARK FUND	
<b><u>OPERATING REVENUES</u></b>						
Charges for Services	\$ 13,206,588	\$ 1,704,258	\$ 3,177,174	\$ 142,866	\$ 1,200	\$ 18,232,086
Debt Service Fees	-	452,583	-	-	-	452,583
Permits and Fees	205,011	67,624	-	-	-	272,635
Penalties	50,368	6,653	5,998	-	-	63,019
Rental Income	-	72,370	-	-	-	72,370
Other Income	3,172	28,240	6,003	20	-	37,435
<b>TOTAL OPERATING REVENUES</b>	<b>13,465,139</b>	<b>2,331,728</b>	<b>3,189,175</b>	<b>142,886</b>	<b>1,200</b>	<b>19,130,128</b>
<b><u>OPERATING EXPENSES</u></b>						
Costs of Furnishing Utility	7,607,809	1,236,509	1,793,332	-	-	10,637,650
Costs of Pool Operations	-	-	-	239,889	-	239,889
Cost of Park Operations	-	-	-	-	69,082	69,082
Employee Benefits	357,255	232,768	342,283	7,671	15,029	955,006
Employee Pension	(18,806)	(12,708)	(14,429)	-	-	(45,943)
Insurance	67,398	57,499	103,347	15,833	4,720	248,797
Debt Service	-	80,391	49,272	-	-	129,663
Depreciation	253,174	295,350	539,932	97,155	51,629	1,237,240
<b>TOTAL OPERATING EXPENSES</b>	<b>8,266,830</b>	<b>1,889,809</b>	<b>2,813,737</b>	<b>360,548</b>	<b>140,460</b>	<b>13,471,384</b>
<b>OPERATING INCOME (LOSS)</b>	<b>5,198,309</b>	<b>441,919</b>	<b>375,438</b>	<b>(217,662)</b>	<b>(139,260)</b>	<b>5,658,744</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>						
Interest Earned	59,622	13,416	70,793	905	589	145,325
Donations	-	-	-	-	14,100	14,100
Insurance Claim Refund	-	-	-	-	-	-
BCWS Project Reimbursement	-	-	-	-	-	-
State Aid - Pension	49,238	29,543	44,315	-	-	123,096
Economic Development Grant	-	-	-	-	-	-
Gain (Loss) on Sale of Fixed Assets	-	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	(5,000,000)	(200,000)	(300,000)	-	-	(5,500,000)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(4,891,140)</b>	<b>(157,041)</b>	<b>(184,892)</b>	<b>905</b>	<b>14,689</b>	<b>(5,217,479)</b>
<b>CHANGES IN NET POSITION</b>	<b>307,169</b>	<b>284,878</b>	<b>190,546</b>	<b>(216,757)</b>	<b>(124,571)</b>	<b>441,265</b>
<b>NET POSITION, JANUARY 1, 2020</b>	<b>12,786,510</b>	<b>8,852,841</b>	<b>20,554,636</b>	<b>1,319,046</b>	<b>1,893,716</b>	<b>45,406,749</b>
<b>NET POSITION, DECEMBER 31, 2020</b>	<b>\$ 13,093,679</b>	<b>\$ 9,137,719</b>	<b>\$ 20,745,182</b>	<b>\$ 1,102,289</b>	<b>\$ 1,769,145</b>	<b>\$ 45,848,014</b>

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**INDIVIDUAL FUND STATEMENTS  
AND SCHEDULES**

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**THE BOROUGH OF QUAKERTOWN**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended December 31, 2020**

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**REVENUES**

**TAXES:**

Real Estate Taxes - Current	\$ 125,410	
Real Estate Taxes - Prior	1,446	
Real Estate Transfer Tax	197,073	
Earned Income Tax	1,091,801	
Local Services Tax	<u>227,261</u>	\$ 1,642,991

**FINES AND FORFEITS:**

Motor Vehicle Violations	56,726	
Fines	3,576	
Parking Meters	10,622	
Parking Tickets	<u>5,880</u>	76,804

**LICENSES AND PERMITS:**

Franchise Fee Cable	157,885	
Permits/Reports	<u>1,100</u>	158,985

**INTERGOVERNMENTAL:**

Public Utility Realty Tax	1,667	
In Lieu of Taxes	15,000	
Beverage Licenses	1,800	
Pension State Aid	305,278	
Allotment - Fireman's Relief	54,877	
Local Government Units	3,479	
Federal Grants	-	
State Grants	<u>40,462</u>	422,563

