

BOROUGH OF QUAKERTOWN

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2022

INTRODUCTORY SECTION

BOROUGH OF QUAKERTOWN

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YEAR ENDED DECEMBER 31, 2022

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BOROUGH OF QUAKERTOWN

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FINANCIAL SECTION

Independent Auditors' Report

To the Members of Council
Borough of Quakertown
Quakertown, Pennsylvania

Opinions

We have audited the financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information and the Budget and Actual – General Fund of the Borough of Quakertown as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Borough of Quakertown's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Borough of Quakertown and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note O, for the year ended December 31, 2022, the Borough of Quakertown adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

To the Members of Council
Borough of Quakertown
Quakertown, Pennsylvania

Responsibilities of Management for the Financial Statements

Borough of Quakertown's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Borough of Quakertown's ability to continue as a going concern for one year after the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Borough of Quakertown's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Borough of Quakertown's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Members of Council
Borough of Quakertown
Quakertown, Pennsylvania

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6 through 14, pension plan information on pages 64 through 69 and modified approach to reporting infrastructure assets on pages 70 and 71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 evidence sufficient to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borough of Quakertown's basic financial statements. The combining statement of fiduciary net position and combining statement of changes in fiduciary net position, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of fiduciary net position and combining statement of changes in fiduciary net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maille LLP

Limerick, Pennsylvania
November 2, 2023

BOROUGH OF QUAKERTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

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, 2022. 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, decreased by \$2,012,786 including special and extraordinary items. The net assets decreased in the governmental activities by \$1,810,462 and business-type activities by \$202,324.

During the 2022 year, the Borough issued General Obligation Bonds – Series 2022 in the amount of \$6,970,000. The General Obligation Bonds – Series 2022 was issued for future construction projects.

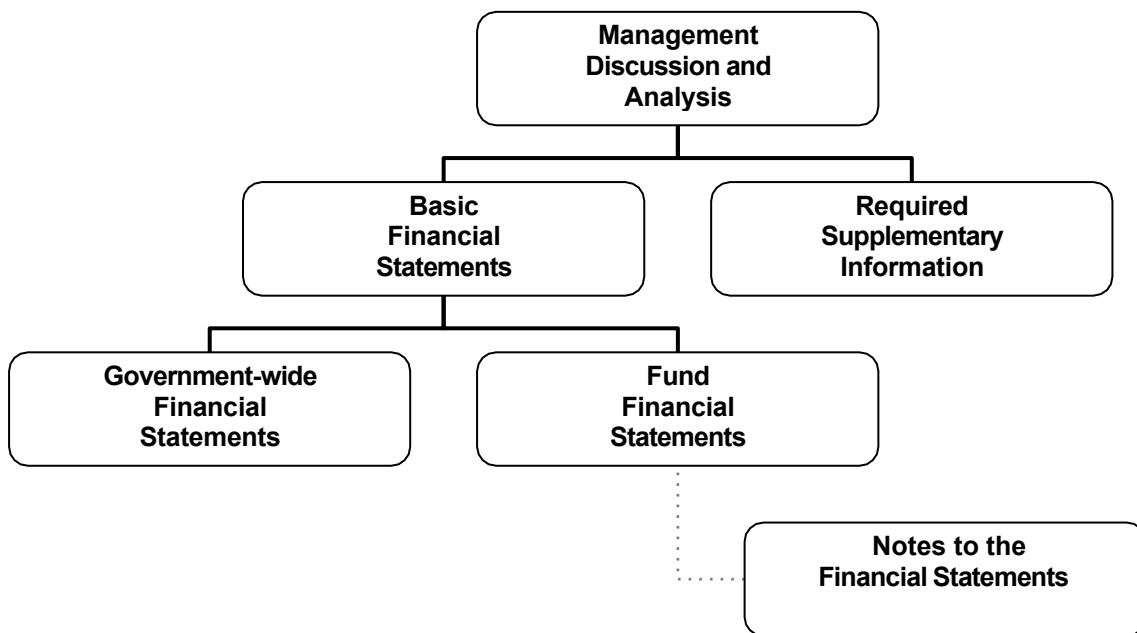
BOROUGH OF QUAKERTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

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, Solid Waste, 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



BOROUGH OF QUAKERTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

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

Table 2
Major Features of the Borough of Quakertown's Government-wide and Fund Financial Statements

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

BOROUGH OF QUAKERTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

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 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 on 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 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, sewer, and solid waste 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 17, 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.

BOROUGH OF QUAKERTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

Proprietary Funds

These funds are used to account for the Borough's activities that are like 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, solid waste, 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 the Borough's fiduciary activities are reported in separate statements of fiduciary net position on pages 26 and 27. 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 \$66,791,171 at December 31, 2022.

Table 3 - Net Position
Year Ended December 31, 2022 and 2021

	2022			2021		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and other assets	\$ 55,464,286	\$ 53,924,571	\$ 109,388,857	\$ 48,019,671	\$ 53,727,616	\$ 101,747,287
Current and other liabilities	\$ 36,547,046	\$ 6,050,639	\$ 42,597,685	\$ 27,291,969	\$ 5,651,360	\$ 32,943,329
NET POSITION						
Net investment						
in capital assets	\$ 16,619,948	\$ 35,979,504	\$ 52,599,452	\$ 22,750,905	\$ 29,577,685	\$ 52,328,590
Restricted	650,864	-	650,864	-	-	-
Unrestricted	1,646,428	11,894,428	13,540,856	(2,023,203)	18,498,571	16,475,368
TOTAL NET POSITION	\$ 18,917,240	\$ 47,873,932	\$ 66,791,172	\$ 20,727,702	\$ 48,076,256	\$ 68,803,958

The results of this year's operations as a whole are reported in the statement of activities on page 16. All expenses are reported in the first column. The two largest revenues are provided by utility services and general public taxes.

BOROUGH OF QUAKERTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

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, 2022 and 2021

	2022			2021		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
REVENUES						
Program revenues						
Charges for services	\$ 907,626	\$ 21,969,022	\$ 22,876,648	\$ 655,536	\$ 21,282,065	\$ 21,937,601
Operating grants and contributions	421,910	247,081	668,991	1,120,215	169,493	1,289,708
Capital grants and contributions	656,704	-	656,704	227,065	135,230	362,295
General revenues						
Properties taxes	128,869	-	128,869	129,404	-	129,404
Other taxes levied for general purposes	1,939,153	-	1,939,153	1,888,102	-	1,888,102
Grant, subsidies and contributions						
Unrestricted	117,027	-	117,027	227,210	-	227,210
Administrative fees	1,725,952	-	1,725,952	1,575,544	-	1,575,544
Investment earnings	384,911	173,742	558,653	32,113	130,445	162,558
Other revenue	25,745	70,709	96,454	70,421	94,477	164,898
TOTAL REVENUES	6,307,897	22,460,554	28,768,451	5,925,610	21,811,710	27,737,320
EXPENSES						
Governmental activities						
General government	1,209,924	-	1,209,924	1,098,589	-	1,098,589
Public safety	3,670,699	-	3,670,699	3,276,356	-	3,276,356
Public works	1,457,507	-	1,457,507	1,326,816	-	1,326,816
Culture and recreation	519,344	-	519,344	423,258	-	423,258
Community development	383,739	-	383,739	703,873	-	703,873
Non-departmental	3,246,231	-	3,246,231	2,239,612	-	2,239,612
Debt service payments	1,218,731	-	1,218,731	705,772	-	705,772
Depreciation	524,198	-	524,198	486,383	-	486,383
Transfers between activities	(4,112,014)	4,112,014	-	(2,943,342)	2,943,342	-
Business-type activities						
Electric	-	10,852,177	10,852,177	-	9,642,193	9,642,193
Water	-	2,253,137	2,253,137	-	1,960,315	1,960,315
Sewer	-	3,489,636	3,489,636	-	3,363,112	3,363,112
Solid waste	-	953,115	953,115	-	1,068,742	1,068,742
Pool	-	379,148	379,148	-	137,200	137,200
Park	-	623,651	623,651	-	468,564	468,564
TOTAL EXPENSES	8,118,359	22,662,878	30,781,237	7,317,317	19,583,468	26,900,785
INCREASE (DECREASE) IN NET POSITION	\$ (1,810,462)	\$ (202,324)	\$ (2,012,786)	\$ (1,391,707)	\$ 2,228,242	\$ 836,535

BOROUGH OF QUAKERTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

DEBT ADMINISTRATION

As of January 1, 2022, the Borough had total outstanding debt of \$26,115,000 (Table 5). During the 2020 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. During 2022, the Borough issued General Obligation Bonds - Series 2022 in the amount of \$6,970,000 for future construction projects.

Table 5 - Outstanding Debt

	<u>2022</u>	<u>2021</u>
2020 General Obligation Bonds	\$ 19,145,000	\$ 20,350,000
2022 General Obligation Bonds	\$ 6,970,000	\$ -

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

	<u>2022</u>			Variances with Final Budget Positive (Negative)
	<u>Budgeted Original</u>	<u>Budget Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	
Revenues	\$ 5,174,204	\$ 5,174,204	\$ 5,345,607	\$ 171,403
Expenditures	10,017,434	10,017,434	9,613,365	404,069
Excess (deficiency) of revenues over expenditures	(4,843,230)	(4,843,230)	(4,267,758)	575,472
Other financing sources	4,877,146	4,877,146	5,497,549	(620,403)
Net change in fund balance	33,916	33,916	1,229,791	1,195,875
Fund Balance - January 1, 2022	(33,916)	(33,916)	150,492	184,408
Fund Balance - December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,380,283</u>	<u>\$ 1,380,283</u>
	<u>2021</u>			
	<u>Budgeted Original</u>	<u>Budget Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	Variances with Final Budget Positive (Negative)
Revenues	\$ 4,751,900	\$ 4,751,900	\$ 5,045,938	\$ 294,038
Expenditures	9,353,017	9,353,017	9,019,744	333,273
Excess (deficiency) of revenues over expenditures	(4,601,117)	(4,601,117)	(3,973,806)	627,311
Other financing sources	4,000,000	4,000,000	2,943,342	(1,056,658)
Net change in fund balance	(601,117)	(601,117)	(1,030,464)	(429,347)
Fund Balance - January 1, 2021	601,117	601,117	1,180,956	579,839
Fund Balance - December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,492</u>	<u>\$ 150,492</u>

BOROUGH OF QUAKERTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2022

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 and are not provided by any other municipalities in our larger region. The list includes police services, water, sewer, electric, trash and recycling, leaf collection, brush clipping and branch drop-off, streetlights, traffic light maintenance, street maintenance, community swimming pool, concert venue, and park and recreation facilities. We look forward to our continued focus on 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 2023 Budget reflects cautious optimism about the local economy. The 2023 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 2023 budget. Below are a few highlights of 2023, which will have an impact on 2023 and future years:

The Borough borrowed \$28 million, in part, 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. The project is expected to be completed in 2024.
- **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. This project was completed in 2022.
- **Quakertown Community Pool** - 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 irreparable, 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-entry 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. This project was substantially completed in 2022 to allow for the pool opening.

