

BOROUGH OF QUAKERTOWN

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2024

INTRODUCTORY SECTION

BOROUGH OF QUAKERTOWN

TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 2024

	Page
Introductory Section	
Table of Contents	1
Financial Section	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	15
Statement of Activities	16
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	17
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund balance - Budget and Actual, General Fund	21
<i>Proprietary Funds</i>	
Statement of Net Position	22
Statement of Revenues, Expenses and Changes in Net Position	23
Statement of Cash Flows	24

BOROUGH OF QUAKERTOWN
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2024

	Page
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position	27
Notes to the Basic Financial Statements	28
Required Supplementary Information	
Schedule of Changes in Net Police Pension Liability and Related Ratios	67
Schedule of Police Pension Contributions	68
Schedule of Police Pension Investment Returns	69
Schedule of Changes in Net Non-Uniform Pension Liability and Related Ratios	70
Schedule of Non-Uniform Pension Contributions	71
Schedule of Non-Uniform Pension Investment Returns	72
Schedule of Changes in Net Other Postemployment Benefit Plan Liability and Related Ratios	73
Modified Approach to Reporting Infrastructure Assets	74
Supplementary Information	
Combining Statement of Fiduciary Net Position	76
Combining Statement of Changes in Fiduciary Net Position	77
Combining Statement of Net Position - All Proprietary Funds	78
Combining Statement of Revenues, Expenses and Changes in Net Position - All Proprietary Funds	79

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, 2024, 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, the aggregate remaining fund information and the Budget and Actual – General Fund of the Borough of Quakertown as of December 31, 2024, 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 disclosed in Note O to the basic financial statements, the Borough of Quakertown restated its beginning of year net position due to a correction of an inconsistency in the reporting of revenues in the period earned and reporting of expenses in the period incurred as well as to allocate debt service to the appropriate funds to better align with the purpose of debt. Our opinion is not modified with respect to these matters.

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 twelve months beyond the financial statements 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.

To the Members of Council
Borough of Quakertown
Quakertown, Pennsylvania

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

Required Supplementary Information

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 67 through 72, other postemployment benefits information on page 73 and modified approach to reporting infrastructure assets on pages 74 and 75 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, combining statement of changes in fiduciary net position, combining statement of net position – all proprietary funds and combining statement of revenues, expenses and changes in net position – all proprietary funds 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.



Limerick, Pennsylvania
July 25, 2025

BOROUGH OF QUAKERTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2024

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, 2024. The intent of this discussion and analysis is to look at the Borough's financial performance as a whole. The reader should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Borough's financial performance.

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

FINANCIAL HIGHLIGHTS

The Borough's overall financial position, as reflected in total net assets, increased by \$276,410 including special and extraordinary items. The net assets decreased in the governmental activities by \$11,777,750 and increased in business-type activities by \$12,054,160.

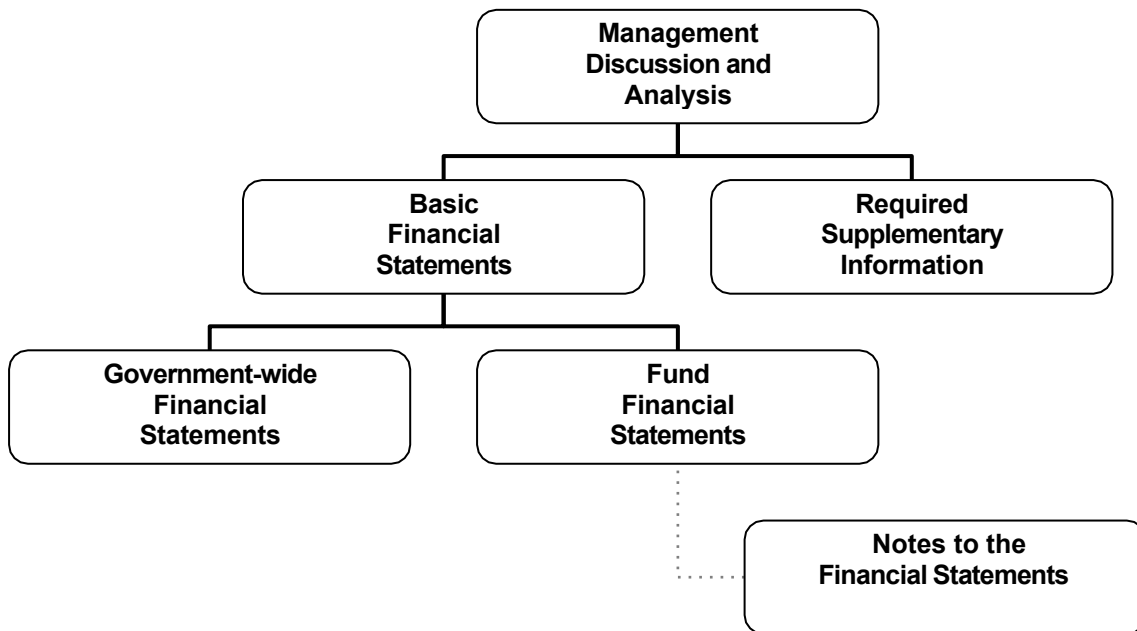
BOROUGH OF QUAKERTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2024

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, 2024

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, 2024

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, 2024

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, non-uniform pension funds and 401(a) plan, 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 \$69,059,399 at December 31, 2024.

Table 3 - Net Position
Year Ended December 31, 2024 and 2023

	2024			2023		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Assets and Deferred Outflows of Resources	\$ 67,026,526	\$ 69,332,981	\$ 136,359,507	\$ 49,951,536	\$ 58,657,750	\$ 108,609,286
Liabilities, Deferred Inflows of Resources	\$ 41,943,860	\$ 25,356,248	\$ 67,300,108	\$ 13,091,120	\$ 26,735,177	\$ 39,826,297
NET POSITION						
Net investment in capital assets	\$ 23,581,131	\$ 30,704,648	\$ 54,285,779	\$ 21,939,806	\$ 23,321,722	\$ 45,261,528
Restricted	894,461	-	894,461	954,903	-	954,903
Unrestricted	607,074	13,272,085	13,879,159	13,965,707	8,600,851	22,566,558
TOTAL NET POSITION	\$ 25,082,666	\$ 43,976,733	\$ 69,059,399	\$ 36,860,416	\$ 31,922,573	\$ 68,782,989

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, 2024

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, 2024 and 2023

	2024			2023		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
REVENUES						
Program revenues						
Charges for services	\$ 961,855	\$ 24,182,759	\$ 25,144,614	\$ 927,165	\$ 23,518,343	\$ 24,445,508
Operating grants and contributions	543,280	240,637	783,917	766,591	555,867	1,322,458
Capital grants and contributions	321,679	500,000	821,679	298,271	-	298,271
General revenues						
Property taxes	128,864	-	128,864	128,685	-	128,685
Other taxes levied for general purposes	2,157,041	-	2,157,041	1,999,564	-	1,999,564
Grant, subsidies and contributions						
Unrestricted	143,244	-	143,244	122,576	-	122,576
Administrative fees	3,513,512	-	3,513,512	3,383,028	-	3,383,028
Investment earnings	700,788	640,122	1,340,910	896,913	607,181	1,504,094
Other revenue	73,290	33,636	106,926	229,827	189,650	419,477
TOTAL REVENUES	8,543,553	25,597,154	34,140,707	8,752,620	24,871,041	33,623,661
EXPENSES						
Governmental activities						
General government	1,316,281	-	1,316,281	1,284,974	-	1,284,974
Public safety	3,794,670	-	3,794,670	3,890,295	-	3,890,295
Public works	1,789,834	-	1,789,834	1,610,566	-	1,610,566
Culture and recreation	444,905	-	444,905	495,551	-	495,551
Community development	185,412	-	185,412	217,740	-	217,740
Non-departmental	3,833,488	-	3,833,488	2,946,809	-	2,946,809
Debt service payments	193,399	-	193,399	837,935	-	837,935
Depreciation	491,357	-	491,357	496,877	-	496,877
Transfers between activities	8,271,957	(8,271,957)	-	(21,423,379)	21,423,379	-
Business-type activities						
Electric	-	11,072,021	11,072,021	-	10,655,580	10,655,580
Water	-	2,886,339	2,886,339	-	2,414,163	2,414,163
Sewer	-	5,193,980	5,193,980	-	4,010,170	4,010,170
Solid waste	-	1,113,419	1,113,419	-	1,012,502	1,012,502
Pool	-	782,916	782,916	-	617,560	617,560
Park	-	766,276	766,276	-	689,046	689,046
TOTAL EXPENSES	20,321,303	13,542,994	33,864,297	(9,642,632)	40,822,400	31,179,768
INCREASE (DECREASE) IN NET POSITION	\$ (11,777,750)	\$ 12,054,160	\$ 276,410	\$ 18,395,252	\$ (15,951,359)	\$ 2,443,893

BOROUGH OF QUAKERTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2024

DEBT ADMINISTRATION

As of December 31, 2025, the Borough had total outstanding debt of \$50,065,000 (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. During 2024, the Borough issued General Obligation Bonds - Series 2024 in the amount of \$27,000,000 for future construction projects.

Table 5 - Outstanding Debt

	<u>2024</u>	<u>2023</u>
2020 General Obligation Bonds	\$ 16,605,000	\$ 17,900,000
2022 General Obligation Bonds	\$ 6,460,000	\$ 6,720,000
2024 General Obligation Bonds	\$ 27,000,000	\$ -

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>2024</u>			
	<u>Budgeted Original</u>	<u>Budget Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variances with Final Budget Positive (Negative)</u>
Revenues	\$ 7,630,471	\$ 7,630,471	\$ 7,694,471	\$ 64,000
Expenditures	12,036,933	12,036,933	11,164,492	872,441
Excess (deficiency) of revenues over expenditures	(4,406,462)	(4,406,462)	(3,470,021)	936,441
Other financing sources	4,131,100	4,131,100	4,360,793	(229,693)
Net change in fund balance	(275,362)	(275,362)	890,772	1,166,134
Fund Balance - January 1, 2024	1,799,536	1,799,536	1,799,536	-
Fund Balance - December 31, 2024	<u>\$ 1,524,174</u>	<u>\$ 1,524,174</u>	<u>\$ 2,690,308</u>	<u>\$ 1,166,134</u>
	<u>2023</u>			
	<u>Budgeted Original</u>	<u>Budget Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variances with Final Budget Positive (Negative)</u>
Revenues	\$ 6,868,214	\$ 6,868,214	\$ 7,334,561	\$ 466,347
Expenditures	11,474,281	11,474,281	10,642,433	831,848
Excess (deficiency) of revenues over expenditures	(4,606,067)	(4,606,067)	(3,307,872)	1,298,195
Other financing sources	4,278,300	4,278,300	3,727,125	(551,175)
Net change in fund balance	(327,767)	(327,767)	419,253	747,020
Fund Balance - January 1, 2023	1,380,283	1,380,283	1,380,283	-
Fund Balance - December 31, 2023	<u>\$ 1,052,516</u>	<u>\$ 1,052,516</u>	<u>\$ 1,799,536</u>	<u>\$ 747,020</u>

BOROUGH OF QUAKERTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2024

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 2024 Budget reflects cautious optimism about the local economy. The 2024 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 2024 budget. Below are a few highlights of 2024, which will have an impact on 2024 and future years:

The Borough had the following community projects in process at the end of 2024:

- **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 early 2026.
- **Cedar Grove Park Project** - The scope of the project includes accessible age-appropriate playground equipment, updates to the basketball court, paving for the stone walking trail, additional parking, enhanced stormwater infrastructure and landscaping amenities. Additionally, the project will include lighting and security cameras. This project is expected to be completed in 2025.
- **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 was completed in 2024.