**CHARGES FOR SERVICES:**

General Government	64,510	
Public Safety	285,851	
Culture and Recreation	<u>53,005</u>	403,366

**INVESTMENT AND RENTAL EARNINGS:**

Interest Income	7,776	
Rentals	<u>15,908</u>	23,684

**MISCELLANEOUS:**

Contributions and Donations	99,702	
Reimbursements	62,864	
Insurance Claim Refund	15,618	
Other	<u>2,418</u>	<u>180,602</u>

**TOTAL REVENUES** **\$ 2,908,995**

**THE BOROUGH OF QUAKERTOWN**  
**General Fund (Cont'd)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended December 31, 2020**

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**EXPENDITURES**

**GENERAL GOVERNMENT**

**LEGAL:**

Solicitor	\$	41,266
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**MAYOR, LEGISLATIVE, BOROUGH MANAGER:**

Salary		243,682
Materials and Supplies		4,924
Contracted Services		1,554
Association Dues and Conventions		20,616
Advertising, Printing and Postage		19,959
Bonding		-
Gasoline		2,852
Uniforms		-
Telephone		7,665
Small Tools and Equipment		11,015

**FINANCE AND ACCOUNTING:**

Salary		232,513
Auditing		28,795
Office Supplies		1,392
Bonding		1,217
Association Dues and Conventions		2,971
Contracted Services		19,840

**TAX COLLECTION:**

Salary		6,000
Contracted Services		1,290

**IT-NETWORKING SERVICES-DATA PROCESSING:**

Computer Hardware and Software		36,806
Computer Parts and Supplies		2,867
Internet Service		2,589
Contracted IT Services		57,953
Web Design and Maintenance		989

**ENGINEERING:**

Engineering Fees		114,978
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**BUILDINGS AND PLANT:**

Building Supplies		1,680
Cleaning Supplies		4,924
Repairs and Maintenance		103,590
Natural Gas/Propane		5,364
Architectural Services		29,206
Contracted Services		16,200

<b>TOTAL GENERAL GOVERNMENT</b>	<b>\$</b>	<b>1,024,697</b>
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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, 2020**

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**PUBLIC SAFETY**

**POLICE:**

Salaries and Benefits	\$ 2,458,570
Office Supplies	5,750
Postage	187
Fuel and Oil	27,635
Uniforms	20,527
K9	5,920
Ammunition	4,743
National Night Out	-
Shop with a Cop	41,469
Vehicle Maintenance and Repair	29,954
Small Tools and Equipment	33,235
Telephone	16,440
Towing	13,046
Advertising and Printing	626
Asset Forfeiture	21,692
Police Auxilliary	-
Association Dues and Conventions	46,446
Contracted Services	31,529
Capital Purchases	149,181

**FIRE:**

Contribution to Fire Co.	80,000
Fireman's Relief	54,878
Fire Marshal	64,145
Insurance	45,345
Gasoline	9,812
Fire Truck Repairs	800

**INSPECTIONS:**

Zoning and Administration	97,625
Salary of Clerical	48,884
Office Supplies	839
Fuel and Oil	905
Uniforms	174
Small Tools and Equipment	611
Telephone	4,594
Advertising and Printing	3,709
Association Dues and Conventions	1,656
Contracted Services	<u>3,516</u>

**TOTAL PUBLIC SAFETY** \$ 3,324,443

**THE BOROUGH OF QUAKERTOWN**  
**General Fund (Cont'd)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended December 31, 2020**

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**PUBLIC WORKS**

**STREET MAINTENANCE AND LIGHTING:**

Salaries - Highways and Streets	\$ 967,637	
Office Supplies	453	
Fuel and Oil	20,895	
Uniforms	11,739	
Street and Traffic Signs	31,207	
Road Materials	158,856	
Vehicle Maintenance and Repairs	102,610	
Small Tools and Equipment	12,237	
Telephone	6,377	
Association Dues and Conventions	860	
CDL Drug and Alcohol Testing	100	
Equipment	296,646	
Contracted Services	18,747	
Snow Removal Materials	10,926	
<b>TOTAL PUBLIC WORKS</b>		<b>\$ 1,639,290</b>