BOROUGH OF QUAKERTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2022

- **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 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 project was completed in 2022.
- **Stadium Reconstruction** - After careful assessment of the historic baseball stadium located in Memorial Park, the deteriorating structure was deemed unsafe. The demolition of the old stadium has been completed to make room for a brand-new concrete stadium to ensure a modern and safe structure for both fans and players. The project is expected to be completed in 2024.

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 2023 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.

BOROUGH OF QUAKERTOWN

STATEMENT OF NET POSITION

DECEMBER 31, 2022

	Governmental Activities	Business-Type Activities	Totals
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash and cash equivalents	\$ 20,526,725	\$ 13,527,408	\$ 34,054,133
Investments	-	3,141,387	3,141,387
Accounts receivable, net	413,549	2,809,301	3,222,850
Lease receivables	250,638	1,436,352	1,686,990
Internal balances	3,788,346	(3,788,346)	-
Capital assets, net of depreciation			
Land	1,851,952	-	1,851,952
Buildings	1,173,621	11,621,736	12,795,357
Improvements other than buildings	2,654,701	3,416,512	6,071,213
Machinery and equipment	1,877,496	2,380,561	4,258,057
Sewer lines infrastructure	-	10,187,159	10,187,159
Water lines infrastructure	-	6,872,837	6,872,837
Infrastructure	19,950,250	-	19,950,250
Construction in progress	-	1,500,699	1,500,699
Leased assets			
Right to use asset, net of accumulated amortization	242,949	-	242,949
TOTAL ASSETS	<u>52,730,227</u>	<u>53,105,606</u>	<u>105,835,833</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	<u>2,734,059</u>	<u>818,965</u>	<u>3,553,024</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 55,464,286</u>	<u>\$ 53,924,571</u>	<u>\$ 109,388,857</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
LIABILITIES			
Sales tax payable	\$ -	\$ 10,552	\$ 10,552
Accounts payable	100,820	1,889,448	1,990,268
Accrued salaries and benefits	110,481	54,660	165,141
Interest payable	432,597	-	432,597
Unearned revenues	-	922,322	922,322
Portion due or payable within one year			
Bonds payable	1,495,000	-	1,495,000
Compensated absences	190,461	-	190,461
Lease liabilities, current	361	-	361
Portion due or payable after one year			
Bonds payable	24,620,000	-	24,620,000
Bond premiums	2,967,124	-	2,967,124
Compensated absences	952,307	587,324	1,539,631
Lease liabilities	250,277	-	250,277
Net pension liability	5,184,644	1,116,159	6,300,803
TOTAL LIABILITIES	<u>36,304,072</u>	<u>4,580,465</u>	<u>40,884,537</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, leases	<u>242,974</u>	<u>1,470,174</u>	<u>1,713,148</u>
NET POSITION			
Net investment in capital assets	16,619,948	35,979,504	52,599,452
Restricted	650,864	-	650,864
Unrestricted	1,646,428	11,894,428	13,540,856
TOTAL NET POSITION	<u>18,917,240</u>	<u>47,873,932</u>	<u>66,791,172</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 55,464,286</u>	<u>\$ 53,924,571</u>	<u>\$ 109,388,857</u>

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,209,924	\$ 343,280	\$ -	\$ -
Public safety	3,670,699	470,248	62,234	-
Public works	1,457,507	-	11,482	231,704
Culture and recreation	519,344	94,098	3,417	225,000
Community development	383,739	-	-	200,000
Non-departmental	3,246,231	-	344,777	-
Debt service	1,218,731	-	-	-
Depreciation and amortization	524,198	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	12,230,373	907,626	421,910	656,704
BUSINESS-TYPE ACTIVITIES				
Electric	10,852,177	14,347,398	88,242	-
Water	2,253,137	2,141,282	28,370	-
Sewer	3,489,636	3,750,212	48,210	-
Solid waste	953,115	901,326	41,445	-
Pool	379,148	198,489	-	-
Park	623,651	630,315	40,814	-
TOTAL BOROUGH GOVERNMENT	\$ 30,781,237	\$ 22,876,648	\$ 668,991	\$ 656,704

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Other taxes, levied for general purposes

Grants, subsidies, and contributions not restricted

Administrative fees

Investment earnings

Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (866,644)	\$ -	\$ (866,644)
(3,138,217)	-	(3,138,217)
(1,214,321)	-	(1,214,321)
(196,829)	-	(196,829)
(183,739)	-	(183,739)
(2,901,454)	-	(2,901,454)
(1,218,731)	-	(1,218,731)
(524,198)	-	(524,198)
(10,244,133)	-	(10,244,133)
-	3,583,463	3,583,463
-	(83,485)	(83,485)
-	308,786	308,786
-	(10,344)	(10,344)
-	(180,659)	(180,659)
-	47,478	47,478
<u>\$ (10,244,133)</u>	<u>\$ 3,665,239</u>	<u>\$ (6,578,894)</u>
128,869	-	128,869
1,939,153	-	1,939,153
117,027	-	117,027
1,725,952	-	1,725,952
384,911	173,742	558,653
25,745	70,709	96,454
4,112,014	(4,112,014)	-
<u>8,433,671</u>	<u>(3,867,563)</u>	<u>4,566,108</u>
(1,810,462)	(202,324)	(2,012,786)
<u>20,727,702</u>	<u>48,076,256</u>	<u>68,803,958</u>
<u>\$ 18,917,240</u>	<u>\$ 47,873,932</u>	<u>\$ 66,791,172</u>

BOROUGH OF QUAKERTOWN

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2022

	General Fund	Capital Projects Fund	Liquid Fuels Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,549,879	\$ 18,325,982	\$ 650,864	\$ 20,526,725
Accounts receivable	413,549	-	-	413,549
Lease receivable	250,638	-	-	250,638
Due from other funds	160,420	3,627,926	-	3,788,346
TOTAL ASSETS	\$ 2,374,486	\$ 21,953,908	\$ 650,864	\$ 24,979,258
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 99,321	\$ 1,499	\$ -	\$ 100,820
Accrued salaries and benefits	110,481	-	-	110,481
Accrued compensated absences	190,461	-	-	190,461
TOTAL LIABILITIES	400,263	1,499	-	401,762
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue, other	350,966	-	-	350,966
Unavailable revenue, leases	242,974	-	-	242,974
TOTAL DEFERRED INFLOWS OF RESOURCES	593,940	-	-	593,940
FUND BALANCES				
Restricted	-	17,951,103	650,864	18,601,967
Assigned	-	4,001,306	-	4,001,306
Unassigned	1,380,283	-	-	1,380,283
TOTAL FUND BALANCES	1,380,283	21,952,409	650,864	23,983,556
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,374,486	\$ 21,953,908	\$ 650,864	\$ 24,979,258

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2022**

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 23,983,556
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets of \$33,608,893 and the accumulated depreciation is \$6,100,873.	27,508,020
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Right of use leased assets used in governmental activities are not current financial resource, and therefore are not reported in the fund financial statements. The cost of the assets of \$251,524 and the accumulated amortization is \$8,575.	242,949
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Some of the Borough's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	350,966
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Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.	2,734,059
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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	(26,115,000)
Unamortized bond premium	(2,967,124)
Accrued interest on the bonds	(432,597)
Compensated absences	(952,307)
Lease liabilities	(250,638)
Net pension liability	(5,184,644)
Other retirement benefits	<u>(35,902,310)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>18,917,240</u></u>
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See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	General Fund	Capital Projects Fund	Liquid Fuels Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 1,909,923	\$ -	\$ -	\$ 1,909,923
Licenses and permits	149,787	-	-	149,787
Fines and forfeits	96,543	-	-	96,543
Intergovernmental	2,216,748	200,000	231,704	2,648,452
Charges for services	569,008	-	-	569,008
Investment and rental earnings	44,328	330,963	9,620	384,911
Miscellaneous	218,600	3,417	-	222,017
TOTAL REVENUES	5,204,937	534,380	241,324	5,980,641
EXPENDITURES				
General government	1,174,327	-	8,906	1,183,233
Public safety	3,681,204	-	-	3,681,204
Public works	1,450,408	2,005,640	105,220	3,561,268
Culture and recreation	506,202	531,683	-	1,037,885
Community development	193,817	200,000	-	393,817
Non-departmental	2,607,407	-	-	2,607,407
Debt service	-	2,223,123	-	2,223,123
TOTAL EXPENDITURES	9,613,365	4,960,446	114,126	14,687,937
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,408,428)	(4,426,066)	127,198	(8,707,296)
OTHER FINANCING SOURCES (USES)				
Refund of prior year expenditures	140,670	-	-	140,670
General Obligation Bond proceeds	-	6,970,000	-	6,970,000
Bond premium	-	218,659	-	218,659
Interfund transfers in	5,806,223	2,038,787	-	7,845,010
Interfund transfers out	(308,674)	(3,424,322)	-	(3,732,996)
TOTAL OTHER FINANCING SOURCES (USES)	5,638,219	5,803,124	-	11,441,343
NET CHANGE IN FUND BALANCES	1,229,791	1,377,058	127,198	2,734,047
FUND BALANCES AT BEGINNING OF YEAR	150,492	20,575,351	523,666	21,249,509
FUND BALANCES AT END OF YEAR	\$ 1,380,283	\$ 21,952,409	\$ 650,864	\$ 23,983,556

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2022

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,734,047
<p>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(\$2,643,668) exceeds depreciation (\$515,623) in the current period.</p>	2,128,045
<p>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. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	(6,070,524)
<p>The issuance of long-term debt relating to the leasing of right of use assets provides current financial resources to the government fund, while the repayment of principal on that long-term debt consumes current financial resources of the governmental fund. The amount is the net effect of these differences in the treatment of long-term debt related to right to use leased assets and related items.</p>	(7,689)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the governmental funds when it is due and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as interest accrues, regardless of when it is due.</p>	(104,551)
<p>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, deferred revenues increased by this amount this year.</p>	186,586
<p>Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the Governmental Funds:</p>	
Changes in compensated absences	(37,552)
Changes in net pension liability and related deferrals	<u>(638,824)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,810,462)</u>