BOROUGH OF QUAKERTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 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 2024 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, 2024

	Governmental Activities	Business-Type Activities	Totals
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash and cash equivalents	\$ 35,291,418	\$ 10,163,958	\$ 45,455,376
Investments	-	3,169,802	3,169,802
Accounts receivable, net	466,657	3,830,179	4,296,836
Lease receivables	-	1,240,793	1,240,793
Capital assets, net of depreciation			
Land	1,851,952	-	1,851,952
Buildings	3,129,138	10,658,270	13,787,408
Improvements other than buildings	2,434,798	3,539,418	5,974,216
Machinery and equipment	1,645,612	2,410,616	4,056,228
Sewer lines infrastructure	-	9,746,549	9,746,549
Water lines infrastructure	-	6,653,442	6,653,442
Infrastructure	19,950,250	-	19,950,250
Construction in progress	784,507	17,774,796	18,559,303
Leased assets			
Right to use asset, net of accumulated amortization	225,799	-	225,799
TOTAL ASSETS	65,780,131	69,187,823	134,967,954
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	1,246,395	145,158	1,391,553
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	67,026,526	69,332,981	136,359,507
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
LIABILITIES			
Accounts payable	309,946	1,552,610	1,862,556
Accrued salaries and benefits	169,811	82,633	252,444
Internal balances	28,768,006	(28,768,006)	-
Interest payable	92,011	349,572	441,583
Unearned revenues	-	422,322	422,322
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	389,880	1,230,120	1,620,000
Compensated absences	144,374	-	144,374
Lease liabilities, current	1,047	-	1,047
Portion due or payable after one year			
Bonds payable	5,166,852	43,278,148	48,445,000
Bond premiums	634,608	4,856,631	5,491,239
Compensated absences	704,867	310,110	1,014,977
Lease liabilities	248,538	-	248,538
Net OPEB liability	491,422	-	491,422
Net pension liability	4,785,506	852,521	5,638,027
TOTAL LIABILITIES	41,906,868	24,166,661	66,073,529
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	2,079	-	2,079
Deferred inflows of resources, OPEB activity	34,913	-	34,913
Deferred inflows of resources, leases	-	1,189,587	1,189,587
TOTAL DEFERRED INFLOWS OF RESOURCES	36,992	1,189,587	1,226,579
NET POSITION			
Net investment in capital assets	23,581,131	30,704,648	54,285,779
Restricted	894,461	-	894,461
Unrestricted	607,074	13,272,085	13,879,159
TOTAL NET POSITION	25,082,666	43,976,733	69,059,399
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 67,026,526	\$ 69,332,981	\$ 136,359,507

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,316,281	\$ 215,703	\$ -	\$ -
Public safety	3,794,670	611,637	73,774	-
Public works	1,789,834	-	13,684	237,186
Culture and recreation	444,905	134,515	2,830	84,493
Community development	185,412	-	-	-
Non-departmental	3,833,488	-	452,992	-
Debt service	193,399	-	-	-
Depreciation and amortization	491,357	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	12,049,346	961,855	543,280	321,679
BUSINESS-TYPE ACTIVITIES				
Electric	11,072,021	13,990,892	37,749	-
Water	2,886,339	3,437,348	37,749	-
Sewer	5,193,980	4,806,308	62,916	500,000
Solid waste	1,113,419	1,002,974	56,723	-
Pool	782,916	321,257	-	-
Park	766,276	623,980	45,500	-
TOTAL BUSINESS-TYPE ACTIVITIES	21,814,951	24,182,759	240,637	500,000
TOTAL BOROUGH GOVERNMENT	\$ 33,864,297	\$ 25,144,614	\$ 783,917	\$ 821,679

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 - BEGINNING OF YEAR, AS PREVIOUSLY PRESENTED

RESTATEMENTS

NET POSITION - BEGINNING OF YEAR, AS RESTATED

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental	Business-Type	
Activities	Activities	Totals
\$ (1,100,578)	\$ -	\$ (1,100,578)
(3,109,259)	-	(3,109,259)
(1,538,964)	-	(1,538,964)
(223,067)	-	(223,067)
(185,412)	-	(185,412)
(3,380,496)	-	(3,380,496)
(193,399)	-	(193,399)
(491,357)	-	(491,357)
<u>(10,222,532)</u>	<u>-</u>	<u>(10,222,532)</u>
-	2,956,620	2,956,620
-	588,758	588,758
-	175,244	175,244
-	(53,722)	(53,722)
-	(461,659)	(461,659)
-	<u>(96,796)</u>	<u>(96,796)</u>
-	3,108,445	3,108,445
<u>(10,222,532)</u>	<u>3,108,445</u>	<u>(7,114,087)</u>
128,864	-	128,864
2,157,041	-	2,157,041
143,244	-	143,244
3,513,512	-	3,513,512
700,788	640,122	1,340,910
73,290	33,636	106,926
<u>(8,271,957)</u>	<u>8,271,957</u>	<u>-</u>
<u>(1,555,218)</u>	<u>8,945,715</u>	<u>7,390,497</u>
(11,777,750)	12,054,160	276,410
15,732,745	52,169,751	67,902,496
<u>21,127,671</u>	<u>(20,247,178)</u>	<u>880,493</u>
<u>36,860,416</u>	<u>31,922,573</u>	<u>68,782,989</u>
<u>\$ 25,082,666</u>	<u>\$ 43,976,733</u>	<u>\$ 69,059,399</u>

BOROUGH OF QUAKERTOWN**BALANCE SHEET****GOVERNMENTAL FUNDS****DECEMBER 31, 2024**

	General Fund	Capital Projects Fund	Liquid Fuels Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,726,049	\$ 31,635,439	\$ 929,930	\$ 35,291,418
Accounts receivable	241,657	-	-	241,657
Due from other funds	160,420	358,030	-	518,450
TOTAL ASSETS	\$ 3,128,126	\$ 31,993,469	\$ 929,930	\$ 36,051,525
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 98,633	\$ 175,844	\$ 35,469	\$ 309,946
Accrued salaries and benefits	169,811	-	-	169,811
Accrued compensated absences	144,374	-	-	144,374
Due to other funds	-	29,286,456	-	29,286,456
TOTAL LIABILITIES	412,818	29,462,300	35,469	29,910,587
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue, other	25,000	-	-	25,000
FUND BALANCES				
Restricted	-	-	894,461	894,461
Assigned	-	2,531,169	-	2,531,169
Unassigned	2,690,308	-	-	2,690,308
TOTAL FUND BALANCES	2,690,308	2,531,169	894,461	6,115,938
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,128,126	\$ 31,993,469	\$ 929,930	\$ 36,051,525

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, 2024**

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 6,115,938
-----------------------------------	--------------

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 \$36,868,214 and the accumulated depreciation is \$7,071,957.	29,796,257
--	------------

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 \$25,725.	225,799
---	---------

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.	250,000
---	---------

Deferred inflows and outflows of resources related to pension and OPEB activities are not financial resources and therefore not reported in the governmental funds.	1,209,403
---	-----------

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	(5,556,732)
Unamortized bond premium	(634,608)
Accrued interest on the bonds	(92,011)
Compensated absences	(704,867)
Lease liabilities	(249,585)
Net pension liability	(4,785,506)
Net OPEB liability	(491,422)
Total	<u>(12,514,731)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 25,082,666</u>
---	----------------------

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, 2024

	General Fund	Capital Projects Fund	Liquid Fuels Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 2,143,275	\$ -	\$ -	\$ 2,143,275
Licenses and permits	131,361	-	-	131,361
Fines and forfeits	124,008	-	-	124,008
Intergovernmental	4,415,582	-	237,186	4,652,768
Charges for services	484,664	-	-	484,664
Investment and rental earnings	119,686	524,041	57,061	700,788
Miscellaneous	275,895	2,830	-	278,725
TOTAL REVENUES	<u>7,694,471</u>	<u>526,871</u>	<u>294,247</u>	<u>8,515,589</u>
EXPENDITURES				
General government	1,469,427	-	-	1,469,427
Public safety	4,005,345	-	-	4,005,345
Public works	1,653,799	-	354,689	2,008,488
Culture and recreation	412,354	1,706,630	-	2,118,984
Community development	196,102	-	-	196,102
Non-departmental	2,824,179	-	-	2,824,179
Debt service	603,286	-	-	603,286
TOTAL EXPENDITURES	<u>11,164,492</u>	<u>1,706,630</u>	<u>354,689</u>	<u>13,225,811</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,470,021)</u>	<u>(1,179,759)</u>	<u>(60,442)</u>	<u>(4,710,222)</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year expenditures	157,507	-	-	157,507
Interfund transfers in	4,203,286	29,472,872	-	33,676,158
Interfund transfers out	-	(41,948,115)	-	(41,948,115)
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,360,793</u>	<u>(12,475,243)</u>	<u>-</u>	<u>(8,114,450)</u>
NET CHANGE IN FUND BALANCES	890,772	(13,655,002)	(60,442)	(12,824,672)
FUND BALANCES AT BEGINNING OF YEAR	<u>1,799,536</u>	<u>16,186,171</u>	<u>954,903</u>	<u>18,940,610</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,690,308</u>	<u>\$ 2,531,169</u>	<u>\$ 894,461</u>	<u>\$ 6,115,938</u>

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, 2024

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (12,824,672)

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 (\$2,027,857) exceeds depreciation (\$482,782) in the current period.

1,545,075

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.