**CULTURE AND RECREATION**

**PARKS AND POOL:**

Salary	119,842	
Supplies	10,081	
Discount Tickets	2,497	
Vehicle Maintenance and Repairs	1,813	
Small Tools and Equipment	18,462	
Kids Program	4,843	
Events	6,984	
Contracted Services	171,979	
Park and Field Maintenance	3,255	
Advertising and Printing	2,368	
<b>TOTAL CULTURE AND RECREATION</b>		<b>342,124</b>

**COMMUNITY DEVELOPMENT**

Quakertown Alive	75,000	
Parking Meter Fees	17,272	
Senior Center	8,400	
Historical Society Barn	609	
Small Tools and Equipment	16,791	
Contracted Services	78,261	
Freight House Lease	7,876	
Trolley Barn	1,562	
Triangle Park	678	
Capital Purchase	22,250	
<b>TOTAL COMMUNITY DEVELOPMENT</b>		<b>228,699</b>

**THE BOROUGH OF QUAKERTOWN**  
**General Fund (Cont'd)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended December 31, 2020**

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<b>EMPLOYER BENEFITS AND WITHHOLDING ITEMS</b>		
Police Pension	\$	572,394
Non-Uniformed Pension		80,323
Employee Benefits		<u>1,587,874</u>
<b>TOTAL EMPLOYER BENEFITS AND WITHHOLDING ITEMS</b>	<b>\$</b>	<b>2,240,591</b>
<b>INSURANCE</b>		
Insurance, Casualty, and Surety		113,123
<b>UNCLASSIFIED EXPENDITURES</b>		<u>12,840</u>
<b>TOTAL EXPENDITURES</b>		<u>8,925,807</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>		<b>(6,016,812)</b>
<b>OTHER FINANCING SOURCES AND OTHER FINANCING USES</b>		
Sale of Fixed Assets		-
Refund of Prior Year Expenditures		116,835
Interfund Transfers In		5,500,000
Interfund Transfers Out		<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>		<b>(399,977)</b>
<b>FUND BALANCE - JANUARY 1, 2020</b>		<u>1,580,933</u>
<b>FUND BALANCE - DECEMBER 31, 2020</b>	<b>\$</b>	<b><u>1,180,956</u></b>

**THE BOROUGH OF QUAKERTOWN**  
**Electric Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended December 31, 2020**

	<u>BUDGET</u>	<u>ACTUAL</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 14,500,000	\$ 13,206,588
Permits and Fees	67,000	205,011
Penalties	140,000	50,368
Other Income	101,200	3,172
<b>TOTAL OPERATING REVENUES</b>	<u>14,808,200</u>	<u>13,465,139</u>
<b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Utility	9,255,100	7,607,809
Employee Benefits	366,100	357,255
Employee Pension	39,500	(18,806)
Insurance	72,400	67,398
Depreciation	-	253,174
Contingency	760,000	-
<b>TOTAL OPERATING EXPENSES</b>	<u>10,493,100</u>	<u>8,266,830</u>
<b>OPERATING INCOME</b>	<u>4,315,100</u>	<u>5,198,309</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest Earned	126,000	59,622
Gain (Loss) on Sale of Fixed Assets	60,000	-
State Aid - Pension	53,800	49,238
Economic Development Grant	158,000	-
Transfers to Other Funds	(5,000,000)	(5,000,000)
<b>TOTAL NON-OPERATING (EXPENSES)</b>	<u>(4,602,200)</u>	<u>(4,891,140)</u>
<b>CHANGES IN NET POSITION</b>	(287,100)	307,169
<b>NET POSITION, JANUARY 1, 2020</b>	<u>287,100</u>	<u>12,786,510</u>
<b>NET POSITION, DECEMBER 31, 2020</b>	<u>\$ -</u>	<u>\$ 13,093,679</u>