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL, GENERAL FUND
YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 1,815,000	\$ 1,815,000	\$ 1,909,923	\$ 94,923
Licenses and permits	161,250	161,250	149,787	(11,463)
Fines and forfeits	115,600	115,600	96,543	(19,057)
Intergovernmental	2,194,704	2,194,704	2,216,748	22,044
Charges for services	567,350	567,350	569,008	1,658
Investment and rental earnings	23,200	23,200	44,328	21,128
Miscellaneous	157,100	157,100	218,600	61,500
TOTAL REVENUES	<u>5,034,204</u>	<u>5,034,204</u>	<u>5,204,937</u>	<u>170,733</u>
EXPENDITURES				
General government				
Legal	42,800	42,800	96,610	(53,810)
Mayor, legislative, borough manager	322,000	322,000	321,827	173
Finance and accounting	298,617	298,617	347,753	(49,136)
Tax collection	7,500	7,500	7,493	7
IT-networking services-data processing	97,100	97,100	78,893	18,207
Engineering	160,000	160,000	154,737	5,263
Buildings and plant	318,300	318,300	167,014	151,286
Public safety				
Police	3,158,400	3,158,400	3,186,430	(28,030)
Fire department	276,910	276,910	301,943	(25,033)
Inspections	172,750	172,750	192,831	(20,081)
Public works				
Street maintenance and lighting	1,512,000	1,512,000	1,450,408	61,592
Culture and recreation				
Parks	470,500	470,500	506,202	(35,702)
Community development	218,000	218,000	193,817	24,183
Non-departmental				
Employer paid benefits and withholding items	2,477,457	2,477,457	2,489,942	(12,485)
Insurance	113,000	113,000	108,831	4,169
Miscellaneous	9,000	9,000	8,634	366
Debt service	363,100	363,100	-	363,100
TOTAL EXPENDITURES	<u>10,017,434</u>	<u>10,017,434</u>	<u>9,613,365</u>	<u>404,069</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,983,230)</u>	<u>(4,983,230)</u>	<u>(4,408,428)</u>	<u>574,802</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year expenditures	140,000	140,000	140,670	670
Interfund transfers in	4,877,146	4,877,146	5,806,223	929,077
Interfund transfers out	-	-	(308,674)	(308,674)
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,017,146</u>	<u>5,017,146</u>	<u>5,638,219</u>	<u>621,073</u>
NET CHANGE IN FUND BALANCE	<u>\$ 33,916</u>	<u>\$ 33,916</u>	<u>1,229,791</u>	<u>\$ 1,195,875</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>150,492</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 1,380,283</u>	

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Major			Total	
	Electric Fund	Water Fund	Sewer Fund	Non-Major	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 5,193,028	\$ 3,456,375	\$ 4,287,034	\$ 590,971	\$ 13,527,408
Investments	1,570,936	-	1,570,451	-	3,141,387
Lease receivable	56,710	38,095	-	-	94,805
Accounts receivable, net	2,052,915	325,708	257,119	173,559	2,809,301
TOTAL CURRENT ASSETS	<u>8,873,589</u>	<u>3,820,178</u>	<u>6,114,604</u>	<u>764,530</u>	<u>19,572,901</u>
NON-CURRENT ASSETS					
Lease receivable	392,213	949,334	-	-	1,341,547
Buildings (net of depreciation)	4,578,345	1,692,606	3,936,993	1,413,792	11,621,736
Improvements other than buildings (net of depreciation)	15,370	29,602	35,130	3,336,410	3,416,512
Machinery and equipment (net of depreciation)	1,014,197	379,770	426,993	559,601	2,380,561
Construction in progress	-	-	1,500,699	-	1,500,699
Sewer lines infrastructure (net of depreciation)	-	-	10,187,159	-	10,187,159
Water lines infrastructure (net of depreciation)	-	6,872,837	-	-	6,872,837
TOTAL NON-CURRENT ASSETS	<u>6,000,125</u>	<u>9,924,149</u>	<u>16,086,974</u>	<u>5,309,803</u>	<u>37,321,051</u>
TOTAL ASSETS	<u>14,873,714</u>	<u>13,744,327</u>	<u>22,201,578</u>	<u>6,074,333</u>	<u>56,893,952</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources, pension activity	\$ 339,449	\$ 206,580	\$ 272,936	\$ -	\$ 818,965
LIABILITIES					
CURRENT LIABILITIES					
Sales tax payable	\$ 10,552	\$ -	\$ -	\$ -	\$ 10,552
Accounts payable	1,356,218	63,671	135,765	333,794	1,889,448
Unearned revenues	-	922,322	-	-	922,322
Accrued salaries and benefits	15,385	12,597	16,670	10,008	54,660
Due to other funds	-	2,283,598	986,298	518,450	3,788,346
TOTAL CURRENT LIABILITIES	<u>1,382,155</u>	<u>3,282,188</u>	<u>1,138,733</u>	<u>862,252</u>	<u>6,665,328</u>
NON-CURRENT LIABILITIES					
Compensated absences	231,490	177,810	161,883	16,141	587,324
Net pension liability	462,631	281,546	371,982	-	1,116,159
TOTAL NON-CURRENT LIABILITIES	<u>694,121</u>	<u>459,356</u>	<u>533,865</u>	<u>16,141</u>	<u>1,703,483</u>
TOTAL LIABILITIES	<u>2,076,276</u>	<u>3,741,544</u>	<u>1,672,598</u>	<u>878,393</u>	<u>8,368,811</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows or resources, leases	465,709	1,004,465	-	-	1,470,174
NET POSITION					
Net investment in capital assets	5,607,912	8,974,815	16,086,974	5,309,803	35,979,504
Unrestricted net position	7,063,266	230,083	4,714,942	(113,863)	11,894,428
TOTAL NET POSITION	<u>\$ 12,671,178</u>	<u>\$ 9,204,898</u>	<u>\$ 20,801,916</u>	<u>\$ 5,195,940</u>	<u>\$ 47,873,932</u>

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Major			Total Non-Major	Total
	Electric Fund	Water Fund	Sewer Fund		
OPERATING REVENUES					
Charges for services	\$ 13,927,876	\$ 1,699,566	\$ 3,728,829	\$ 1,727,399	\$ 21,083,670
Debt service fees	-	360,069	-	-	360,069
Permits and fees	225,103	37,055	-	2,505	264,663
Penalties	194,419	24,005	21,383	226	240,033
Rental income	-	20,587	-	-	20,587
Other income	46,756	8,187	12,771	2,995	70,709
TOTAL OPERATING REVENUES	14,394,154	2,149,469	3,762,983	1,733,125	22,039,731
OPERATING EXPENSES					
Costs of furnishing utility	10,006,898	1,553,629	2,289,530	-	13,850,057
Costs of solid waste operations	-	-	-	745,576	745,576
Costs of pool operations	-	-	-	203,501	203,501
Costs of park operations	-	-	-	567,799	567,799
Employee benefits	484,580	312,484	529,067	180,386	1,506,517
Insurance	76,407	73,213	127,248	30,295	307,163
Depreciation	284,292	313,811	543,791	228,357	1,370,251
TOTAL OPERATING EXPENSES	10,852,177	2,253,137	3,489,636	1,955,914	18,550,864
OPERATING INCOME (LOSS)	3,541,977	(103,668)	273,347	(222,789)	3,488,867
NON-OPERATING REVENUES (EXPENSES)					
Interest earned	53,363	70,153	45,425	4,801	173,742
Donations	-	-	-	40,814	40,814
State aid - pension	40,242	28,370	48,210	9,822	126,644
Recycling/Act 101 grant	48,000	-	-	31,623	79,623
Transfers from other funds	67,500	-	1,331,373	2,372,912	3,771,785
Transfers to other funds	(5,359,175)	(322,487)	(1,954,674)	(247,463)	(7,883,799)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(5,150,070)	(223,964)	(529,666)	2,212,509	(3,691,191)
CHANGES IN NET POSITION	(1,608,093)	(327,632)	(256,319)	1,989,720	(202,324)
NET POSITION - BEGINNING	14,279,271	9,532,530	21,058,235	3,206,220	48,076,256
NET POSITION - ENDING	\$ 12,671,178	\$ 9,204,898	\$ 20,801,916	\$ 5,195,940	\$ 47,873,932

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Major			Total	Total
	Electric Fund	Water Fund	Sewer Fund	Non-Major	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from users	\$ 14,296,377	\$ 3,022,947	\$ 3,729,205	\$ 1,766,918	\$ 22,815,447
Cash received from other operating revenue	46,756	45,810	12,771	2,995	108,332
Cash payments to employees for services	(330,104)	(676,327)	(388,324)	(158,507)	(1,553,262)
Cash payments to suppliers for goods and services	(9,233,833)	(1,532,099)	(2,192,001)	(1,298,051)	(14,255,984)
Cash payments to other operating expenses	(76,407)	(73,213)	(127,248)	(30,295)	(307,163)
NET CASH PROVIDED BY (USED) BY OPERATING ACTIVITIES	<u>4,702,789</u>	<u>787,118</u>	<u>1,034,403</u>	<u>283,060</u>	<u>6,807,370</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
State sources	40,242	28,370	48,210	41,445	158,267
Donations	48,000	-	-	40,814	88,814
Operating transfers in	67,500	-	1,331,373	2,372,912	3,771,785
Operating transfers out	(5,359,175)	(322,487)	(1,954,674)	(247,463)	(7,883,799)
NET CASH PROVIDED BY (USED) FOR NON-CAPITAL FINANCING ACTIVITIES	<u>(5,203,433)</u>	<u>(294,117)</u>	<u>(575,091)</u>	<u>2,207,708</u>	<u>(3,864,933)</u>
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES					
Purchase of fixed assets	-	(53,993)	(1,428,700)	(2,115,268)	(3,597,961)
CASH FLOWS FROM INVESTING ACTIVITIES					
(Purchases) sales of investments	(7,053)	-	2,153,437	-	2,146,384
Earnings on investments	53,363	70,153	45,425	4,801	173,742
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>46,310</u>	<u>70,153</u>	<u>2,198,862</u>	<u>4,801</u>	<u>2,320,126</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(454,334)	509,161	1,229,474	380,301	1,664,602
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,647,362</u>	<u>2,947,214</u>	<u>3,057,560</u>	<u>210,670</u>	<u>11,862,806</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,193,028</u>	<u>\$ 3,456,375</u>	<u>\$ 4,287,034</u>	<u>\$ 590,971</u>	<u>\$ 13,527,408</u>