413,668

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.

(7,883)

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.

6,217

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.

(129,543)

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:

Changes in compensated absences

268,408

Changes in net OPEB liability and related deferrals

(39,711)

Changes in net pension liability and related deferrals

(1,009,309)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (11,777,750)

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, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 1,991,000	\$ 1,991,000	\$ 2,143,275	\$ 152,275
Licenses and permits	152,250	152,250	131,361	(20,889)
Fines and forfeits	83,700	83,700	124,008	40,308
Intergovernmental	4,387,521	4,387,521	4,415,582	28,061
Charges for services	577,400	577,400	484,664	(92,736)
Investment and rental earnings	116,600	116,600	119,686	3,086
Miscellaneous	322,000	322,000	275,895	(46,105)
TOTAL REVENUES	7,630,471	7,630,471	7,694,471	64,000
EXPENDITURES				
General government				
Legal	40,000	40,000	81,366	(41,366)
Mayor, legislative, borough manager	343,200	343,200	324,153	19,047
Finance and accounting	618,067	618,067	623,980	(5,913)
Tax collection	7,700	7,700	7,622	78
IT-networking services-data processing	211,800	211,800	152,497	59,303
Engineering	50,000	50,000	78,943	(28,943)
Buildings and plant	201,720	201,720	200,866	854
Public safety				
Police	3,563,950	3,563,950	3,558,017	5,933
Fire department	763,550	763,550	381,823	381,727
Inspections	192,150	192,150	65,505	126,645
Public works				
Street maintenance and lighting	1,626,107	1,626,107	1,653,799	(27,692)
Culture and recreation				
Parks	502,600	502,600	412,354	90,246
Community development	331,314	331,314	196,102	135,212
Non-departmental				
Employer paid benefits and withholding items	2,859,225	2,859,225	2,640,455	218,770
Insurance	179,450	179,450	171,614	7,836
Miscellaneous	15,000	15,000	12,110	2,890
Debt service	531,100	531,100	603,286	(72,186)
TOTAL EXPENDITURES	12,036,933	12,036,933	11,164,492	872,441
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(4,406,462)	(4,406,462)	(3,470,021)	936,441
OTHER FINANCING SOURCES (USES)				
Refund of prior year expenditures	-	-	157,507	157,507
Interfund transfers in	4,131,100	4,131,100	4,203,286	72,186
TOTAL OTHER FINANCING SOURCES (USES)	4,131,100	4,131,100	4,360,793	229,693
NET CHANGE IN FUND BALANCE	\$ (275,362)	\$ (275,362)	890,772	\$ 1,166,134
FUND BALANCE AT BEGINNING OF YEAR			1,799,536	
FUND BALANCE AT END OF YEAR			\$ 2,690,308	

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2024

	Major			Total Non-Major	Total
	Electric Fund	Water Fund	Sewer Fund		
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 4,405,711	\$ 4,170,719	\$ 1,300,492	\$ 287,036	\$ 10,163,958
Investments	1,585,146	-	1,584,656	-	3,169,802
Lease receivable	61,425	44,498	-	-	105,923
Accounts receivable, net	2,081,816	531,199	1,018,524	198,640	3,830,179
Due from other funds	-	-	29,286,456	-	29,286,456
TOTAL CURRENT ASSETS	8,134,098	4,746,416	33,190,128	485,676	46,556,318
NON-CURRENT ASSETS					
Lease receivable	271,767	863,103	-	-	1,134,870
Buildings (net of depreciation)	4,254,176	1,563,334	3,495,804	1,344,956	10,658,270
Improvements other than buildings (net of depreciation)	11,050	27,031	35,130	3,466,207	3,539,418
Machinery and equipment (net of depreciation)	1,341,663	327,630	292,235	449,088	2,410,616
Construction in progress	-	-	17,774,796	-	17,774,796
Sewer lines infrastructure (net of depreciation)	-	-	9,746,549	-	9,746,549
Water lines infrastructure (net of depreciation)	-	6,653,442	-	-	6,653,442
TOTAL NON-CURRENT ASSETS	5,878,656	9,434,540	31,344,514	5,260,251	51,917,961
TOTAL ASSETS	14,012,754	14,180,956	64,534,642	5,745,927	98,474,279
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources, pension activity	43,808	47,839	53,511	-	145,158
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	647,007	51,630	828,434	25,539	1,552,610
Interest payable	7,607	30,288	272,949	38,728	349,572
Unearned revenues	-	-	422,322	-	422,322
Accrued salaries and benefits	22,417	16,302	25,776	18,138	82,633
Bonds payable - current	19,359	148,230	872,991	189,540	1,230,120
Due to other funds	-	-	-	518,450	518,450
TOTAL CURRENT LIABILITIES	696,390	246,450	2,422,472	790,395	4,155,707
NON-CURRENT LIABILITIES					
Compensated absences	99,873	87,529	101,198	21,510	310,110
Bonds payable	443,823	1,674,999	39,017,524	2,141,802	43,278,148
Bond premiums	13,653	268,872	4,230,303	343,803	4,856,631
Net pension liability	257,286	280,961	314,274	-	852,521
TOTAL NON-CURRENT LIABILITIES	814,635	2,312,361	43,663,299	2,507,115	49,297,410
TOTAL LIABILITIES	1,511,025	2,558,811	46,085,771	3,297,510	53,453,117
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows or resources, leases	349,282	840,305	-	-	1,189,587
NET POSITION					
Net investment in capital assets	5,130,054	6,479,336	16,510,152	2,585,106	30,704,648
Unrestricted net position	7,066,201	4,350,343	1,992,230	(136,689)	13,272,085
TOTAL NET POSITION	\$ 12,196,255	\$ 10,829,679	\$ 18,502,382	\$ 2,448,417	\$ 43,976,733

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2024

	Major			Total	Total
	Electric Fund	Water Fund	Sewer Fund	Non-Major	
OPERATING REVENUES					
Charges for services	\$ 13,607,142	\$ 2,939,474	\$ 4,780,108	\$ 1,945,705	\$ 23,272,429
Debt service fees	-	366,044	-	-	366,044
Permits and fees	190,856	27,051	-	2,445	220,352
Penalties	192,894	42,313	26,200	61	261,468
Rental income	-	62,466	-	-	62,466
Other income	29,689	606	983	2,358	33,636
TOTAL OPERATING REVENUES	14,020,581	3,437,954	4,807,291	1,950,569	24,216,395
OPERATING EXPENSES					
Costs of furnishing utility	10,228,339	2,042,299	2,567,445	-	14,838,083
Costs of solid waste operations	-	-	-	929,900	929,900
Costs of pool operations	-	-	-	495,913	495,913
Costs of park operations	-	-	-	706,128	706,128
Bad debt	-	-	475,456	-	475,456
Employee benefits	411,163	345,935	570,788	146,971	1,474,857
Insurance	78,397	121,268	217,977	42,937	460,579
Depreciation	336,246	320,662	491,803	268,932	1,417,643
TOTAL OPERATING EXPENSES	11,054,145	2,830,164	4,323,469	2,590,781	20,798,559
OPERATING INCOME (LOSS)	2,966,436	607,790	483,822	(640,212)	3,417,836
NON-OPERATING REVENUES (EXPENSES)					
Interest earned	250,450	283,309	77,266	29,097	640,122
Interest expense	(17,876)	(56,175)	(870,511)	(71,830)	(1,016,392)
Donations	-	-	-	45,500	45,500
State aid - pension	37,749	37,749	62,916	18,875	157,289
Intergovernmental	-	-	500,000	-	500,000
Recycling/Act 101 grant	-	-	-	37,848	37,848
Transfers from other funds	-	2,283,598	39,721,526	378,157	42,383,281
Transfers to other funds	(3,700,019)	(173,630)	(30,237,675)	-	(34,111,324)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(3,429,696)	2,374,851	9,253,522	437,647	8,636,324
CHANGES IN NET POSITION	(463,260)	2,982,641	9,737,344	(202,565)	12,054,160
NET POSITION - BEGINNING					
AS PREVIOUSLY STATED	13,163,692	10,130,785	23,304,091	5,571,183	52,169,751
RESTATEMENT	(504,177)	(2,283,747)	(14,539,053)	(2,920,201)	(20,247,178)
NET POSITION - BEGINNING OF YEAR,					
AS RESTATED	12,659,515	7,847,038	8,765,038	2,650,982	31,922,573
NET POSITION - ENDING	\$ 12,196,255	\$ 10,829,679	\$ 18,502,382	\$ 2,448,417	\$ 43,976,733

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2024

	Major			Total Non-Major	Total
	Electric Fund	Water Fund	Sewer Fund		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from users	\$ 14,035,837	\$ 2,431,729	\$ 5,312,375	\$ 1,975,000	\$ 23,754,941
Cash received from other operating revenue	29,689	104,805	983	2,358	137,835
Cash payments to employees for services	(447,193)	(315,112)	(460,070)	(142,163)	(1,364,538)
Cash payments to suppliers for goods and services	(10,164,249)	(2,006,979)	(3,333,980)	(2,117,711)	(17,622,919)
Cash payments to other operating expenses	(78,397)	(121,268)	(693,433)	(42,937)	(936,035)
NET CASH PROVIDED BY (USED) BY OPERATING ACTIVITIES	<u>3,375,687</u>	<u>93,175</u>	<u>825,875</u>	<u>(325,453)</u>	<u>3,969,284</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
State sources	37,749	37,749	62,916	56,723	195,137
Intergovernmental	-	-	500,000	-	500,000
Donations	-	-	-	45,500	45,500
Proceeds from general obligation bonds	-	-	29,868,146	-	29,868,146
Principal paid on debt	(18,642)	(142,191)	(838,111)	(181,818)	(1,180,762)
Interest paid on debt	(18,969)	(75,342)	(926,326)	(96,339)	(1,116,976)
Operating transfers in	-	-	10,435,070	378,157	10,813,227
Operating transfers out	(3,700,019)	(173,630)	(31,223,973)	-	(35,097,622)
NET CASH PROVIDED BY (USED) FOR NON-CAPITAL FINANCING ACTIVITIES	<u>(3,699,881)</u>	<u>(353,414)</u>	<u>7,877,722</u>	<u>202,223</u>	<u>4,026,650</u>
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES					
Purchase of fixed assets	(115,917)	(162,173)	(7,473,249)	-	(7,751,339)
CASH FLOWS FROM INVESTING ACTIVITIES					
(Purchases) sales of investments	(7,125)	-	(7,122)	-	(14,247)
Earnings on investments	250,450	283,309	77,266	29,096	640,121
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>243,325</u>	<u>283,309</u>	<u>70,144</u>	<u>29,096</u>	<u>625,874</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(196,786)	(139,103)	1,300,492	(94,134)	870,469
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,602,497	4,309,822	-	381,170	9,293,489
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,405,711</u>	<u>\$ 4,170,719</u>	<u>\$ 1,300,492</u>	<u>\$ 287,036</u>	<u>\$ 10,163,958</u>