**THE BOROUGH OF QUAKERTOWN**  
**Water Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended December 31, 2020**

	<b>BUDGET</b>	<b>ACTUAL</b>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 1,775,000	\$ 1,704,258
Penalties	25,000	6,653
Debt Service Fee	455,000	452,583
Other Fees	151,600	67,624
Rental Income	71,200	72,370
Other Income	4,100	28,240
<b>TOTAL OPERATING REVENUES</b>	<b>2,481,900</b>	<b>2,331,728</b>
 <b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Utility	1,771,440	1,236,509
Employee Benefits	250,450	232,768
Employee Pension	26,850	(12,708)
Insurance	51,500	57,499
Debt Service	404,775	80,391
Depreciation	-	295,350
Contingency	130,000	-
<b>TOTAL OPERATING EXPENSES</b>	<b>2,635,015</b>	<b>1,889,809</b>
 <b>OPERATING INCOME (LOSS)</b>	 <b>(153,115)</b>	 <b>441,919</b>
 <b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest Earned	39,000	13,416
State Aid - Pension	32,300	29,543
Note Proceeds	-	-
Gain (Loss) on Sale of Fixed Assets	1,000	-
Transfers from Other Funds	-	-
Transfers to Other Funds	(171,000)	(200,000)
<b>TOTAL NON-OPERATING (EXPENSES)</b>	<b>(98,700)</b>	<b>(157,041)</b>
 <b>CHANGES IN NET POSITION</b>	 <b>(251,815)</b>	 <b>284,878</b>
 <b>NET POSITION, JANUARY 1, 2020</b>	 <b>251,815</b>	 <b>8,852,841</b>
 <b>NET POSITION, DECEMBER 31, 2020</b>	 <b>\$ -</b>	 <b>\$ 9,137,719</b>

**THE BOROUGH OF QUAKERTOWN**  
**Sewer Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended December 31, 2020**

	<u>BUDGET</u>	<u>ACTUAL</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 4,032,000	\$ 3,177,174
Penalties	22,000	5,998
Other Income	<u>7,000</u>	<u>6,003</u>
<b>TOTAL OPERATING REVENUES</b>	<b>4,061,000</b>	<b>3,189,175</b>
<b><u>OPERATING EXPENSES</u></b>		
Costs of Furnishing Utility	2,793,150	1,793,332
Employee Benefits	359,610	342,283
Employee Pension	35,600	(14,429)
Insurance	112,000	103,347
Debt Service	244,200	49,272
Depreciation	-	539,932
Contingency	<u>210,000</u>	<u>-</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>3,754,560</b>	<b>2,813,737</b>
<b>OPERATING INCOME</b>	<b>306,440</b>	<b>375,438</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Interest Earned	70,000	70,793
Gain (Loss) on Sale of Fixed Assets	1,000	-
State Aid - Pension	48,400	44,315
BCWS Project Reimbursement	-	-
Transfers to Other Funds	<u>(280,000)</u>	<u>(300,000)</u>
<b>TOTAL NON-OPERATING (EXPENSES)</b>	<b>(160,600)</b>	<b>(184,892)</b>
<b>CHANGES IN NET POSITION</b>	<b>145,840</b>	<b>190,546</b>
<b>NET POSITION, JANUARY 1, 2020</b>	<b>(145,840)</b>	<b>20,554,636</b>
<b>NET POSITION, DECEMBER 31, 2020</b>	<b>\$ -</b>	<b>\$ 20,745,182</b>

**THE BOROUGH OF QUAKERTOWN**  
**Pool Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended December 31, 2020**

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	<b>BUDGET</b>	<b>ACTUAL</b>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 254,100	\$ 142,866
Other Income	600	20
<b>TOTAL OPERATING REVENUES</b>	254,700	142,886
 <b><u>OPERATING EXPENSES</u></b>		
Costs of Pool Operations	351,400	239,889
Employee Benefits	10,700	7,671
Insurance	16,300	15,833
Debt Service	-	-
Depreciation	-	97,155
Contingency	13,000	-
<b>TOTAL OPERATING EXPENSES</b>	391,400	360,548
 <b>OPERATING (LOSS)</b>	 (136,700)	 (217,662)
 <b><u>NON-OPERATING REVENUES</u></b>		
Interest Earned	5,400	905
Transfers from Other Funds	-	-
<b>TOTAL NON-OPERATING REVENUES</b>	5,400	905
 <b>CHANGES IN NET POSITION</b>	 (131,300)	 (216,757)
 <b>NET POSITION, JANUARY 1, 2020</b>	 131,300	 1,319,046
 <b>NET POSITION, DECEMBER 31, 2020</b>	 \$ -	 \$ 1,102,289

**THE BOROUGH OF QUAKERTOWN**  
**Park Fund**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended December 31, 2020**