BOROUGH OF QUAKERTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Major			Total Non-Major	Total
	Electric Fund	Water Fund	Sewer Fund		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 3,541,977	\$ (103,668)	\$ 273,347	\$ (222,789)	\$ 3,488,867
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	284,292	313,811	543,791	228,357	1,370,251
Change in assets and liabilities					
(Increase) decrease in accounts receivable	(67,807)	(20,070)	(21,007)	36,788	(72,096)
(Increase) decrease in lease receivable	(448,923)	(987,429)	-	-	(1,436,352)
(Increase) decrease in deferred outflows	(303,700)	(181,865)	(245,360)	-	(730,925)
(Increase) decrease in GASB 68 pension liability	719,323	459,012	569,988	-	1,748,323
(Increase) decrease in deferred inflows	(260,579)	(641,070)	(201,005)	-	(1,102,654)
Increase (decrease) in accounts payable	773,607	21,530	97,529	234,583	1,127,249
Increase (decrease) in unearned revenue	-	922,322	-	-	922,322
Increase (decrease) in deferred inflows	465,709	1,004,465	-	-	1,470,174
Increase (decrease) in accrued salaries and benefits	(1,107)	268	(1,679)	(435)	(2,953)
Increase (decrease) in sales tax payable	(542)	-	-	-	(542)
Increase (decrease) in compensated absences	539	(188)	18,799	6,556	25,706
TOTAL ADJUSTMENTS	<u>1,160,812</u>	<u>890,786</u>	<u>761,056</u>	<u>505,849</u>	<u>3,318,503</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 4,702,789</u>	<u>\$ 787,118</u>	<u>\$ 1,034,403</u>	<u>\$ 283,060</u>	<u>\$ 6,807,370</u>

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2022

	Pension and Medical Benefit Trust Funds	Custodial Funds		
		Escrow Fund	Medical Reimbursement Benefit Plan Fund	Police Health Reimbursement Arrangement Fund
ASSETS				
Cash and cash equivalents	\$ 362,613	\$ 21,341	\$ 14,256	\$ 226,745
Investments	24,012,604	-	480,106	-
Accrued investment income	45,123	-	638	-
Accounts receivable	4,183	-	-	-
TOTAL ASSETS	\$ 24,424,523	21,341	495,000	226,745
LIABILITIES				
Benefits payable	\$ 23	\$ -	\$ -	\$ -
Other payables	-	-	-	2,164
TOTAL LIABILITIES	23	-	-	2,164
NET POSITION				
Restricted for				
Individuals, organizations, and other governments	-	21,341	495,000	224,581
Employee benefits	24,424,500	-	-	-
TOTAL NET POSITION	\$ 24,424,500	21,341	495,000	224,581

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2022

	Pension and Medical Benefit Trust Funds	Custodial Funds		
		Escrow Fund	Medical Reimbursement Benefit Plan Fund	Police Health Reimbursement Arrangement Fund
ADDITIONS				
Contributions - employer	\$ 451,560	\$ -	\$ 25,000	\$ -
Contributions - employee	102,084	-	-	-
State aid	471,421	-	-	-
Employer contribution receipts	-	-	-	76,125
Escrow receipts	-	359	-	-
Investment earnings				
Interest and dividends	162,896	4,269	6,519	-
Change in fair value of investments	(4,746,086)	-	(107,274)	-
TOTAL ADDITIONS	<u>(3,558,125)</u>	<u>4,628</u>	<u>(75,755)</u>	<u>76,125</u>
DEDUCTIONS				
Administrative charges	26,476	-	1,487	-
Investment expenses	69,768	-	-	-
Miscellaneous	23,076	-	-	-
Employee benefits	1,082,040	-	-	-
Employee benefit disbursements	-	-	-	52,193
Escrow disbursements	-	59,853	-	-
TOTAL DEDUCTIONS	<u>1,201,360</u>	<u>59,853</u>	<u>1,487</u>	<u>52,193</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(4,759,485)	(55,225)	(77,242)	23,932
NET POSITION AT BEGINNING OF YEAR	<u>29,183,985</u>	<u>76,566</u>	<u>572,242</u>	<u>200,649</u>
NET POSITION AT END OF YEAR	<u>\$ 24,424,500</u>	<u>\$ 21,341</u>	<u>\$ 495,000</u>	<u>\$ 224,581</u>

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, trash collection, and electricity.

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 accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

Reporting Entity

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

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.

Basis of Presentation

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

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The statement of net position 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 six business-type activities of the Borough. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the Borough.

Fund Financial Statements

During the year, the Borough segregates transactions related to certain government functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Borough at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

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

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reimbursement 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.

Fund Accounting

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

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

General Fund

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

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The funds in the financial statements consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

The Borough has adopted GASB Statements No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, No. 72, Fair Value Measurement and Application and No. 79 Certain External Investment Pools and Pool Participants. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Allowance for Doubtful Accounts

Receivable includes taxes, utilities and other miscellaneous receivables. The allowance for doubtful accounts for utilities and other miscellaneous receivable is determined by a review of historical collection trends and experience.

Interfund Transactions

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.

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:

	<u>Years</u>
Buildings and Improvements	20 - 50
Machinery and Equipment	5 - 20
Vehicles	10 - 30
Infrastructure	Modified Approach
Water Lines	30 - 50
Sewer Lines	50 - 90

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Lessee

The Borough is a lessee for noncancellable lease of a building. The Borough recognizes a lease liability and an intangible right-to-use lease asset (leased assets) in the government-wide financial statements. The Borough recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Borough initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Borough determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Borough uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Borough generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Borough is reasonably certain to exercise.

The Borough monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor

The Borough is the lessor for noncancellable leases for a portion of the Borough's real property for underground communications facilities, cellular attachments, and a building. The Borough recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund and proprietary fund financial statements.

At commencement of a lease, the Borough initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key estimates and judgments include how the Borough determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Borough uses its estimated incremental borrowing rates as the discount rate for leases.
- The lease term includes the noncancellable period of the lease plus renewal options that are reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Borough monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Compensated Absences

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

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

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

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Borough has one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of the net difference between projected, actual earnings on pension plan investments and differences in projected and actual experience of the pension plan and changes in actuarial assumptions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has two items that qualifies for reporting in this category. Unavailable revenues, which arise only under a modified accrual basis of accounting, are reported only in the Governmental Funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The second item is deferred inflow of resources related to leases which is reported in the government-wide statement of net position and the proprietary funds statement of net position.

Real Estate Taxes

The total taxable assessed real estate valuation for the year ended 2022 is \$80,028,150 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.

Net Position Flow Assumption

Sometimes the Borough will fund outlays for a particular purpose from both restricted (e.g., restricted note or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Borough's policy to consider restricted net position to have been depleted before unrestricted net position is applied in the fund financial statements. Governmental Fund Types recognize note premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications

GASB Statement No 54, effective for financial statements for periods beginning after June 14, 2010, established accounting and financial reporting standards for all governments that report governmental funds. The statement established criteria for classifying fund balances into the following specifically defined classifications:

- ***Non-spendable fund balance*** includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- ***Restricted fund balance*** includes amounts that are restricted externally by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- ***Committed fund balance*** includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. The Borough's highest level of decision making is the Borough Council.
- ***Assigned fund balance*** comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- ***Unassigned fund balance*** is the residual classification for the general fund and includes all amounts not contained in the other classifications.

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a policy for custodial credit risk on deposits. The Borough is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

As of year-end, the carrying amount of deposits was \$34,679,088 and the bank balance was \$35,013,075. Of the bank balance, \$500,000 was covered by federal depository insurance; \$6,426,326 exceeded depository insurance and was exposed to custodial credit risk because the deposits were uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the Borough's name; and the remaining \$28,086,749 was held in the Pennsylvania Local Government Investment Trust (PLGIT). Although not registered with the Securities and Exchange Commission and not subject to regulator oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized organization (Standard & Poor's rating of AAAM as of December 31, 2022, and is subject to an independent annual audit.

Restricted Cash

The cash balance includes \$362,613 held for pension benefits, \$21,341 held as utility escrow funds, \$14,256 held in the Medical Reimbursement Benefit Plan Fund and \$226,745 held in the Police Health Reimbursement Arrangement Fund. The utility escrow funds are security deposits from renters in the Borough.

Investments

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 - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of Governmental Funds as described in Note A. The Borough does not have a formal investment policy for credit risk. As of December 31, 2022, the Borough's significant investments were rated as:

<u>Investments</u>	<u>Standard & Poor's</u>
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
Misc. Mutual Funds	AL/FL

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2022, the Borough had the following investments:

Investments Type	Fair Value/ Carrying Amount	Investment Maturities	
		Less Than 1 Year	More Than 1 Year
Common Stocks	\$ 9,982,600	\$ 9,982,600	\$ -
Corporate Bonds	2,807,124	173,509	2,633,615
U.S. Government Agency Bonds	2,419,411	-	2,419,411
Certificates of Deposit	4,686,387	3,511,387	1,175,000
Mutual Funds	7,738,575	7,738,575	-
TOTAL	\$ 27,634,097	\$ 21,406,071	\$ 6,228,026

Fair Value Measurement - 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 market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Borough has the following recurring fair value measurements as of December 31, 2022:

Investments at fair value	Fair Value	Prices in	Significant	Significant
		Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Common stocks	\$ 9,982,600	\$ 9,982,600	\$ -	\$ -
Mutual fund	7,738,575	7,738,575	-	-
US government bonds	2,419,411	-	2,419,411	-
Corporate bonds	2,807,124	-	2,807,124	-
Total investments at fair value	\$ 22,947,710	\$ 17,721,175	\$ 5,226,535	\$ -

Concentration of Credit Risk - The Borough places no limit on the amount that may be invested in any one issuer. As of December 31, 2022, the Borough had no individual investments that exceeded more than 5% of the Borough's total investments.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Foreign Currency Risk - As of December 31, 2022, the Borough had the following investments that were subject to foreign currency risk:

<u>Name</u>	<u>Amount</u>
Mutual Funds	
American Funds Europacific Growth Fund	\$ 1,552,776
Vanguard Total International ETF	1,546,894
Direct Equity Holdings	
TE Connectivity Ltd.	\$ 189,879

Restricted Investments

The investments include \$24,492,710 held for future pension obligation for the uniform and non-uniform pension plans, the 401A Retirement Plan, and Post-Retirement Medical Plan.