BOROUGH OF QUAKERTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2024

	Major			Total	Total
	Electric Fund	Water Fund	Sewer Fund	Non-Major	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 2,966,436	\$ 607,790	\$ 483,822	\$ (640,212)	\$ 3,417,836
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	336,246	320,662	491,803	268,932	1,417,643
Change in assets and liabilities					
(Increase) decrease in accounts receivable	(14,076)	(20,830)	83,745	26,789	75,628
(Increase) decrease in lease receivable	59,021	41,733	-	-	100,754
(Increase) decrease in deferred outflows	59,392	45,722	50,033	-	155,147
(Increase) decrease in GASB 68 pension liability	77,285	117,771	133,672	-	328,728
(Increase) decrease in deferred inflows	(60,328)	(63,773)	(2,122)	-	(126,223)
Increase (decrease) in accounts payable	72,013	35,320	(766,535)	9,392	(649,810)
Increase (decrease) in unearned revenue	-	(922,323)	422,322	-	(500,001)
Increase (decrease) in accrued salaries and benefits	4,459	5,495	6,166	3,133	19,253
Increase (decrease) in sales tax payable	(7,923)	-	-	-	(7,923)
Increase (decrease) in compensated absences	(116,838)	(74,392)	(77,031)	6,513	(261,748)
TOTAL ADJUSTMENTS	<u>409,251</u>	<u>(514,615)</u>	<u>342,053</u>	<u>314,759</u>	<u>551,448</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 3,375,687</u>	<u>\$ 93,175</u>	<u>\$ 825,875</u>	<u>\$ (325,453)</u>	<u>\$ 3,969,284</u>

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2024

	Pension and Medical Benefit Trust Funds	Custodial Funds		
		Escrow Fund	Medical Reimbursement Benefit Plan Fund	Health Reimbursement Arrangement Fund
ASSETS				
Cash and cash equivalents	\$ 534,903	\$ 23,321	\$ 13,331	\$ 204,232
Investments	27,352,106	-	593,672	-
Accounts receivable	55,140	-	-	-
TOTAL ASSETS	<u>27,942,149</u>	<u>23,321</u>	<u>607,003</u>	<u>204,232</u>
LIABILITIES				
Other payables	70,524	-	-	29,164
NET POSITION				
Restricted for				
Individuals, organizations, and other governments	-	23,321	607,003	175,068
Employee benefits	27,871,625	-	-	-
TOTAL NET POSITION	<u>\$ 27,871,625</u>	<u>\$ 23,321</u>	<u>\$ 607,003</u>	<u>\$ 175,068</u>

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2024

	Pension and Medical Benefit Trust Funds	Custodial Funds		
		Escrow Fund	Medical Reimbursement Benefit Plan Fund	Health Reimbursement Arrangement Fund
ADDITIONS				
Contributions - employer	\$ 646,225	\$ -	\$ -	\$ -
Contributions - employee	106,769	-	-	-
State aid	309,404	-	-	-
Employer contribution receipts	-	-	-	23,270
Escrow receipts	-	201	-	-
Investment earnings				
Interest and dividends	361,759	6,406	-	-
Change in fair value of investments	2,025,495	-	46,549	-
TOTAL ADDITIONS	<u>3,449,652</u>	<u>6,607</u>	<u>46,549</u>	<u>23,270</u>
DEDUCTIONS				
Administrative charges	27,150	-	8,401	-
Investment expenses	93,867	-	-	-
Employee benefits	2,198,393	-	-	-
Employee benefit disbursements	-	-	4,350	61,784
Escrow disbursements	-	6,506	-	-
TOTAL DEDUCTIONS	<u>2,319,410</u>	<u>6,506</u>	<u>12,751</u>	<u>61,784</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	1,130,242	101	33,798	(38,514)
NET POSITION AT BEGINNING OF YEAR	<u>26,741,383</u>	<u>23,220</u>	<u>573,205</u>	<u>213,582</u>
NET POSITION AT END OF YEAR	<u>\$ 27,871,625</u>	<u>\$ 23,321</u>	<u>\$ 607,003</u>	<u>\$ 175,068</u>

See accompanying notes to the basic financial statements.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

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, 2024

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, 2024

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, 2024

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.

Liquid Fuels Fund

The Liquid Fuels Fund is used to fund a range of projects to support the construction, reconstruction, maintenance, and repair of public roads or streets.

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 Deferred 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, 2024

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, 2024

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, except 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, 2024

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, 2024

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, 2024

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

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, 2024

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 and actual earnings on pension plan investments, and differences in projected and actual experience of the pension plan.

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 four 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. The third item is the deferred inflow of resources related to pensions, which is reported in the government-wide statement of net position and is the result of differences in projected and actual experience of the pension plan. The fourth item is the deferred inflow of resources related to OPEB, which is reported in the government-wide statement of net position and is the result of net differences in projected and actual earnings on plan investments.

Real Estate Taxes

The total taxable assessed real estate valuation for the year ended 2024 is \$80,836,940 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.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Adoption of New Accounting Standard

The Borough implemented GASB Statement No. 101, Compensated Absences, effective January 1, 2024. The objective of GASB 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences.

The adoption of GASB 101 did not have a material impact on the financial statements.

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.

As of year-end, the carrying amount of deposits was \$46,231,163 and the bank balance was \$46,599,949. Of the bank balance, \$500,000 was covered by federal depository insurance; \$4,164,588 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 \$41,935,361 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, 2024, and is subject to an independent annual audit.

Restricted Cash

The cash balance includes \$534,903 held for pension benefits, \$23,321 held as utility escrow funds, \$13,331 held in the Medical Reimbursement Benefit Plan Fund and \$204,232 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.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

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, 2024, the Borough's significant investments were rated as:

Investments	Standard & Poor's
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

As of December 31, 2024, the Borough had the following investments:

Investments Type	Fair Value/ Carrying Amount	Investment Maturities	
		Less Than 1 Year	More Than 1 Year
Common Stocks	\$ 10,757,675	\$ 10,757,675	\$ -
Corporate Bonds	3,653,003	193,744	3,459,259
U.S. Government Agency Bonds	3,239,310	92,337	3,146,973
Certificates of Deposit	3,989,115	3,341,868	647,247
Mutual Funds	7,375,011	7,375,011	-
Exchange Traded Funds	2,101,466	2,101,466	-
TOTAL	\$ <u>31,115,580</u>	\$ <u>23,862,101</u>	\$ <u>7,253,479</u>

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.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

The Borough has the following recurring fair value measurements as of December 31, 2024:

	<u>Fair Value</u>	<u>Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments at fair value				
Common stocks	\$ 10,757,675	\$ 10,757,675	\$ -	\$ -
Mutual fund	7,375,011	7,375,011	-	-
US government bonds	3,239,310	-	3,239,310	-
Corporate bonds	3,653,003	-	3,653,003	-
Exchange traded fund	<u>2,101,466</u>	<u>2,101,466</u>	<u>-</u>	<u>-</u>
Total investments at fair value	<u>\$ 27,126,465</u>	<u>\$ 20,234,152</u>	<u>\$ 6,892,313</u>	<u>\$ -</u>

Concentration of Credit Risk - The Borough places no limit on the amount that may be invested in any one issuer. As of December 31, 2024, the Borough had no individual investments that exceeded more than 5% of the Borough's total investments.

Foreign Currency Risk - As of December 31, 2024, 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	\$ 1,662,241
Vanguard Total International ETF	1,678,209
Direct Equity Holdings	
Mondelez Intl Inc	\$ 220,702
TE Connectivity PLC	219,316

Restricted Investments

The investments include \$27,945,778 held for future pension obligation for the uniform and non-uniform pension plans, the 401A Retirement Plan, and Post-Retirement Medical Plan.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

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:

	General Fund	Electric Fund	Water Fund	Sewer Fund	Solid Waste Fund	Park Fund
Receivables						
Accounts	\$ 212,493	\$ 2,021,460	\$ 536,354	\$ 1,020,834	\$ 131,974	\$ 66,666
Other	29,164	80,460	-	-	-	-
Gross Receivables	<u>241,657</u>	<u>2,101,920</u>	<u>536,354</u>	<u>1,020,834</u>	<u>131,974</u>	<u>66,666</u>
Less allowance for Uncollectibles	<u>-</u>	<u>(20,104)</u>	<u>(5,155)</u>	<u>(2,310)</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 241,657</u>	<u>\$ 2,081,816</u>	<u>\$ 531,199</u>	<u>\$ 1,018,524</u>	<u>\$ 131,974</u>	<u>\$ 66,666</u>

NOTE D - CAPITAL ASSETS

Governmental activities capital asset activity for the year ended December 31, 2024, was as follows:

	Balance January 1, 2024	Increases	Decreases	Balance December 31, 2024
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,851,952	\$ -	\$ -	\$ 1,851,952
Construction in progress	864,588	1,706,630	(1,786,711)	784,507
Infrastructure	<u>19,950,250</u>	<u>-</u>	<u>-</u>	<u>19,950,250</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>22,666,790</u>	<u>1,706,630</u>	<u>(1,786,711)</u>	<u>22,586,709</u>
Capital assets being depreciated/amortized				
Buildings	2,758,105	1,905,656	-	4,663,761
Improvements other than buildings	3,797,927	-	-	3,797,927
Machinery and equipment	5,617,535	202,282	-	5,819,817
Right-to-use leased building	<u>251,524</u>	<u>-</u>	<u>-</u>	<u>251,524</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED/AMORTIZED	<u>12,425,091</u>	<u>2,107,938</u>	<u>-</u>	<u>14,533,029</u>
Accumulated depreciation/amortization				
Buildings	(1,474,142)	(60,481)	-	(1,534,623)
Improvements other than buildings	(1,238,486)	(124,643)	-	(1,363,129)
Machinery and equipment	(3,876,547)	(297,658)	-	(4,174,205)
Right-to-use leased building	<u>(17,150)</u>	<u>(8,575)</u>	<u>-</u>	<u>(25,725)</u>
TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION	<u>(6,606,325)</u>	<u>(491,357)</u>	<u>-</u>	<u>(7,097,682)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED/ AMORTIZED, net	<u>5,818,766</u>	<u>1,616,581</u>	<u>-</u>	<u>7,435,347</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 28,485,556</u>	<u>\$ 3,323,211</u>	<u>\$ (1,786,711)</u>	<u>\$ 30,022,056</u>