	<u>BUDGET</u>	<u>ACTUAL</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for Services	\$ 569,000	\$ 1,200
Other Income	<u>200</u>	<u>-</u>
<b>TOTAL OPERATING REVENUES</b>	<b>569,200</b>	<b>1,200</b>
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<b><u>OPERATING EXPENSES</u></b>		
Costs of Park Operations	861,125	69,082
Employee Benefits	14,650	15,029
Insurance	4,800	4,720
Depreciation	-	51,629
Contingency	<u>-</u>	<u>-</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>880,575</b>	<b>140,460</b>
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<b>OPERATING (LOSS)</b>	<b>(311,375)</b>	<b>(139,260)</b>
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<b><u>NON-OPERATING REVENUES</u></b>		
Interest Earned	2,600	589
Donations	130,000	14,100
Insurance Claim Refund	-	-
Transfer from Other Funds	<u>150,000</u>	<u>-</u>
<b>TOTAL NON-OPERATING REVENUES</b>	<b>282,600</b>	<b>14,689</b>
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<b>CHANGES IN NET POSITION</b>	<b>(28,775)</b>	<b>(124,571)</b>
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<b>NET POSITION, JANUARY 1, 2020</b>	<b>28,775</b>	<b>1,893,716</b>
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<b>NET POSITION, DECEMBER 31, 2020</b>	<b>\$ -</b>	<b>\$ 1,769,145</b>
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**The Borough of Quakertown  
Liquid Fuels Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Year Ended December 31, 2020**

<b>FUND BALANCE - JANUARY 1, 2020</b>		\$ 564,739
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
<b>INTERGOVERNMENTAL:</b>		
Liquid Fuels Tax	\$ 238,834	
Highway/Turnback Income	5,520	
<b>INVESTMENT EARNINGS:</b>		
Interest Earnings	3,643	247,997
<b>TOTAL FUNDS AVAILABLE</b>		<b>812,736</b>
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>PUBLIC WORKS:</b>		
Highway Construction	\$ 448,710	
Equipment Purchase	69,092	
<b>OTHER FINANCING USES:</b>		
Transfer To Other Funds	-	517,802
<b>FUND BALANCE - DECEMBER 31, 2020</b>		<b><u>\$ 294,934</u></b>

**Capital Projects Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended December 31, 2020**

<b>FUND BALANCE - JANUARY 1, 2020</b>		\$ 735,962
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>		
Interest Earnings	\$ 6,842	
State Grants	1,565,621	
Contributions	323,664	
<b>OTHER FINANCING SOURCES:</b>		
General Obligation Bonds 2020 Proceeds	20,805,000	
Bond Premiums	3,060,937	
Sale of Fixed Assets	-	25,762,064
<b>TOTAL FUNDS AVAILABLE</b>		<b>26,498,026</b>
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>		
<b>CULTURE AND RECREATION:</b>		
Capital Purchases	650,938	
Non-Capital Purchases	-	
<b>COMMUNITY DEVELOPMENT:</b>		
RCAP Grant Expenditures - Non-Capital	1,340,621	
Community Expenditures - Capital	-	
Community Expenditures - Non-Capital	17,188	
<b>OTHER FINANCING USES:</b>		
Underwriter's Discount	82,180	
Fiscal Agent Fees	177,073	
Transfer To Other Funds	-	2,268,000
<b>FUND BALANCE - DECEMBER 31, 2020</b>		<b><u>\$ 24,230,026</u></b>

**THE BOROUGH OF QUAKERTOWN**  
**Escrow Fund**  
**Statement of Additions Received and Deductions Paid**  
**For the Year Ended December 31, 2020**

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NET POSITION - JANUARY 1, 2020		\$ 386,835
<b><u>ADDITIONS RECEIVED:</u></b>		
Escrow Receipts	\$ 296,227	
Interest Earnings	<u>2,132</u>	298,359
<b><u>DEDUCTIONS PAID:</u></b>		
Escrow Disbursements		<u>(582,347)</u>
NET POSITION - DECEMBER 31, 2020		<b><u>\$ 102,847</u></b>

**Police Health Reimbursement Arrangement Fund**  
**Statement of Additions Received and Deductions Paid**  
**For the Year Ended December 31, 2020**