NOTE C - RECEIVABLES

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

	<u>General Fund</u>	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Park Fund</u>
Receivables						
Taxes	\$ -	\$ 697	\$ -	\$ -	\$ -	\$ -
Accounts	411,385	2,074,987	337,629	269,814	130,226	43,333
Other	2,164	77,571	-	-	-	-
Gross Receivables	<u>413,549</u>	<u>2,153,255</u>	<u>337,629</u>	<u>269,814</u>	<u>130,226</u>	<u>43,333</u>
Less allowance for Uncollectibles	<u>-</u>	<u>(100,340)</u>	<u>(11,921)</u>	<u>(12,695)</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 413,549</u>	<u>\$ 2,052,915</u>	<u>\$ 325,708</u>	<u>\$ 257,119</u>	<u>\$ 130,226</u>	<u>\$ 43,333</u>

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE D - CAPITAL ASSETS

Governmental activities capital asset activity for the year ended December 31, 2022, was as follows:

	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,851,952	\$ -	\$ -	\$ 1,851,952
Construction in progress	2,629,070	-	(2,629,070)	-
Infrastructure	16,045,900	3,904,350	-	19,950,250
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	20,526,922	3,904,350	(2,629,070)	21,802,202
Capital assets being depreciated				
Buildings	2,598,415	-	-	2,598,415
Improvements other than buildings	2,482,836	1,278,103	-	3,760,939
Machinery and equipment	5,357,052	90,285	-	5,447,337
TOTAL CAPITAL ASSETS BEING DEPRECIATED	10,438,303	1,368,388	-	11,806,691
Accumulated depreciation				
Buildings	(1,379,039)	(45,755)	-	(1,424,794)
Improvements other than buildings	(1,003,580)	(102,658)	-	(1,106,238)
Machinery and equipment	(3,202,631)	(367,210)	-	(3,569,841)
TOTAL ACCUMULATED DEPRECIATION	(5,585,250)	(515,623)	-	(6,100,873)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	4,853,053	852,765	-	5,705,818
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 25,379,975	\$ 4,757,115	\$ (2,629,070)	\$ 27,508,020

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE D - CAPITAL ASSETS (Continued)

Business-type activities capital asset activity for the year ended December 31, 2022, was as follows:

	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 385,763	\$ 1,428,699	\$ (313,763)	\$ 1,500,699
Capital assets being depreciated				
Buildings	26,946,548	46,592	-	26,993,140
Improvements other than buildings	3,382,184	2,199,151	-	5,581,335
Machinery and equipment	4,826,981	237,286	-	5,064,267
Sewer lines infrastructure	14,023,215	-	-	14,023,215
Water lines infrastructure	11,075,945	-	-	11,075,945
TOTAL CAPITAL ASSETS				
BEING DEPRECIATED	<u>60,254,873</u>	<u>2,483,029</u>	<u>-</u>	<u>62,737,902</u>
Accumulated depreciation	<u>(26,888,842)</u>	<u>(1,370,251)</u>	<u>-</u>	<u>(28,259,093)</u>
TOTAL CAPITAL ASSETS				
BEING DEPRECIATED, net	<u>33,366,031</u>	<u>1,112,778</u>	<u>-</u>	<u>34,478,809</u>
 BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, net	<u>\$ 33,751,794</u>	<u>\$ 2,541,477</u>	<u>\$ (313,763)</u>	<u>\$ 35,979,508</u>

Depreciation expense was charged to the governmental activities as follows:

Depreciation - Unallocated \$ 515,623

Depreciation expense was charged to the business-type activities as follows:

Depreciation - Unallocated \$ 1,370,251

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE E - RIGHT TO USE LEASE ASSETS

The Borough has recorded right to use lease assets for a building. The right to use leased asset is amortized on a straight-line basis over the life of the related lease. Right to use asset activity for the year ended December 31, 2022 was as follows:

	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022
Right to use assets being amortized				
Building	\$ 251,524	\$ -	\$ -	\$ 251,524
Less: Accumulated Amortization				
Building	<u>-</u>	<u>(8,575)</u>	<u>-</u>	<u>(8,575)</u>
Right to use assets, net	<u>\$ 251,524</u>	<u>\$ (8,575)</u>	<u>\$ -</u>	<u>\$ 242,949</u>

The Borough had \$8,575 of amortization expense for governmental activities for the year ended December 31, 2022.

NOTE F - LEASES

Lease Receivable

During the year, the Borough of Quakertown leases a portion of their real property for underground communications, cellular attachments, and a building. The leases are for the following:

<u>Description</u>	<u>Term</u>	<u>Payment</u>
Building	Monthly through May 2051	\$823 to \$1,940
Real Property	Annually through January 2030	\$75,000
Real Property	Monthly through September 2042	\$1,399 to \$2,049
Real Property	Monthly through August 2042	\$2,100 to \$2,273
Real Property	Monthly through April 2038	\$1,719 to \$2,615
Real Property	Monthly through December 2026	\$1,008

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE F - LEASES (Continued)

As of December 31, 2022, the Borough's receivable for lease payments was \$1,686,990. Also, the Borough has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of December 31, 2022, the balance of the deferred inflow of resources was \$1,713,148. Lease related revenues recognized as of December 31, 2022 were as follows:

<u>Lease-related Revenue</u>	<u>Year Ending December 31, 2022</u>
Lease Revenue	
Bulding	\$ 8,550
Real Property	120,069
Interest Revenue	<u>68,470</u>
TOTAL	<u>\$ 197,089</u>

Current year interest revenues were \$68,470 which is included on investment and rental earnings and interest earned financial line items.

The future maturity of lease receivables is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Receipts</u>
2023	\$ 95,165	\$ 67,114	\$ 162,279
2024	101,446	63,207	164,653
2025	106,971	59,035	166,006
2026	111,665	54,670	166,335
2027	104,879	50,337	155,216
2028-2032	387,973	190,943	578,916
2033-2037	348,347	123,339	471,686
2038-2042	283,373	57,009	340,382
2043-2047	77,192	22,348	99,540
2048-2052	<u>69,979</u>	<u>4,965</u>	<u>74,944</u>
Total	<u>\$ 1,686,990</u>	<u>\$ 692,967</u>	<u>\$ 2,379,957</u>

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE F - LEASES (Continued)

Lease Payable

The Borough has entered into a lease for a building. The lease agreements qualify as an other than short-term lease under GASB 87 and, therefore, have been recorded as the present value of the future minimum lease payments as of the date of implementation.

The Borough has the following leases:

<u>Description</u>	<u>Term</u>	<u>Payment</u>	<u>Interest Rate</u>
Building	Monthly through May 2051	\$823 to \$1,940	4.00%

The future minimum lease obligations under the leases as of December 31, 2022 were as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2023	\$ 361	\$ 10,020	\$ 10,381
2024	692	10,000	10,692
2025	1,047	9,966	11,013
2026	1,426	9,917	11,343
2027	1,831	9,853	11,684
2028-2032	16,217	47,674	63,891
2033-2037	31,017	43,050	74,067
2038-2042	50,876	34,989	85,865
2043-2047	77,192	22,348	99,540
2048-2052	<u>69,979</u>	<u>4,965</u>	<u>74,944</u>
Total	\$ <u>250,638</u>	\$ <u>202,782</u>	\$ <u>453,420</u>

Interest expense for the leases payable was \$9,192 for the governmental activities for the year ended December 31, 2022.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE G - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2022, is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Interfund Receivables and Payables</u>		
General Fund	\$ 160,420	\$ -
Capital Projects Fund	3,627,926	-
Water (Proprietary) Fund	-	2,283,598
Sewer (Proprietary) Fund	-	986,298
Park (Proprietary) Fund	-	294,687
Pool (Proprietary) Fund	-	223,763
	<u> </u>	<u> </u>
TOTAL	<u>\$ 3,788,346</u>	<u>\$ 3,788,346</u>
 <u>Interfund Transfers</u>		
	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 5,806,223	\$ 308,674
Capital Project Fund	2,038,787	3,424,322
Enterprise (Electric) Fund	67,500	5,359,175
Enterprise (Pool) Fund	2,372,912	179,963
Enterprise (Sewer) Fund	1,331,373	1,954,674
Enterprise (Water) Fund	-	322,487
Enterprise (Solid Waste) Fund	-	67,500
	<u> </u>	<u> </u>
	<u>\$ 11,616,795</u>	<u>\$ 11,616,795</u>

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE H - LONG TERM DEBT

Long-Term Liability balances and activity for the year ended December 31, 2022, were:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds Payable					
Series of 2020	\$ 20,350,000	\$ -	\$ (1,205,000)	\$ 19,145,000	\$ 1,245,000
Series of 2022	-	6,970,000	-	6,970,000	250,000
Bond Premium	2,907,890	218,659	(159,425)	2,967,124	-
Leases	251,524	-	(886)	250,638	361
Net pension liability	680,671	4,503,974	-	5,184,645	-
Compensated absences	1,097,706	45,062	-	1,142,768	190,461
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 21,447,706</u>	<u>\$ 6,970,000</u>	<u>\$ (1,205,000)</u>	<u>\$ 35,660,175</u>	<u>\$ 1,685,822</u>
BUSINESS-TYPE ACTIVITIES					
Net pension liability	\$ -	\$ 1,116,159	\$ -	\$ 1,116,159	\$ -
Compensated absences	561,618	25,706	-	587,324	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 561,618</u>	<u>\$ 1,141,865</u>	<u>\$ -</u>	<u>\$ 1,703,483</u>	<u>\$ -</u>

General Obligation Bonds - Series of 2022 - Capital Projects Funds

On August 1, 2022, the Borough issued General Obligation Bonds – Series of 2022 in the amount of \$6,970,000. The proceeds of the bonds will provide funds to (1) finance capital projects involving the planning, design, acquisition, construction, renovation and improvement of certain Borough facilities; and (2) pay the costs of issuing the bonds. The bonds mature from August 1, 2022 to August 1, 2041. Interest rates range from 3.00% to 4.00%.

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%.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE H - LONG TERM DEBT (Continued)

The outstanding debt service requirements at December 31, 2022, are:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2023	\$ 1,495,000	\$ 1,016,750	\$ 2,511,750
2024	1,555,000	955,950	2,510,950
2025	1,620,000	892,650	2,512,650
2026	1,685,000	826,750	2,511,750
2027	1,750,000	758,350	2,508,350
2028-2032	6,090,000	3,017,000	9,107,000
2033-2037	6,695,000	1,776,100	8,471,100
2038-2041	<u>5,225,000</u>	<u>398,000</u>	<u>5,623,000</u>
TOTAL	<u>\$ 26,115,000</u>	<u>\$ 9,641,550</u>	<u>\$ 35,756,550</u>

Compensated Absences

Vacation, Sick and Personal Days

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

NOTE I - DEFINED BENEFIT PENSION PLAN (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.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PENSION PLAN) (Continued)

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. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Plan Description and Membership Information

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

Plan Membership - As of January 1, 2022, the beginning of the plan year and December 31, 2022, the plan year end, plan membership consisted of the following:

	<u>1/1/2022</u>	<u>12/31/2022</u>
Retirees and Beneficiaries Receiving Benefits	42	42
Terminated Members Entitled to Benefits but not yet receiving them	9	9
Active Plan Members	<u>20</u>	<u>18</u>
 TOTAL	 <u>71</u>	 <u>69</u>

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 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.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PENSION PLAN) (Continued)

Net Pension Liability - The net pension liability was measured as of December 31, 2022 and the total pension liability was determined by rolling forward the liabilities from the January 1, 2021 actuarial valuation. 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, 2022 were determined using the following economic assumptions, applied to all periods included in the measurement.