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE D - CAPITAL ASSETS (Continued)

Business-type activities capital asset activity for the year ended December 31, 2024, was as follows:

	Balance January 1, 2024	Increases	Decreases	Balance December 31, 2024
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 10,301,547	\$ 7,473,249	\$ -	\$ 17,774,796
Capital assets being depreciated				
Buildings	26,993,140	-	-	26,993,140
Improvements other than buildings	6,096,912	-	-	6,096,912
Machinery and equipment	5,591,595	190,567	-	5,782,162
Sewer lines infrastructure	14,023,215	-	-	14,023,215
Water lines infrastructure	11,150,595	87,523	-	11,238,118
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>63,855,457</u>	<u>278,090</u>	<u>-</u>	<u>64,133,547</u>
Accumulated depreciation	<u>(29,707,611)</u>	<u>(1,417,641)</u>	<u>-</u>	<u>(31,125,252)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>34,147,846</u>	<u>(1,139,551)</u>	<u>-</u>	<u>33,008,295</u>
 BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	 <u>\$ 44,449,393</u>	 <u>\$ 6,333,698</u>	 <u>\$ -</u>	 <u>\$ 50,783,091</u>

Depreciation/Amortization expense was charged to the governmental activities as follows:

Depreciation/Amortization - Unallocated \$ 491,357

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

Depreciation - Unallocated \$ 1,417,641

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE E - 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>
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, 2024

NOTE E - LEASES (Continued)

As of December 31, 2024, the Borough's receivable for lease payments was \$1,240,793. 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, 2024, the balance of the deferred inflow of resources was \$1,189,587. Lease related revenues recognized as of December 31, 2024 were as follows:

<u>Lease-related Revenue</u>	<u>Year Ending December 31, 2024</u>
Lease Revenue	
Building	\$ 2,138
Real Property	120,069
Interest Revenue	<u>53,165</u>
TOTAL	<u>\$ 175,372</u>

Current year interest revenues were \$53,165 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>
2025	\$ 105,923	\$ 49,069	\$ 154,992
2026	110,239	44,753	154,992
2027	103,048	40,484	143,532
2028	109,014	36,244	145,258
2029	115,856	31,775	147,631
2030-2034	262,684	114,931	377,615
2035-2039	301,229	55,088	356,317
2040-2042	<u>132,800</u>	<u>7,540</u>	<u>140,340</u>
Total	<u>\$ 1,240,793</u>	<u>\$ 379,884</u>	<u>\$ 1,620,677</u>

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE E - 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, 2024 were as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2025	\$ 1,047	\$ 9,966	\$ 11,013
2026	1,426	9,917	11,343
2027	1,831	9,853	11,684
2028	2,263	9,772	12,035
2029	2,722	9,673	12,395
2030-2034	21,607	46,175	67,782
2035-2039	38,282	40,296	78,578
2040-2044	60,537	30,556	91,093
2045-2049	89,908	15,694	105,602
2050-2051	<u>29,962</u>	<u>860</u>	<u>30,822</u>
Total	\$ <u>249,585</u>	\$ <u>182,762</u>	\$ <u>432,347</u>

Interest expense for the leases payable was \$9,998 for the governmental activities for the year ended December 31, 2024.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2024, is as follows:

<u>Interfund Receivables and Payables</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 160,420	\$ -
Capital Projects Fund	358,030	29,286,456
Sewer (Proprietary) Fund	29,286,456	-
Park (Proprietary) Fund	-	294,687
Pool (Proprietary) Fund	-	223,763
	<u> </u>	<u> </u>
TOTAL	\$ <u>29,804,906</u>	\$ <u>29,804,906</u>
<u>Interfund Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 4,203,286	\$ -
Capital Project Fund	29,472,872	41,948,115
Enterprise (Electric) Fund	-	3,700,019
Enterprise (Pool) Fund	378,157	-
Enterprise (Sewer) Fund	39,721,526	30,237,675
Enterprise (Water) Fund	2,283,598	173,630
	<u> </u>	<u> </u>
	\$ <u>76,059,439</u>	\$ <u>76,059,439</u>

Interfund receivables and payables resulted from the time lag between the receipt of goods and the provision of services and the related reimbursement as part of normal business operations. All balances are expected to be repaid within one year. During the year, transfers are used to move resources as needed to provide subsidies to the General Fund, Capital Project Fund and Enterprise funds.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE G - LONG TERM DEBT

Long-Term Liability balances and activity for the year ended December 31, 2024, were:

	Beginning		Restatement		Ending	Due Within
	Balance	Additions	Reductions	(Reclassifications)	Balance	One Year
GOVERNMENTAL ACTIVITIES						
General Obligation Bonds Payable						
Series of 2020	\$ 17,900,000	\$ -	\$ (311,188)	\$ (13,598,630)	\$ 3,990,182	\$ 324,405
Series of 2022	6,720,000	-	(63,050)	(5,090,400)	1,566,550	65,475
Bond Premium	2,803,144	-	(39,431)	(2,129,105)	634,608	-
Leases	250,277	-	(692)	-	249,585	1,047
Net OPEB liability	447,401	44,021	-	-	491,422	-
Net pension liability	3,822,956	962,550	-	-	4,785,506	-
Compensated absences	1,167,930	-	(318,689)	-	849,241	144,374
TOTAL GOVERNMENTAL ACTIVITIES	\$ 33,111,708	\$ 1,006,571	\$ (733,050)	\$ (20,818,135)	\$ 12,567,094	\$ 535,301
BUSINESS-TYPE ACTIVITIES						
General Obligation Bonds Payable						
Series of 2020	\$ -	\$ -	\$ (983,812)	\$ 13,598,630	\$ 12,614,818	\$ 1,025,595
Series of 2022	-	-	(196,950)	5,090,400	4,893,450	204,525
Series of 2024	-	27,000,000	-	-	27,000,000	-
Bond Premium	-	2,852,083	(124,557)	2,129,105	4,856,631	-
Net pension liability	523,793	328,728	-	-	852,521	-
Compensated absences	571,858	-	(261,748)	-	310,110	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 1,095,651	\$ 30,180,811	\$ (1,567,067)	\$ 20,818,135	\$ 50,527,530	\$ 1,230,120

General Obligation Bonds - Series of 2022

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

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, 2024

NOTE G - LONG TERM DEBT (Continued)

General Obligation Bonds - Series of 2024

On November 24, 2024, the Borough issued General Obligation Bonds – Series of 2024 in the amount of \$27,000,000. The proceeds of the bonds will provide funds to (1) finance the planning, design, acquisition, construction, renovation, and improvement of the Borough’s Anaergia co-generation project; (2) capitalizing interest on the bonds; and (3) pay costs of issuing the bonds. The bonds mature from February 1, 2026 to February 1, 2044. The interest rate is 5.00%.

The outstanding debt service requirements at December 31, 2024, are:

Year Ending December 31,	Principal	Interest	Total Payments
2025	\$ 1,620,000	\$ 1,833,900	\$ 3,453,900
2026	1,690,000	2,176,625	3,866,625
2027	1,945,000	2,103,225	4,048,225
2028	2,025,000	2,022,075	4,047,075
2029	2,115,000	1,931,300	4,046,300
2030-2034	12,095,000	8,121,600	20,216,600
2035-2039	15,160,000	5,066,475	20,226,475
2040-2044	13,415,000	1,554,750	14,969,750
TOTAL	\$ 50,065,000	\$ 24,809,950	\$ 74,874,950

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 H - 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, 2024

NOTE H - 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, 2024, the beginning of the plan year and December 31, 2024, the plan year end, plan membership consisted of the following:

	<u>1/1/2024</u>	<u>12/31/2024</u>
Retirees and Beneficiaries Receiving Benefits	47	50
Terminated Members Entitled to Benefits but not yet receiving them	7	5
Active Plan Members	<u>16</u>	<u>15</u>
 TOTAL	 <u>70</u>	 <u>70</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 currently not required 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, 2024

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

Net Pension Liability - The net pension liability was measured as of December 31, 2024 and the total pension liability was determined by an actuarial valuation as of December 31, 2024. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions - The total pension liability as of January 1, 2024 and December 31, 2024 were determined using the following economic assumptions, applied to all periods included in the measurement.

Inflation	2.0%
Salary Increases	4.0%
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%	6.30%	2.62%
Domestic Equity - Mid Cap	5.20%	7.50%	0.39%
Domestic Equity - Small Cap	5.20%	9.60%	0.50%
International Equity	13.00%	6.80%	0.88%
Fixed income	35.00%	3.50%	1.23%
TOTAL	100.00%		5.62%
Inflation			2.00%
Long-Term Expected Rate of Return			7.62%

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE H - 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)
	<u> </u>	<u> </u>	<u> </u>
BALANCES AT 1/1/2024	\$ 13,269,411	\$ 12,068,602	\$ 1,200,809
Changes during 2024:			
Service cost	83,385	-	83,385
Interest	902,960	-	902,960
Differences between expected and actual experience	933,694	-	933,694
Contributions			
Employer	-	70,325	(70,325)
Member	-	-	-
Net investment income (loss)	-	1,017,316	(1,017,316)
Benefit payments (including contribution refunds)	(906,741)	(906,741)	-
Administrative expense	-	(61,954)	61,954
NET CHANGES	<u>1,013,298</u>	<u>118,946</u>	<u>894,352</u>
BALANCES AT 12/31/2024	<u>\$ 14,282,709</u>	<u>\$ 12,187,548</u>	<u>\$ 2,095,161</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%)
	<u> </u>	<u> </u>	<u> </u>
Total pension liability	\$ 15,516,712	\$ 14,282,709	\$ 13,167,534
Plan fiduciary net position	<u>(12,187,548)</u>	<u>(12,187,548)</u>	<u>(12,187,548)</u>
Net pension liability	<u>\$ 3,329,164</u>	<u>\$ 2,095,161</u>	<u>\$ 979,986</u>

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

Pension Expense and Deferred Outflows and Inflows of Resources - For the year ended December 31, 2024, the actuarially determined pension expense is \$1,282,283. The Borough had deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2024:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference in projected and actual earnings on plan Investments	\$ <u>356,742</u>	\$ <u>-</u>

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

<u>Year Ending December 31,</u>	
2025	\$ 231,662
2026	395,744
2027	(229,871)
2028	<u>(40,793)</u>
	<u>\$ 356,742</u>