NET POSITION - JANUARY 1, 2020		\$ 165,637
<b><u>ADDITIONS RECEIVED:</u></b>		
Employee Contributions	\$ 38,000	
Interest Earnings	<u>-</u>	38,000
<b><u>DEDUCTIONS PAID:</u></b>		
Employee Benefits		<u>(23,371)</u>
NET POSITION - DECEMBER 31, 2020		<b><u>\$ 180,266</u></b>

**THE BOROUGH OF QUAKERTOWN**  
**Medical Reimbursement Benefit Plan Fund**  
**Statement of Additions and Deductions**  
**For the Year Ended December 31, 2020**

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<b>NET POSITION - BEGINNING OF YEAR</b>		\$ 404,359
<b>ADDITIONS:</b>		
Contributions - Employer	\$ 25,000	
Contributions - Private Sources	-	
<b>INVESTMENT EARNINGS:</b>		
Interest and Dividends	12,628	
Change in Fair Value of Investments	43,879	
<b>TOTAL ADDITIONS</b>	81,507	
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<b>DEDUCTIONS:</b>		
Administrative Charges	6,154	
Investment Expenses	-	
Miscellaneous	-	
<b>TOTAL DEDUCTIONS</b>	6,154	
<b>CHANGE IN NET POSITION</b>		75,353
<b>NET POSITION - END OF YEAR</b>		<b>\$ 479,712</b>

**Deferred Compensation Plan Fund**  
**Statement of Additions and Deductions**  
**For the Year Ended December 31, 2020**

<b>NET POSITION - BEGINNING OF YEAR</b>		\$ 728,514
<b>ADDITIONS:</b>		
Contributions - Employer	\$ 13,019	
Contributions - Employee	18,326	
State Aid	120,640	
<b>INVESTMENT EARNINGS:</b>		
Interest and Dividends	-	
Change in Fair Value of Investments	118,818	
<b>TOTAL ADDITIONS</b>	270,803	
	-----	
<b>DEDUCTIONS:</b>		
Administrative Charges	455	
Employee Benefits	2,530	
Forfeiture Distribution	-	
<b>TOTAL DEDUCTIONS</b>	2,985	
<b>CHANGE IN NET POSITION</b>		267,818
<b>NET POSITION - END OF YEAR</b>		<b>\$ 996,332</b>

**BOROUGH OF QUAKERTOWN**  
**Police Pension Trust Fund**  
**Statement of Additions and Deductions**  
**For the Year Ended December 31, 2020**

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<b>NET POSITION - BEGINNING OF YEAR</b>		\$ 10,668,563
<b>ADDITIONS:</b>		
Contributions - Employer	\$ 404,984	
Contributions - Employee	34,706	
State Aid	167,410	
<b>INVESTMENT EARNINGS:</b>		
Interest and Dividends	232,675	
Change in Fair Value of Investments	<u>1,022,229</u>	
<b>TOTAL ADDITIONS</b>	<u>1,862,004</u>	
<b>DEDUCTIONS:</b>		
Administrative Charges	40,310	
Investment Expenses	-	
Employee Benefits	<u>324,037</u>	
<b>TOTAL DEDUCTIONS</b>	<u>364,347</u>	
<b>CHANGE IN NET POSITION</b>		<u>1,497,657</u>
<b>NET POSITION - END OF YEAR</b>		<u><b>\$ 12,166,220</b></u>

**Non-Uniformed Pension Trust Fund**  
**Statement of Additions and Deductions**  
**For the Year Ended December 31, 2020**

<b>NET POSITION - BEGINNING OF YEAR</b>		\$ 11,429,701
<b>ADDITIONS:</b>		
Contributions - Employer	40,767	
Contributions - Employee	53,929	
State Aid	140,323	
<b>INVESTMENT EARNINGS:</b>		
Interest and Dividends	249,093	
Change in Fair Value of Investments	<u>1,115,620</u>	
<b>TOTAL ADDITIONS</b>	<u>1,599,732</u>	
<b>DEDUCTIONS:</b>		
Administrative Charges	35,204	
Investment Expenses	5,750	
Employee Benefits	<u>514,595</u>	
<b>TOTAL DEDUCTIONS</b>	<u>555,549</u>	
<b>CHANGE IN NET POSITION</b>		<u>1,044,183</u>
<b>NET POSITION - END OF YEAR</b>		<u><b>\$ 12,473,884</b></u>