Inflation	2.0%
Salary Increases	5.0%
Investment Return	7.0% (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 Real Rate of Return	Contribution to Rate of Return
Domestic Equity - Large Cap	41.60%	5.70%	2.37%
Domestic Equity - Mid Cap	5.20%	6.50%	0.34%
Domestic Equity - Small Cap	5.20%	8.00%	0.42%
International Equity	13.00%	5.90%	0.77%
Fixed income	35.00%	2.40%	0.84%
TOTAL	100.00%		4.74%
Inflation			2.00%
Long-Term Expected Rate of Return			6.74%

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PENSION PLAN) (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. 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.

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
BALANCES AT 1/1/2022	\$ 12,636,639	\$ 13,810,356	\$ (1,173,717)
Changes during 2022:			
Service cost	109,947	-	109,947
Interest	868,865	-	868,865
Differences between expected and actual experience	203,385	-	203,385
Contributions			
Employer	-	62,439	(62,439)
Member	-	46,969	(46,969)
Net investment income (loss)	-	(2,182,720)	2,182,720
Benefit payments (including contribution refunds)	(668,447)	(668,447)	-
Administrative expense	-	(51,130)	51,130
NET CHANGES	<u>513,750</u>	<u>(2,792,889)</u>	<u>3,306,639</u>
BALANCES AT 12/31/2022	<u>\$ 13,150,389</u>	<u>\$ 11,017,467</u>	<u>\$ 2,132,922</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The schedule below shows the impact on the pension liability if it were calculated using a discount rate that is 1% higher and lower than the current discount rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total pension liability	\$ 14,417,899	\$ 13,150,389	\$ 12,047,427
Plan fiduciary net position	<u>(11,017,467)</u>	<u>(11,017,467)</u>	<u>(11,017,467)</u>
Net pension liability	<u>\$ 3,400,432</u>	<u>\$ 2,132,922</u>	<u>\$ 1,029,960</u>

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE I - DEFINED BENEFIT PENSION PLAN (NON-UNIFORMED PENSION PLAN) (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources - For the year ended December 31, 2022, the actuarially determined pension expense is \$768,048. The Borough had deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2022:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in projected and actual experience	\$ 23,398	\$ -
Net difference in projected and actual earnings on plan Investments	<u>1,541,603</u>	<u>-</u>
Totals	<u>\$ 1,565,001</u>	<u>\$ -</u>

Actuarially Determined Deferred Outflows and (Inflows) of Resources Related to Pensions as follows:

<u>Year Ending December 31,</u>	
2023	\$ 120,217
2024	357,632
2025	461,535
2026	<u>625,617</u>
	<u>\$ 1,565,001</u>

Employer Contributions

Contributions Required and Contributions Made - The actuarially determined employer contribution, (ADEC) to the retirement fund for 2022 was the 2022 Minimum Municipal Obligation of \$62,439. The Borough contributed \$62,439 toward the plan's ADEC for 2022, including General Municipal Pension System State aid allocated to the plan. Employee contributions in 2022 totaled \$46,969.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN (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. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deletions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Plan Description and Membership Information

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

Plan Membership - As of January 1, 2022, the beginning of the plan year and December 31, 2022, the plan year end, plan membership consisted of the following:

	<u>1/1/2022</u>	<u>12/31/2022</u>
Retirees and beneficiaries receiving benefits	18	17
Terminated members entitled to benefits but not yet receiving them	-	-
Active plan members	<u>16</u>	<u>19</u>
TOTAL	<u>34</u>	<u>36</u>

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.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Plan Funding - Officers who are members in the plan are required to contribute 2.0% of their salaries. 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, 2022, and the total pension liability was determined by rolling forward the liabilities from the January 1, 2021 actuarial valuation. 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, 2022 was determined using the following economic assumptions, applied to all periods included in the measurement.

Inflation	2.0%
Salary Increases	6.5% per year for the first 4 years of employment and 4.0% per year thereafter. An additional 21% increase is assumed in the year of retirement.
Investment Return	7.0% (including inflation)

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

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. Best estimates of arithmetic real rates of return for each major asset class is summarized in the following table:

Determination of Long-Term Expected Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Contribution to Rate of Return
Domestic equity - large cap	41.60%	5.70%	2.37%
Domestic equity - mid cap	5.20%	6.50%	0.34%
Domestic equity - small cap	5.20%	8.00%	0.42%
International equity	13.00%	5.90%	0.77%
Fixed income	35.00%	2.40%	0.84%
TOTAL	100.00%		4.74%
Inflation			2.00%
Long-term expected rate of return			6.74%

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. 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.

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
BALANCES AT 1/1/2022	\$ 15,330,764	\$ 14,108,540	\$ 1,222,224
Changes for the year			
Service cost	194,469	-	194,469
Interest	1,074,438	-	1,074,438
Differences between expected and actual experience	147,744	-	147,744
Contributions			
Employer	-	655,101	(655,101)
Member	-	44,786	(44,786)
Net investment income (loss)	-	(2,184,805)	2,184,805
Benefit payments (including contribution refunds)	(352,246)	(352,246)	-
Administrative expense	-	(44,088)	44,088
NET CHANGES	<u>1,064,405</u>	<u>(1,881,252)</u>	<u>2,945,657</u>
BALANCES AT 12/31/2022	<u>\$ 16,395,169</u>	<u>\$ 12,227,288</u>	<u>\$ 4,167,881</u>

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total pension liability	\$ 18,418,919	\$ 16,395,169	\$ 14,721,759
Plan fiduciary net position	<u>(12,227,288)</u>	<u>(12,227,288)</u>	<u>(12,227,288)</u>
Net Pension Liability	<u>\$ 6,191,631</u>	<u>\$ 4,167,881</u>	<u>\$ 2,494,471</u>

Pension Expense and Deferred Outflows and Inflows of Resources - For the year ended December 31, 2022, the actuarially determined pension expense is \$962,768. The Borough has deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2022:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in projected and actual experience	\$ 162,253	\$ -
Net difference in projected and actual earnings on plan investments	1,664,492	-
Changes in actuarial assumptions	<u>161,278</u>	<u>-</u>
Totals	<u>\$ 1,988,023</u>	<u>\$ -</u>

Actuarially Determined Deferred Outflows and (Inflows) of Resources Related to Pensions as follows:

<u>Year Ending December 31,</u>	
2023	\$ 334,728
2024	494,603
2025	517,433
2026	<u>641,259</u>
	<u>\$ 1,988,023</u>

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Employer Contributions

Contributions Required and Contributions Made - The actuarially determined employer contribution, (ADEC) to the retirement fund for 2022 was the 2022 Minimum Municipal Obligation of \$655,101. The Borough contributed \$655,101 toward the plan's ADEC for 2022, including General Municipal Pension System State aid allocated to the plan. Employee contributions in 2022 totaled \$44,786.

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.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

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.

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.

NOTE K - 401(a) PENSION PLAN AND DEFERRED COMPENSATION PLAN

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 2022, the Borough elected to require both employee and employer contributions. In 2022, contributions totaling \$215,770 were contributed to the plan by the Borough and Borough employees.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE L - OTHER POST EMPLOYMENT BENEFITS

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.

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, 2022 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 M - CONTINGENCIES

Litigation

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

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE N - 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 O - PRIOR PERIOD ADJUSTMENT

The Borough implemented GASB Statement No. 87, Leases, effective January 1, 2022. The objective of GASB 87 is to better meet the information needs of the financial statement user by improving accounting and financial reporting for leases by governments. The Statement requires recognition of lease assets, liabilities, lease receivables and deferred inflows of resources using the foundational principle that leases are financings of the right to use underlying asset.

For the government-wide governmental activities, the Borough has treated the beginning of the year lease assets and liabilities as having been recognized in the period incurred. As a part of the implementation, the Borough has adjusted the beginning balances for government-wide right to use leased asset and lease liabilities from \$0 to \$251,524.

The Borough has treated the beginning of the year lease receivables and deferred inflows of resources as having been recognized in the period incurred. As part of the implementation, the Borough has adjusted the beginning balance of both lease receivables and deferred inflows of resources related to leases from \$0 to \$251,524 for governmental funds and \$0 to \$1,548,394 in business-type activities, respectively.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE P - SUBSEQUENT EVENT

Wastewater Treatment Plant Bio-Gas Project - The project 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. The planned aerobic digestion will produce methane which will be used as a fuel to run generators to produce an estimated 1.8 megawatts of electricity. This project should produce enough electricity to provide all the power required to operate the entire wastewater treatment facility with any excess electricity to be put into the Borough electric grid for resale to the Borough customers. The Borough is also anticipating a large increase in revenue from the tipping fees from food processing plants and other ancillary revenues. The Borough has incurred expenses during the years 2021 and 2022 for design costs, engineering costs and certain other costs to initiate the project in the amount of \$1,500,700. The project is currently in the bidding phase for the construction. The Borough estimates that the total costs to complete the project could range from \$20,000,000 to \$22,000,000. The project is expected to be completed by the summer of 2024.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF QUAKERTOWN
SCHEDULE OF CHANGES IN NET POLICE PENSION
LIABILITY AND RELATED RATIOS
LAST EIGHT FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 194,469	\$ 221,735	\$ 212,720
Interest	1,074,438	1,014,800	987,364
Differences between expected and actual experience	147,744	265,279	201,125
Benefit payments, including refunds of member contributions	<u>(352,246)</u>	<u>(362,369)</u>	<u>(324,037)</u>
NET CHANGE IN TOTAL PENSION LIABILITY (ASSET)	1,064,405	1,139,445	1,077,172
Total pension liability, beginning	<u>15,330,764</u>	<u>14,191,319</u>	<u>13,114,147</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 16,395,169</u>	<u>\$ 15,330,764</u>	<u>\$ 14,191,319</u>
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	655,101	676,620	572,394
Member	44,786	40,295	34,082
Net investment income (loss)	(2,184,805)	1,637,016	1,254,978
Benefit payments, including refunds of member contributions	(352,246)	(362,369)	(324,037)
Administrative expense	<u>(44,088)</u>	<u>(48,600)</u>	<u>(40,310)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(1,881,252)	1,942,962	1,497,107
Plan fiduciary net position, beginning	<u>14,108,540</u>	<u>12,165,578</u>	<u>10,668,471</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 12,227,288</u>	<u>\$ 14,108,540</u>	<u>\$ 12,165,578</u>
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	<u>\$ 4,167,881</u>	<u>\$ 1,222,224</u>	<u>\$ 2,025,741</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY (ASSET)	74.58%	92.03%	85.73%
COVERED PAYROLL	<u>\$ 2,255,480</u>	<u>\$ 1,879,969</u>	<u>\$ 1,989,180</u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	<u>184.79%</u>	<u>65.01%</u>	<u>101.84%</u>