Employer Contributions

Contributions Required and Contributions Made -The actuarially determined employer contribution, (ADEC) to the retirement fund for 2024 was the 2024 Minimum Municipal Obligation of \$70,325. The Borough contributed \$70,325 toward the plan’s ADEC for 2024, including General Municipal Pension System State aid allocated to the plan. Employees did not contribute to the plan in 2024.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE I - 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, 2024, the beginning of the plan year and December 31, 2024, the plan year end, plan membership consisted of the following:

	<u>1/1/2024</u>	<u>12/31/2024</u>
Retirees and beneficiaries receiving benefits	17	17
Terminated members entitled to benefits but not yet receiving them	-	-
Active plan members	<u>20</u>	<u>21</u>
TOTAL	<u><u>37</u></u>	<u><u>38</u></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, 2024

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

Plan Funding - Officers who are members in the plan are required to contribute 2.5% 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, 2024, and the total pension liability was determined by an actuarial valuation as of December 31, 2024. 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, 2024 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, 2024

NOTE I - 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%	6.30%	2.62%
Domestic equity - mid cap	5.20%	7.50%	0.39%
Domestic equity - small cap	5.20%	9.60%	0.50%
International equity	13.00%	6.80%	0.88%
Fixed income	35.00%	3.50%	1.23%
TOTAL	100.00%		5.62%
Inflation			2.00%
Long-term expected rate of return			7.62%

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE I - 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 1/1/2024	\$ 16,222,328	\$ 13,076,388	\$ 3,145,940
Changes for the year			
Service cost	231,858	-	231,858
Interest	1,107,975	-	1,107,975
Differences between expected and actual experience	831,984	-	831,984
Contributions			
Employer	-	606,850	(606,850)
Member	-	76,366	(76,366)
Net investment income (loss)	-	1,148,686	(1,148,686)
Benefit payments (including contribution refunds)	(1,251,932)	(1,251,932)	-
Administrative expense	-	(57,011)	57,011
NET CHANGES	<u>919,885</u>	<u>522,959</u>	<u>396,926</u>
BALANCES AT 12/31/2024	<u>\$ 17,142,213</u>	<u>\$ 13,599,347</u>	<u>\$ 3,542,866</u>

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE I - 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	\$ 19,389,720	\$ 17,142,213	\$ 15,280,840
Plan fiduciary net position	<u>(13,599,347)</u>	<u>(13,599,347)</u>	<u>(13,599,347)</u>
Net pension liability	<u>\$ 5,790,373</u>	<u>\$ 3,542,866</u>	<u>\$ 1,681,493</u>

Pension Expense and Deferred Outflows and Inflows of Resources - For the year ended December 31, 2024, the actuarially determined pension expense is \$881,921. The Borough has deferred outflows and inflows of resources related to the pension plan from the following sources at December 31, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Projected and Actual Experience	\$ 675,256	\$ 2,079
Net Difference in Projected and Actual Earnings on Plan Investments	359,555	-
Totals	<u>\$ 1,034,811</u>	<u>\$ 2,079</u>

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

<u>Year Ending</u> <u>December 31,</u>	
2025	\$ 477,720
2026	601,546
2027	(38,859)
2028	<u>(7,675)</u>
	<u>\$ 1,032,732</u>

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE I - 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 2024 was the 2024 Minimum Municipal Obligation of \$606,850. The Borough contributed \$606,850 toward the plan's ADEC for 2024, including General Municipal Pension System State aid allocated to the plan. Employee contributions in 2024 totaled \$76,366.

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, 2024

NOTE I - 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 J - 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 2024, the Borough elected to require both employee and employer contributions. In 2024, contributions totaling \$308,857 were contributed to the plan by the Borough and Borough employees.

NOTE K - OTHER POST EMPLOYMENT BENEFITS PLAN

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 agrees to provide a post-retirement medical reimbursement under the plan providing participants employed with the Borough prior to December 31, 2017 up to \$14,000 per year with a benefit not to exceed \$140,000 per officer, and Officers employed with the Borough after January 1, 2018 up to \$3,500 per year with a benefit not to exceed \$35,000. In the event an officer predeceases his/her spouse, the officer's spouse will continue to receive the benefit. It is agreed by both parties that the Borough's reimbursement will be limited in its use only to the defraying of the cost of the premium of medical insurance for retired members of the Union and the benefit will be available as a reimbursement only.

Summary of Significant Accounting Policies

Basis of Accounting - The financial statements for the Borough of Quakertown Post-Retirement Medical Reimbursement Benefit Plan are prepared using an accrual basis of accounting. Plan member contributions by retired officers toward their postretirement benefits are not required. 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.

Plan Description and Membership Information

Plan Description - The Borough of Quakertown Post-Retirement Medical Reimbursement Benefit Plan is a non-contributory, single-employer postretirement benefits plan that covers all full-time uniformed police officers of the Borough. The plan provides postretirement medical benefits upon retirement to plan members and their beneficiaries, pursuant to Borough Resolutions and the collective bargaining agreement between the Borough and its union employees. The plan can be amended by the Borough through its Resolutions and union contracts. The plan is administered by a plan administrator appointed by the governing body of the Borough.

Plan Membership - As of January 1, 2024, the beginning of the plan year and December 31, 2024, the plan year end, plan membership consisted of the following:

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE K - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)

	<u>1/1/2024</u>	<u>12/31/2024</u>
Retirees and Beneficiaries Receiving Benefits	4	5
Terminated Members Entitled to Benefits but not yet receiving them	-	-
Active Plan Members	<u>21</u>	<u>21</u>
 TOTAL	 <u>25</u>	 <u>26</u>

Deferred Retirement Option Program (DROP)

The plan does not offer a Deferred Retirement Option Program (DROP) to employees who are eligible to retire. Police officers who participate in the pension plan DROP are considered active employees for OPEB purposes.

Plan Funding - Plan benefits are paid from an OPEB trust fund. Currently, the Borough is not required to contribute to the plan.

Net OPEB Liability - The net OPEB liability was measured as of December 31, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2023 and by rolling forward the liabilities from the January 1, 2023 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions - The total OPEB liability as of December 31, 2024 was determined using the following economic assumptions, applied to all periods included in the measurement.

Inflation	2.0%
Salary Increases	5.0%
Medical Inflation	Not Applicable
Investment Return	7.0% (including inflation)

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE K - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)

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

Discount Rate - The discount rate used to measure the total OPEB liability was 7.0%, based upon the expected rate of return on the OPEB fund, as specified in GASB 74 & 75.

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%	6.30%	2.62%
Domestic Equity - Mid Cap	5.20%	7.50%	0.39%
Domestic Equity - Small Cap	5.20%	9.60%	0.50%
International Equity	13.00%	6.80%	0.88%
Fixed income	<u>35.00%</u>	3.50%	<u>1.23%</u>
TOTAL	<u>100.00%</u>		5.62%
Inflation			<u>2.00%</u>
Long-Term Expected Rate of Return			<u>7.62%</u>

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
BALANCES AT 1/1/2024	\$ 1,020,606	\$ 573,205	\$ 447,401
Changes during 2024:			
Service cost	10,167	-	10,167
Interest	72,002	-	72,002
Net investment income	-	46,548	(46,548)
Benefit payments	(4,350)	(4,350)	-
Administrative expense	-	(8,400)	8,400
NET CHANGES	<u>77,819</u>	<u>33,798</u>	<u>44,021</u>
BALANCES AT 12/31/2024	<u>\$ 1,098,425</u>	<u>\$ 607,003</u>	<u>\$ 491,422</u>

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE K - OTHER POST EMPLOYMENT BENEFITS PLAN (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Medical Trend Rate - The schedule below shows the impact on the Net OPEB 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 OPEB liability	\$ 1,154,620	\$ 1,098,425	\$ 1,046,787
Plan fiduciary net position	<u>(607,003)</u>	<u>(607,003)</u>	<u>(607,003)</u>
Net OPEB liability	<u>\$ 547,617</u>	<u>\$ 491,422</u>	<u>\$ 439,784</u>

The plan's benefits are not based on medical costs are therefore the Net OPEB Liability is not impacted by changes in the Medical Trend Rate.

Postretirement Benefit Expense and Deferred Outflows and Inflows of Resources - For the year ended December 31, 2024, the actuarially determined expense is \$39,711. The Borough has the following deferred outflows and inflows of resources related to the OPEB plan as of December 31, 2024.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference in projected and actual earnings on plan Investments	\$ -	\$ 34,913
Totals	<u>\$ -</u>	<u>\$ 34,913</u>

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

Year Ending December 31,	
2025	\$ (11,180)
2026	(11,180)
2027	(11,179)
2028	<u>(1,374)</u>
	<u>\$ (34,913)</u>

Employer Contributions

Contributions Required and Contributions Made - The Borough did not contribute toward the plan's ADEC for 2024.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE L - CONTINGENCIES

Litigation

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

NOTE M - 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 N - 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, 2022, 2023, and 2024 for design costs, engineering costs and certain other costs to initiate the project in the amount of \$17,774,796. The Borough is in the process of reviewing bids to complete the project. The Borough estimates that the total cost for this project could range from \$40,000,000 to \$45,000,000. The project is expected to be completed in 2026.

BOROUGH OF QUAKERTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE O - PRIOR PERIOD RESTATEMENT

During the year, the Borough identified and corrected two issues that required a restatement of the prior period's balances. A review of prior year balances identified inconsistencies in the reporting of revenues in the period earned and reporting of expenses in the period incurred in the Sewer Fund (business-type activities). During the year ending December 31, 2024, the Borough of Quakertown determined that accounts payable and accounts receivable were overstated and understated by \$18,341 and \$862,152, respectively for the year ended December 31, 2023. The effect of correcting that error is shown in the table below.