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$	199,170	\$ 172,911	\$ 194,989	\$ 115,844	\$ 163,083
	925,987	809,077	766,907	709,275	663,552
	386,639	581,854	(544)	142,182	-
	<u>(316,653)</u>	<u>(519,227)</u>	<u>(235,880)</u>	<u>(220,156)</u>	<u>(218,288)</u>
	1,195,143	1,044,615	725,472	747,145	608,347
	<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>
\$	<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>
	563,186	573,479	563,018	545,802	536,145
	30,656	88,836	19,963	18,602	18,461
	1,846,893	(586,388)	1,315,273	531,417	(18,346)
	(316,653)	(519,227)	(235,880)	(220,156)	(218,288)
	<u>(45,290)</u>	<u>(32,723)</u>	<u>(36,251)</u>	<u>(28,518)</u>	<u>(26,320)</u>
	2,078,792	(476,023)	1,626,123	847,147	291,652
	<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>
\$	<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>2,445,676</u>	<u>3,329,325</u>	<u>1,808,687</u>	<u>2,709,338</u>	<u>2,809,340</u>
	81.35%	72.07%	83.37%	73.30%	70.12%
\$	<u>1,819,886</u>	<u>1,951,922</u>	<u>1,926,645</u>	<u>1,886,283</u>	<u>1,821,078</u>
	<u>134.39%</u>	<u>170.57%</u>	<u>93.88%</u>	<u>143.63%</u>	<u>154.27%</u>

BOROUGH OF QUAKERTOWN
SCHEDULE OF POLICE PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 655,101	\$ 676,620	\$ 572,394	\$ 563,186
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>655,101</u>	<u>676,620</u>	<u>572,394</u>	<u>563,186</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 2,255,480</u>	<u>\$ 1,879,969</u>	<u>\$ 1,989,180</u>	<u>\$ 1,819,886</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>29.04%</u>	<u>35.99%</u>	<u>28.78%</u>	<u>30.95%</u>

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 573,479	\$ 563,018	\$ 545,802	\$ 536,145	\$ 403,613	\$ 402,008
<u>573,479</u>	<u>563,018</u>	<u>545,802</u>	<u>536,145</u>	<u>403,613</u>	<u>402,008</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>1,951,922</u>	\$ <u>1,926,645</u>	\$ <u>1,886,283</u>	\$ <u>1,821,078</u>	\$ <u>1,695,181</u>	\$ <u>1,668,541</u>
<u>29.38%</u>	<u>29.22%</u>	<u>28.94%</u>	<u>29.44%</u>	<u>23.81%</u>	<u>24.09%</u>

BOROUGH OF QUAKERTOWN
SCHEDULE OF POLICE PENSION INVESTMENT RETURNS
LAST EIGHT FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-15.76%</u>	<u>13.13%</u>	<u>11.47%</u>

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u><u>21.17%</u></u>	<u><u>-6.73%</u></u>	<u><u>17.36%</u></u>	<u><u>8.07%</u></u>	<u><u>-0.29%</u></u>

BOROUGH OF QUAKERTOWN
SCHEDULE OF CHANGES IN NET NON-UNIFORM PENSION
LIABILITY AND RELATED RATIOS
LAST EIGHT FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 109,947	\$ 118,906	\$ 97,357
Interest	868,865	845,064	858,320
Differences between expected and actual experience	203,385	414,941	(225,598)
Benefit payments, including refunds of member contributions	<u>(668,447)</u>	<u>(561,529)</u>	<u>(515,466)</u>
NET CHANGE IN TOTAL PENSION LIABILITY (ASSET)	513,750	817,382	214,613
Total pension liability, beginning	<u>12,636,639</u>	<u>11,819,257</u>	<u>11,604,644</u>
 TOTAL PENSION LIABILITY, ENDING (a)	 <u>\$ 13,150,389</u>	 <u>\$ 12,636,639</u>	 <u>\$ 11,819,257</u>
 PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	62,439	214,841	181,090
Member	46,969	53,440	52,938
Net investment income (loss)	(2,182,720)	1,681,481	1,364,713
Benefit payments, including refunds of member contributions	(668,447)	(561,529)	(515,466)
Administrative expense	<u>(51,130)</u>	<u>(50,762)</u>	<u>(40,954)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(2,792,889)	1,337,471	1,042,321
Plan fiduciary net position, beginning	<u>13,810,356</u>	<u>12,472,885</u>	<u>11,430,564</u>
 PLAN FIDUCIARY NET POSITION, ENDING (b)	 <u>\$ 11,017,467</u>	 <u>\$ 13,810,356</u>	 <u>\$ 12,472,885</u>
 NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	 <u>\$ 2,132,922</u>	 <u>\$ (1,173,717)</u>	 <u>\$ (653,628)</u>
 PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY (ASSET)	 83.78%	 109.29%	 105.53%
 COVERED PAYROLL	 <u>\$ 1,511,865</u>	 <u>\$ 1,670,185</u>	 <u>\$ 1,805,914</u>
 NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	 <u>141.08%</u>	 <u>-70.27%</u>	 <u>-36.19%</u>

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$	122,025	\$ 193,770	\$ 208,628	\$ 193,770	\$ 215,614
	827,545	757,375	727,464	719,150	681,521
	499,686	67,871	(68,318)	(395,062)	-
	<u>(513,667)</u>	<u>(509,036)</u>	<u>(436,884)</u>	<u>(369,127)</u>	<u>(378,021)</u>
	935,589	509,980	430,890	148,731	519,114
	<u>10,669,055</u>	<u>10,159,075</u>	<u>9,728,185</u>	<u>9,579,454</u>	<u>9,060,340</u>
\$	<u>11,604,644</u>	<u>10,669,055</u>	<u>10,159,075</u>	<u>9,728,185</u>	<u>9,579,454</u>
	177,307	219,772	359,062	398,790	401,064
	51,708	42,476	37,175	28,924	19,881
	2,021,971	(660,426)	1,602,684	671,414	(19,358)
	<u>(513,667)</u>	<u>(509,036)</u>	<u>(436,884)</u>	<u>(369,127)</u>	<u>(378,021)</u>
	<u>(42,548)</u>	<u>(39,181)</u>	<u>(43,851)</u>	<u>(33,549)</u>	<u>(36,070)</u>
	1,694,771	(946,395)	1,518,186	696,452	(12,504)
	<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>
\$	<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>174,080</u>	<u>933,262</u>	<u>(523,113)</u>	<u>564,183</u>	<u>1,111,904</u>
	98.50%	91.25%	105.15%	94.20%	88.39%
\$	<u>1,779,476</u>	<u>1,718,074</u>	<u>1,720,472</u>	<u>1,934,886</u>	<u>1,972,003</u>
	<u>9.78%</u>	<u>54.32%</u>	<u>-30.41%</u>	<u>29.16%</u>	<u>56.38%</u>

BOROUGH OF QUAKERTOWN
SCHEDULE OF NON-UNIFORM PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 62,439	\$ 210,150	\$ 181,090	\$ 177,307
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>62,439</u>	<u>214,841</u>	<u>181,090</u>	<u>177,307</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ (4,691)</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 1,511,865</u>	<u>\$ 1,670,185</u>	<u>\$ 1,805,914</u>	<u>\$ 1,779,475</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>4.13%</u>	<u>12.86%</u>	<u>10.03%</u>	<u>9.96%</u>

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 194,308	\$ 359,062	\$ 398,790	\$ 401,064	\$ 290,322	\$ 287,384
<u>219,772</u>	<u>359,062</u>	<u>398,790</u>	<u>401,064</u>	<u>290,322</u>	<u>287,384</u>
\$ <u>(25,464)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>1,718,074</u>	\$ <u>1,720,472</u>	\$ <u>1,934,886</u>	\$ <u>1,972,003</u>	\$ <u>1,886,206</u>	\$ <u>1,912,075</u>
<u>12.79%</u>	<u>20.87%</u>	<u>20.61%</u>	<u>20.34%</u>	<u>15.39%</u>	<u>15.03%</u>

BOROUGH OF QUAKERTOWN

SCHEDULE OF NON-UNIFORM PENSION INVESTMENT RETURNS LAST EIGHT FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-16.43%</u>	<u>13.40%</u>	<u>11.87%</u>

This pension schedule is intended to present information for ten years. Additional years' information will be displayed as it becomes available.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u><u>20.88%</u></u>	<u><u>-6.59%</u></u>	<u><u>17.40%</u></u>	<u><u>8.03%</u></u>	<u><u>-0.23%</u></u>

BOROUGH OF QUAKERTOWN

MODIFIED APPROACH TO REPORTING INFRASTRUCTURE ASSETS

YEAR ENDED DECEMBER 31, 2022

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
- Eliminate 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. During the year, there were numerous minimal repairs for crack and curb seal that affected the total assessment. The minimum requirement should be brought up to at least 80% in 2024.

<u>Fiscal Year</u>	<u>Condition Assessment (Minimum 80%)</u>
2022	76.8%
2021	82.5%
2020	84.3%
2019	79.8%
2018	82.3%
2017	82%
2016	80%
2015	82%
2014	82%
2013	78%

BOROUGH OF QUAKERTOWN

MODIFIED APPROACH TO REPORTING INFRASTRUCTURE ASSETS

YEAR ENDED DECEMBER 31, 2022

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.

	<u>Year 2022</u>	<u>Year 2021</u>	<u>Year 2020</u>	<u>Year 2019</u>	<u>Year 2018</u>
Estimate	\$ 1,252,420	\$ 4,132,000	\$ 3,056,232	\$ 2,706,955	\$ 1,945,449
Actual	-	1,928,106	448,710	-	-
	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>	<u>Year 2013</u>
Estimate	\$ 1,937,325	\$ 2,303,675	\$ 1,218,666	\$ 919,057	\$ 1,142,093
Actual	629,840	-	-	279,792	337,757

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.