Additionally, the Borough determined that certain balances previously reported under Governmental Activities related to bonds payable, bond premium, and interest payable were reclassified to Water Fund, Sewer Fund, Electric Fund, Pool Fund (business-type activities) to better align with purpose of debt. As a result, a prior period adjustment has been made to the beginning net position balances as follows:

	Net Position 12/31/2023 as previously reported	Restatement	Net Position 12/31/2023 as restated/adjusted
Government-wide			
Governmental activities	\$ 15,732,745	\$ 21,127,671	\$ 36,860,416
Business-type activities	<u>52,169,751</u>	<u>(20,247,178)</u>	<u>31,922,573</u>
Total government-wide	<u>\$ 67,902,496</u>	<u>\$ 880,493</u>	<u>\$ 68,782,989</u>
Proprietary funds			
Enterprise funds			
Major funds:			
Electric	\$ 13,163,692	\$ (504,177)	\$ 12,659,515
Water	10,130,785	(2,283,747)	7,847,038
Sewer	23,304,091	(14,539,053)	8,765,038
Non-Major funds	<u>5,571,183</u>	<u>(2,920,201)</u>	<u>2,650,982</u>
Total enterprise funds	<u>\$ 52,169,751</u>	<u>\$ (20,247,178)</u>	<u>\$ 31,922,573</u>

REQUIRED SUPPLEMENTARY INFORMATION

This Page Intentionally Left Blank

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

	2024	2023	2022	2021	2020
TOTAL PENSION LIABILITY					
Service cost	\$ 231,858	\$ 237,355	\$ 194,469	\$ 221,735	\$ 212,720
Interest	1,107,975	1,110,897	1,074,438	1,014,800	987,364
Differences between expected and actual experience	831,984	(4,033)	147,744	265,279	201,125
Benefit payments, including refunds of member contributions	<u>(1,251,932)</u>	<u>(1,517,060)</u>	<u>(352,246)</u>	<u>(362,369)</u>	<u>(324,037)</u>
NET CHANGE IN TOTAL PENSION LIABILITY (ASSET)	919,885	(172,841)	1,064,405	1,139,445	1,077,172
Total pension liability, beginning	<u>16,222,328</u>	<u>16,395,169</u>	<u>15,330,764</u>	<u>14,191,319</u>	<u>13,114,147</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 17,142,213</u>	<u>\$ 16,222,328</u>	<u>\$ 16,395,169</u>	<u>\$ 15,330,764</u>	<u>\$ 14,191,319</u>
PLAN FIDUCIARY NET POSITION					
Contributions					
Employer	606,850	616,624	655,101	676,620	572,394
Member	76,366	54,154	44,786	40,295	34,082
Net investment income (loss)	1,148,686	1,748,630	(2,184,805)	1,637,016	1,254,978
Benefit payments, including refunds of member contributions	<u>(1,251,932)</u>	<u>(1,517,060)</u>	<u>(352,246)</u>	<u>(362,369)</u>	<u>(324,037)</u>
Administrative expense	<u>(57,011)</u>	<u>(53,248)</u>	<u>(44,088)</u>	<u>(48,600)</u>	<u>(40,310)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	522,959	849,100	(1,881,252)	1,942,962	1,497,107
Plan fiduciary net position, beginning	<u>13,076,388</u>	<u>12,227,288</u>	<u>14,108,540</u>	<u>12,165,578</u>	<u>10,668,471</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 13,599,347</u>	<u>\$ 13,076,388</u>	<u>\$ 12,227,288</u>	<u>\$ 14,108,540</u>	<u>\$ 12,165,578</u>
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	<u>\$ 3,542,866</u>	<u>\$ 3,145,940</u>	<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)	79.33%	80.61%	74.58%	92.03%	85.73%
COVERED PAYROLL	<u>\$ 2,555,243</u>	<u>\$ 2,407,311</u>	<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>138.65%</u>	<u>130.68%</u>	<u>184.79%</u>	<u>65.01%</u>	<u>101.84%</u>

2019	2018	2017	2016	2015
\$ 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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 606,850	\$ 616,624	\$ 655,101	\$ 676,620	\$ 572,394
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>606,850</u>	<u>616,624</u>	<u>655,101</u>	<u>676,620</u>	<u>572,394</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
COVERED PAYROLL	\$ <u>2,555,243</u>	\$ <u>2,407,311</u>	\$ <u>2,255,480</u>	\$ <u>1,879,969</u>	\$ <u>1,989,180</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>23.75%</u>	<u>25.61%</u>	<u>29.04%</u>	<u>35.99%</u>	<u>28.78%</u>

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 563,186	\$ 573,479	\$ 563,018	\$ 545,802	\$ 536,145
<u>563,186</u>	<u>573,479</u>	<u>563,018</u>	<u>545,802</u>	<u>536,145</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <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>30.95%</u>	<u>29.38%</u>	<u>29.22%</u>	<u>28.94%</u>	<u>29.44%</u>

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>8.68%</u>	<u>14.91%</u>	<u>-15.76%</u>	<u>13.13%</u>	<u>11.47%</u>

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

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

	2024	2023	2022	2021	2020
TOTAL PENSION LIABILITY					
Service cost	\$ 83,385	\$ 83,768	\$ 109,947	\$ 118,906	\$ 97,357
Interest	902,960	892,108	868,865	845,064	858,320
Differences between expected and actual experience	933,694	(122,652)	203,385	414,941	(225,598)
Benefit payments, including refunds of member contributions	<u>(906,741)</u>	<u>(734,202)</u>	<u>(668,447)</u>	<u>(561,529)</u>	<u>(515,466)</u>
NET CHANGE IN TOTAL PENSION LIABILITY (ASSET)	1,013,298	119,022	513,750	817,382	214,613
Total pension liability, beginning	<u>13,269,411</u>	<u>13,150,389</u>	<u>12,636,639</u>	<u>11,819,257</u>	<u>11,604,644</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 14,282,709</u>	<u>\$ 13,269,411</u>	<u>\$ 13,150,389</u>	<u>\$ 12,636,639</u>	<u>\$ 11,819,257</u>
PLAN FIDUCIARY NET POSITION					
Contributions					
Employer	70,325	140,024	62,439	214,841	181,090
Member	-	81	46,969	53,440	52,938
Net investment income (loss)	1,017,316	1,694,126	(2,182,720)	1,681,481	1,364,713
Benefit payments, including refunds of member contributions	(906,741)	(734,202)	(668,447)	(561,529)	(515,466)
Administrative expense	<u>(61,954)</u>	<u>(48,894)</u>	<u>(51,130)</u>	<u>(50,762)</u>	<u>(40,954)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	118,946	1,051,135	(2,792,889)	1,337,471	1,042,321
Plan fiduciary net position, beginning	<u>12,068,602</u>	<u>11,017,467</u>	<u>13,810,356</u>	<u>12,472,885</u>	<u>11,430,564</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 12,187,548</u>	<u>\$ 12,068,602</u>	<u>\$ 11,017,467</u>	<u>\$ 13,810,356</u>	<u>\$ 12,472,885</u>
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	<u>\$ 2,095,161</u>	<u>\$ 1,200,809</u>	<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)	85.33%	90.95%	83.78%	109.29%	105.53%
COVERED PAYROLL	<u>\$ 1,307,550</u>	<u>\$ 1,325,836</u>	<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>160.24%</u>	<u>90.57%</u>	<u>141.08%</u>	<u>-70.27%</u>	<u>-36.19%</u>

	2019	2018	2017	2016	2015
\$	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)
	(513,667)	(509,036)	(436,884)	(369,127)	(378,021)
	<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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 70,325	\$ 140,024	\$ 62,439	\$ 210,150	\$ 181,090
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>70,325</u>	<u>140,024</u>	<u>62,439</u>	<u>214,841</u>	<u>181,090</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,691)</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 1,307,550</u>	<u>\$ 1,325,836</u>	<u>\$ 1,511,865</u>	<u>\$ 1,670,185</u>	<u>\$ 1,805,914</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>5.38%</u>	<u>10.56%</u>	<u>4.13%</u>	<u>12.86%</u>	<u>10.03%</u>

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 177,307	\$ 194,308	\$ 359,062	\$ 398,790	\$ 401,064
<u>177,307</u>	<u>219,772</u>	<u>359,062</u>	<u>398,790</u>	<u>401,064</u>
\$ <u>-</u>	\$ <u>(25,464)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>1,779,475</u>	\$ <u>1,718,074</u>	\$ <u>1,720,472</u>	\$ <u>1,934,886</u>	\$ <u>1,972,003</u>
<u>9.96%</u>	<u>12.79%</u>	<u>20.87%</u>	<u>20.61%</u>	<u>20.34%</u>

BOROUGH OF QUAKERTOWN

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>8.42%</u>	<u>15.53%</u>	<u>-16.43%</u>	<u>13.40%</u>	<u>11.87%</u>

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

BOROUGH OF QUAKERTOWN**SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT
BENEFIT PLAN LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS***

	<u>2024</u>	<u>2023</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 10,167	\$ 10,242
Interest	72,002	66,886
Benefit payments	<u>(4,350)</u>	<u>(3,598)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	77,819	73,530
Total OPEB liability, beginning	<u>1,020,606</u>	<u>947,076</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u>\$ 1,098,425</u>	<u>\$ 1,020,606</u>
PLAN FIDUCIARY NET POSITION		
Net investment income	\$ 46,548	\$ 83,494
Benefit payments	(4,350)	(3,598)
Administrative expense	<u>(8,400)</u>	<u>(1,691)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	573,205	495,000
Plan fiduciary net position, beginning	<u>573,205</u>	<u>495,000</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 607,003</u>	<u>\$ 573,205</u>
NET OPEB LIABILITY, ENDING (a)-(b)	<u>\$ 491,422</u>	<u>\$ 447,401</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u>55.26%</u>	<u>56.16%</u>
COVERED PAYROLL	<u>\$ 2,555,243</u>	<u>\$ 2,566,194</u>
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>19.23%</u>	<u>17.43%</u>

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

BOROUGH OF QUAKERTOWN

MODIFIED APPROACH TO REPORTING INFRASTRUCTURE ASSETS

YEAR ENDED DECEMBER 31, 2024

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. Below is the condition assessment for the past 10 years. The minimum requirement should be brought up to at least 80% in 2025.

<u>Fiscal Year</u>	<u>Condition Assessment (Minimum 80%)</u>
2024	75.8%
2023	76.7%
2022	76.8%
2021	82.5%
2020	84.3%
2019	79.8%
2018	82.3%
2017	82%
2016	80%
2015	82%

BOROUGH OF QUAKERTOWN

MODIFIED APPROACH TO REPORTING INFRASTRUCTURE ASSETS

YEAR ENDED DECEMBER 31, 2024

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 2024</u>	<u>Year 2023</u>	<u>Year 2022</u>	<u>Year 2021</u>	<u>Year 2020</u>
Estimate	\$ 893,185	\$ 1,252,420	\$ 1,252,420	\$ 4,132,000	\$ 3,056,232
Actual	401,805	-	-	1,928,106	448,710
	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
Estimate	\$ 2,706,955	\$ 1,945,449	\$ 1,937,325	\$ 2,303,675	\$ 1,218,666
Actual	-	-	629,840	-	-

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, 2024

	Police Pension Fund	Non-Uniformed Pension Fund	Deferred Compensation Plan Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 227,526	\$ 307,377	\$ -	\$ 534,903
Investments, at fair value	13,427,287	11,846,156	2,078,663	27,352,106
Accounts receivable	50	49,023	6,067	55,140
TOTAL ASSETS	\$ 13,654,863	\$ 12,202,556	\$ 2,084,730	\$ 27,942,149
LIABILITIES				
Other payables	\$ 55,516	\$ 15,008	\$ -	\$ 70,524
NET POSITION				
Restricted for Employee Benefits	13,599,347	12,187,548	2,084,730	27,871,625
TOTAL NET POSITION	\$ 13,599,347	\$ 12,187,548	\$ 2,084,730	\$ 27,871,625

BOROUGH OF QUAKERTOWN
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2024

	Police Pension Fund	Non-Uniformed Pension Fund	Deferred Compensation Plan Fund	Totals
ADDITIONS				
Contributions				
Employer	\$ 367,771	\$ -	\$ 278,454	\$ 646,225
Member	76,366	-	30,403	106,769
State aid	239,079	70,325	-	309,404
TOTAL CONTRIBUTIONS	683,216	70,325	308,857	1,062,398
Investment income				
Interest and dividends	361,759	-	-	361,759
Changes in fair value of investments	786,929	1,017,316	221,250	2,025,495
TOTAL INVESTMENT INCOME	1,148,688	1,017,316	221,250	2,387,254
TOTAL ADDITIONS	1,831,904	1,087,641	530,107	3,449,652
DEDUCTIONS				
Administrative charges	13,649	11,451	2,050	27,150
Investment expenses	43,364	50,503	-	93,867
Employee benefits	1,251,932	906,741	39,720	2,198,393
TOTAL DEDUCTIONS	1,308,945	968,695	41,770	2,319,410
CHANGE IN NET POSITION	522,959	118,946	488,337	1,130,242
NET POSITION AT BEGINNING OF YEAR	13,076,388	12,068,602	1,596,393	26,741,383
NET POSITION AT END OF YEAR	\$ 13,599,347	\$ 12,187,548	\$ 2,084,730	\$ 27,871,625

BOROUGH OF QUAKERTOWN
COMBINING STATEMENT OF NET POSITION
ALL PROPRIETARY FUNDS
DECEMBER 31, 2024

	Major		
	Electric Fund	Water Fund	Sewer Fund
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,405,711	\$ 4,170,719	\$ 1,300,492
Investments	1,585,146	-	1,584,656
Lease receivable	61,425	44,498	-
Accounts receivable, net	2,081,816	531,199	1,018,524
Due from other funds	-	-	29,286,456
TOTAL CURRENT ASSETS	<u>8,134,098</u>	<u>4,746,416</u>	<u>33,190,128</u>
NON-CURRENT ASSETS			
Lease receivable	271,767	863,103	-
Buildings (net of depreciation)	4,254,176	1,563,334	3,495,804
Improvements other than buildings (net of depreciation)	11,050	27,031	35,130
Machinery and equipment (net of depreciation)	1,341,663	327,630	292,235
Construction in progress	-	-	17,774,796
Sewer lines infrastructure (net of depreciation)	-	-	9,746,549
Water lines infrastructure (net of depreciation)	-	6,653,442	-
TOTAL NON-CURRENT ASSETS	<u>5,878,656</u>	<u>9,434,540</u>	<u>31,344,514</u>
TOTAL ASSETS	<u>14,012,754</u>	<u>14,180,956</u>	<u>64,534,642</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	\$ <u>43,808</u>	\$ <u>47,839</u>	\$ <u>53,511</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	\$ 647,007	\$ 51,630	\$ 828,434
Interest payable	7,607	30,288	272,949
Unearned revenues	-	-	422,322
Accrued salaries and benefits	22,417	16,302	25,776
Bonds payable - current	19,359	148,230	872,991
Due to other funds	-	-	-
TOTAL CURRENT LIABILITIES	<u>696,390</u>	<u>246,450</u>	<u>2,422,472</u>
NON-CURRENT LIABILITIES			
Compensated absences	99,873	87,529	101,198
Bonds payable	443,823	1,674,999	39,017,524
Bond premiums	13,653	268,872	4,230,303
Net pension liability	257,286	280,961	314,274
TOTAL NON-CURRENT LIABILITIES	<u>814,635</u>	<u>2,312,361</u>	<u>43,663,299</u>
TOTAL LIABILITIES	<u>1,511,025</u>	<u>2,558,811</u>	<u>46,085,771</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows or resources, leases	<u>349,282</u>	<u>840,305</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	5,130,054	6,479,336	16,510,152
Unrestricted net position	<u>7,066,201</u>	<u>4,350,343</u>	<u>1,992,230</u>
TOTAL NET POSITION	<u>\$ 12,196,255</u>	<u>\$ 10,829,679</u>	<u>\$ 18,502,382</u>

Non-Major			
Solid Waste Fund	Pool Fund	Park Fund	Total
\$ 36,377	\$ 38,560	\$ 212,099	\$ 10,163,958
-	-	-	3,169,802
-	-	-	105,923
131,974	-	66,666	3,830,179
-	-	-	29,286,456
<u>168,351</u>	<u>38,560</u>	<u>278,765</u>	<u>46,556,318</u>
-	-	-	1,134,870
-	508,586	836,370	10,658,270
-	2,613,774	852,433	3,539,418
277,394	14,312	157,382	2,410,616
-	-	-	17,774,796
-	-	-	9,746,549
-	-	-	6,653,442
<u>277,394</u>	<u>3,136,672</u>	<u>1,846,185</u>	<u>51,917,961</u>
<u>445,745</u>	<u>3,175,232</u>	<u>2,124,950</u>	<u>98,474,279</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>145,158</u>
16,380	96	9,063	1,552,610
-	38,728	-	349,572
-	-	-	422,322
18,138	-	-	82,633
-	189,540	-	1,230,120
-	223,763	294,687	518,450
<u>34,518</u>	<u>452,127</u>	<u>303,750</u>	<u>4,155,707</u>
21,510	-	-	310,110
-	2,141,802	-	43,278,148
-	343,803	-	4,856,631
-	-	-	852,521
<u>21,510</u>	<u>2,485,605</u>	<u>-</u>	<u>49,297,410</u>
<u>56,028</u>	<u>2,937,732</u>	<u>303,750</u>	<u>53,453,117</u>
-	-	-	1,189,587
277,394	461,527	1,846,185	30,704,648
<u>112,323</u>	<u>(224,027)</u>	<u>(24,985)</u>	<u>13,272,085</u>
<u>\$ 389,717</u>	<u>\$ 237,500</u>	<u>\$ 1,821,200</u>	<u>\$ 43,976,733</u>

BOROUGH OF QUAKERTOWN
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
ALL PROPRIETARY FUNDS
DECEMBER 31, 2024

	Major		
	Electric Fund	Water Fund	Sewer Fund
OPERATING REVENUES			
Charges for services	\$ 13,607,142	\$ 2,939,474	\$ 4,780,108
Debt service fees	-	366,044	-
Permits and fees	190,856	27,051	-
Penalties	192,894	42,313	26,200
Rental income	-	62,466	-
Other income	29,689	606	983
TOTAL OPERATING REVENUES	<u>14,020,581</u>	<u>3,437,954</u>	<u>4,807,291</u>
OPERATING EXPENSES			
Costs of furnishing utility	10,228,339	2,042,299	2,567,445
Costs of solid waste operations	-	-	-
Costs of pool operations	-	-	-
Costs of park operations	-	-	-
Bad debt	-	-	475,456
Employee benefits	411,163	345,935	570,788
Insurance	78,397	121,268	217,977
Depreciation	336,246	320,662	491,803
TOTAL OPERATING EXPENSES	<u>11,054,145</u>	<u>2,830,164</u>	<u>4,323,469</u>
OPERATING INCOME (LOSS)	<u>2,966,436</u>	<u>607,790</u>	<u>483,822</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest earned	250,450	283,309	77,266
Interest expense	(17,876)	(56,175)	(870,511)
Donations	-	-	-
State aid - pension	37,749	37,749	62,916
Intergovernmental	-	-	500,000
Recycling/Act 101 grant	-	-	-
Transfers from other funds	-	2,283,598	39,721,526
Transfers to other funds	(3,700,019)	(173,630)	(30,237,675)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(3,429,696)</u>	<u>2,374,851</u>	<u>9,253,522</u>
CHANGES IN NET POSITION	(463,260)	2,982,641	9,737,344
NET POSITION - BEGINNING			
AS PREVIOUSLY STATED	13,163,692	10,130,785	23,304,091
RESTATEMENT			
	<u>(504,177)</u>	<u>(2,283,747)</u>	<u>(14,539,053)</u>
NET POSITION - BEGINNING OF YEAR,			
AS RESTATED	<u>12,659,515</u>	<u>7,847,038</u>	<u>8,765,038</u>
NET POSITION - ENDING	<u>\$ 12,196,255</u>	<u>\$ 10,829,679</u>	<u>\$ 18,502,382</u>

Non-Major			
Solid Waste Fund	Pool Fund	Park Fund	Total
\$ 1,000,468	\$ 321,257	\$ 623,980	\$ 23,272,429
-	-	-	366,044
2,445	-	-	220,352
61	-	-	261,468
-	-	-	62,466
-	1,533	825	33,636
<u>1,002,974</u>	<u>322,790</u>	<u>624,805</u>	<u>24,216,395</u>
-	-	-	14,838,083
929,900	-	-	929,900
-	495,913	-	495,913
-	-	706,128	706,128
-	-	-	475,456
132,953	14,018	-	1,474,857
15,899	20,616	6,422	460,579
34,667	180,539	53,726	1,417,643
<u>1,113,419</u>	<u>711,086</u>	<u>766,276</u>	<u>20,798,559</u>
<u>(110,445)</u>	<u>(388,296)</u>	<u>(141,471)</u>	<u>3,417,836</u>
2,906	8,909	17,282	640,122
-	(71,830)	-	(1,016,392)
-	-	45,500	45,500
18,875	-	-	157,289
-	-	-	500,000
37,848	-	-	37,848
-	378,157	-	42,383,281
-	-	-	(34,111,324)
<u>59,629</u>	<u>315,236</u>	<u>62,782</u>	<u>8,636,324</u>
(50,816)	(73,060)	(78,689)	12,054,160
440,533	3,230,761	1,899,889	52,169,751
-	(2,920,201)	-	(20,247,178)
<u>440,533</u>	<u>310,560</u>	<u>1,899,889</u>	<u>31,922,573</u>
<u>\$ 389,717</u>	<u>\$ 237,500</u>	<u>\$ 1,821,200</u>	<u>\$ 43,976,733</u>