SUPPLEMENTARY INFORMATION SECTION

BOROUGH OF QUAKERTOWN
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2022

	Police Pension Fund	Non-Uniformed Pension Fund	Deferred Compensation Plan Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 212,445	\$ 150,168	\$ -	\$ 362,613
Investments, at fair value	11,989,514	10,843,345	1,179,745	24,012,604
Accrued investment income	23,729	21,394	-	45,123
Accounts receivable	1,623	2,560	-	4,183
	<u>12,227,311</u>	<u>11,017,467</u>	<u>1,179,745</u>	<u>24,424,523</u>
TOTAL ASSETS	\$ 12,227,311	\$ 11,017,467	\$ 1,179,745	\$ 24,424,523
LIABILITIES				
Benefits payable	\$ 23	\$ -	\$ -	\$ 23
	<u>23</u>	<u>-</u>	<u>-</u>	<u>23</u>
NET POSITION				
Restricted for Employee Benefits	12,227,288	11,017,467	1,179,745	24,424,500
	<u>12,227,288</u>	<u>11,017,467</u>	<u>1,179,745</u>	<u>24,424,500</u>
TOTAL NET POSITION	\$ 12,227,288	\$ 11,017,467	\$ 1,179,745	\$ 24,424,500

BOROUGH OF QUAKERTOWN**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS****YEAR ENDED DECEMBER 31, 2022**

	<u>Police Pension Fund</u>	<u>Non-Uniformed Pension Fund</u>	<u>Deferred Compensation Plan Fund</u>	<u>Totals</u>
ADDITIONS				
Contributions				
Employer	\$ 451,560	\$ -	\$ -	\$ 451,560
Member	44,786	46,969	10,329	102,084
State aid	203,541	62,439	205,441	471,421
TOTAL CONTRIBUTIONS	<u>699,887</u>	<u>109,408</u>	<u>215,770</u>	<u>1,025,065</u>
Investment income				
Interest and dividends	71,904	90,992	-	162,896
Changes in fair value of investments	(2,256,709)	(2,273,713)	(215,664)	(4,746,086)
TOTAL INVESTMENT INCOME	<u>(2,184,805)</u>	<u>(2,182,721)</u>	<u>(215,664)</u>	<u>(4,583,190)</u>
TOTAL ADDITIONS	<u>(1,484,918)</u>	<u>(2,073,313)</u>	<u>106</u>	<u>(3,558,125)</u>
DEDUCTIONS				
Administrative charges	8,500	16,950	1,026	26,476
Investment expenses	35,588	34,180	-	69,768
Miscellaneous	-	-	23,076	23,076
Employee benefits	352,528	668,447	61,065	1,082,040
TOTAL DEDUCTIONS	<u>396,616</u>	<u>719,577</u>	<u>85,167</u>	<u>1,201,360</u>
CHANGE IN NET POSITION	<u>(1,881,534)</u>	<u>(2,792,890)</u>	<u>(85,061)</u>	<u>(4,759,485)</u>
NET POSITION AT BEGINNING OF YEAR	<u>14,108,822</u>	<u>13,810,357</u>	<u>1,264,806</u>	<u>29,183,985</u>
NET POSITION AT END OF YEAR	<u>\$ 12,227,288</u>	<u>\$ 11,017,467</u>	<u>\$ 1,179,745</u>	<u>24,424,500</u>

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BOROUGH OF QUAKERTOWN
COMBINING STATEMENT OF NET POSITION
ALL PROPRIETARY FUNDS
DECEMBER 31, 2022

	Major		
	Electric Fund	Water Fund	Sewer Fund
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 5,193,028	\$ 3,456,375	\$ 4,287,034
Investments	1,570,936	-	1,570,451
Lease receivable	56,710	38,095	-
Accounts receivable, net	2,052,915	325,708	257,119
TOTAL CURRENT ASSETS	<u>8,873,589</u>	<u>3,820,178</u>	<u>6,114,604</u>
NON-CURRENT ASSETS			
Lease receivable	392,213	949,334	-
Buildings (net of depreciation)	4,578,345	1,692,606	3,936,993
Improvements other than buildings (net of depreciation)	15,370	29,602	35,130
Machinery and equipment (net of depreciation)	1,014,197	379,770	426,993
Construction in progress	-	-	1,500,699
Sewer lines infrastructure (net of depreciation)	-	-	10,187,159
Water lines infrastructure (net of depreciation)	-	6,872,837	-
TOTAL NON-CURRENT ASSETS	<u>6,000,125</u>	<u>9,924,149</u>	<u>16,086,974</u>
TOTAL ASSETS	<u>14,873,714</u>	<u>13,744,327</u>	<u>22,201,578</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	\$ <u>339,449</u>	\$ <u>206,580</u>	\$ <u>272,936</u>
LIABILITIES			
CURRENT LIABILITIES:			
Sales tax payable	\$ 10,552	\$ -	\$ -
Accounts payable	1,356,218	63,671	135,765
Unearned revenues	-	922,322	-
Accrued salaries and benefits	15,385	12,597	16,670
Due to other funds	-	2,283,598	986,298
TOTAL CURRENT LIABILITIES	<u>1,382,155</u>	<u>3,282,188</u>	<u>1,138,733</u>
NON-CURRENT LIABILITIES			
Compensated absences	231,490	177,810	161,883
Net pension liability	462,631	281,546	371,982
TOTAL NON-CURRENT LIABILITIES	<u>694,121</u>	<u>459,356</u>	<u>533,865</u>
TOTAL LIABILITIES	<u>2,076,276</u>	<u>3,741,544</u>	<u>1,672,598</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows or resources, leases	<u>465,709</u>	<u>1,004,465</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	5,607,912	8,974,815	16,086,974
Unrestricted net position	<u>7,063,266</u>	<u>230,083</u>	<u>4,714,942</u>
TOTAL NET POSITION	<u>\$ 12,671,178</u>	<u>\$ 9,204,898</u>	<u>\$ 20,801,916</u>

See accompanying notes to the basic financial statements.

Non-Major			
Solid Waste Fund	Pool Fund	Park Fund	Total
\$ -	\$ 303,304	\$ 287,667	\$ 13,527,408
-	-	-	3,141,387
-	-	-	94,805
<u>130,226</u>	<u>-</u>	<u>43,333</u>	<u>2,809,301</u>
<u>130,226</u>	<u>303,304</u>	<u>331,000</u>	<u>19,572,901</u>
-	-	-	1,341,547
-	537,602	876,190	11,621,736
-	2,446,886	889,524	3,416,512
346,728	24,739	188,134	2,380,561
-	-	-	1,500,699
-	-	-	10,187,159
-	-	-	<u>6,872,837</u>
<u>346,728</u>	<u>3,009,227</u>	<u>1,953,848</u>	<u>37,321,051</u>
<u>476,954</u>	<u>3,312,531</u>	<u>2,284,848</u>	<u>56,893,952</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 818,965</u>
\$ -	\$ -	\$ -	\$ 10,552
227,393	106,340	61	1,889,448
-	-	-	922,322
10,008	-	-	54,660
-	<u>223,763</u>	<u>294,687</u>	<u>3,788,346</u>
<u>237,401</u>	<u>330,103</u>	<u>294,748</u>	<u>6,665,328</u>
16,141	-	-	587,324
-	-	-	1,116,159
<u>16,141</u>	<u>-</u>	<u>-</u>	<u>1,703,483</u>
<u>253,542</u>	<u>330,103</u>	<u>294,748</u>	<u>8,368,811</u>
-	-	-	<u>1,470,174</u>
346,728	3,009,227	1,953,848	35,979,504
<u>(123,316)</u>	<u>(26,799)</u>	<u>36,252</u>	<u>11,894,428</u>
<u>\$ 223,412</u>	<u>\$ 2,982,428</u>	<u>\$ 1,990,100</u>	<u>\$ 47,873,932</u>

BOROUGH OF QUAKERTOWN
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
ALL PROPRIETARY FUNDS
DECEMBER 31, 2022

	Major		
	Electric Fund	Water Fund	Sewer Fund
OPERATING REVENUES			
Charges for services	\$ 13,927,876	\$ 1,699,566	\$ 3,728,829
Debt service fees	-	360,069	-
Permits and fees	225,103	37,055	-
Penalties	194,419	24,005	21,383
Rental income	-	20,587	-
Other income	46,756	8,187	12,771
TOTAL OPERATING REVENUES	<u>14,394,154</u>	<u>2,149,469</u>	<u>3,762,983</u>
OPERATING EXPENSES			
Costs of furnishing utility	10,006,898	1,553,629	2,289,530
Costs of solid waste operations	-	-	-
Costs of pool operations	-	-	-
Costs of park operations	-	-	-
Employee benefits	484,580	312,484	529,067
Insurance	76,407	73,213	127,248
Depreciation	284,292	313,811	543,791
TOTAL OPERATING EXPENSES	<u>10,852,177</u>	<u>2,253,137</u>	<u>3,489,636</u>
OPERATING INCOME (LOSS)	<u>3,541,977</u>	<u>(103,668)</u>	<u>273,347</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest earned	53,363	70,153	45,425
Donations	-	-	-
State aid - pension	40,242	28,370	48,210
Recycling/Act 101 grant	48,000	-	-
Transfers from other funds	67,500	-	1,331,373
Transfers to other funds	(5,359,175)	(322,487)	(1,954,674)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(5,150,070)</u>	<u>(223,964)</u>	<u>(529,666)</u>
CHANGES IN NET POSITION	<u>(1,608,093)</u>	<u>(327,632)</u>	<u>(256,319)</u>
NET POSITION - BEGINNING	<u>14,279,271</u>	<u>9,532,530</u>	<u>21,058,235</u>
NET POSITION - ENDING	<u>\$ 12,671,178</u>	<u>\$ 9,204,898</u>	<u>\$ 20,801,916</u>

See accompanying notes to the basic financial statements .

Non-Major			
Solid Waste Fund	Pool Fund	Park Fund	Total
\$ 898,595	\$ 198,489	\$ 630,315	\$ 21,083,670
-	-	-	360,069
2,505	-	-	264,663
226	-	-	240,033
-	-	-	20,587
-	2,995	-	70,709
<u>901,326</u>	<u>201,484</u>	<u>630,315</u>	<u>22,039,731</u>
-	-	-	13,850,057
745,576	-	-	745,576
-	203,501	-	203,501
-	-	567,799	567,799
171,064	9,322	-	1,506,517
15,554	11,566	3,175	307,163
20,921	154,759	52,677	1,370,251
<u>953,115</u>	<u>379,148</u>	<u>623,651</u>	<u>18,550,864</u>
<u>(51,789)</u>	<u>(177,664)</u>	<u>6,664</u>	<u>3,488,867</u>
121	1,435	3,245	173,742
-	-	40,814	40,814
9,822	-	-	126,644
31,623	-	-	79,623
-	2,372,912	-	3,771,785
<u>(67,500)</u>	<u>(179,963)</u>	<u>-</u>	<u>(7,883,799)</u>
<u>(25,934)</u>	<u>2,194,384</u>	<u>44,059</u>	<u>(3,691,191)</u>
<u>(77,723)</u>	<u>2,016,720</u>	<u>50,723</u>	<u>(202,324)</u>
<u>301,135</u>	<u>965,708</u>	<u>1,939,377</u>	<u>48,076,256</u>
<u>\$ 223,412</u>	<u>\$ 2,982,428</u>	<u>\$ 1,990,100</u>	<u>\$ 47,873,932</u>