

PERKASIE REGIONAL AUTHORITY

Financial Statements

As of and For the Years Ended
December 31, 2021 and 2020

PERKASIE REGIONAL AUTHORITY

December 31, 2021 and 2020

Table of Contents

	<u>Page</u>
Independent Auditors' Report.....	1-3
Management Discussion & Analysis (Unaudited)	4-13
Basic Financial Statements:	
Statements of Net Position.....	14-15
Statements of Revenues, Expenses, and Changes in Net Positions	16
Statements of Cash Flows	17
Notes to Financial Statements.....	18-31
Required Supplementary Information:	
Schedule of Changes in the Net Pension Liability and Related Ratios.....	32
Schedule of Contributions	33
Other Supplementary Information:	
Schedule of Operating Expenses.....	34
Schedule of Revenues and Expenses – Budget and Actual	35-37

INDEPENDENT AUDITORS' REPORT

To the Members of the Board
Perkasie Regional Authority
Perkasie, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Perkasie Regional Authority (“Authority”), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Perkasie Regional Authority, as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 13 and the schedule of changes in the net position liability and related ratios and schedules of contributions on page 32 and 33 to 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 sufficient evidence 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 the Authority's basic financial statements. The schedule of operating expenses and schedule of revenues and expenses – budget and actual on pages 34 through 37 are presented as supplementary information 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 relates 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 supplementary information of the schedule of operating expenses and schedule of revenues and expenses – budget and actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Marcum LLP

Philadelphia, Pennsylvania
September 9, 2022

Management's Discussion and Analysis

This section of Perkasio Regional Authority's (PRA or Authority) annual financial report presents management's analysis of the Authority's financial performance during the fiscal year ending December 31, 2021. The Management Discussion and Analysis (MD&A) should be read in conjunction with the Authority's basic financial statements beginning on page 14.

FINANCIAL HIGHLIGHTS

- In 2021 the Authority, like the rest of the world, was still recovering from the COVID-19 pandemic and trying to return to normal activities. The Authority once again had a very positive year with few capital improvements as well as new developments.
- The Authority's net position increased from \$25.3 million in 2020 to \$27.4 million in 2021, or an increase of roughly \$1.75 million (6.9%).
- The Authority's total revenues dropped roughly \$843,000 (or 15.0%) as that was mostly attributable to the decrease in tapping fees and assessments. The tapping fees and assessments decreased from a ten-year high of \$949,000 in 2020 to a more average amount of about \$154,000 in 2021 for a decrease of \$795,000. The tapping fees in 2020 were abnormally high as a few larger developments/commercial spaces paid tapping fees, namely Cedar Ridge (23 townhouses), Pennridge Business Park (7 commercial units), The Ram Pub (5 commercial units) and Constitution Square (49 townhouses). The tapping fees paid in 2021 were closer to the norm, with a 5-lot single family subdivision (Green Ridge Estates) paying tapping fees along with a couple of miscellaneous single lots.
- The Authorities liabilities decreased roughly \$1.396M due to planned repayments on the Authority's debt obligations.
- The Authorities total revenues were roughly \$58,500 over the budgeted amount of \$4.55 million with the sewer sales being slightly under budget and the water sales being roughly \$71,000 over budget.
- The operating expenses were roughly \$660,000 below the budgeted amount of \$2.58 million mostly attributable to lower sewer treatment costs, less maintenance and repair costs for the water system, lower than anticipated costs for all of the professional expenses, and reductions in pension expenses, supplies, insurance and lease expense.

AUTHORITY HIGHLIGHTS

- The Authority realized roughly 20 new customers in 2021 after adding about 175 new customers combined from 2018 through 2020. The Authority anticipates another 15-20 additional connections from new developments by 2022. These additional customers have helped, and will continue to help, keep rates stable going forward. The Authority has averaged a less than 1% rate increase in each of the last seven (7) years.
- The Pennridge Airport is a privately owned airport in the PRA service area, bordering Perkasio Borough and East Rockhill Township. The owner has built and connected the first of many industrial buildings with approximately 130,000 square feet in 2020. The Authority anticipates an additional four (4) buildings with the same square footage in addition to a restaurant and hotel in the coming years. The tapping fees for each industrial building will be roughly \$40,000 with the hotel and restaurant both nearing \$80,000 each in tapping fees.

- The Borough of Perkasio has been instrumental in promoting the development, and redevelopment, of vacant and blighted properties in the Borough. Many new developers have come to the area over the last several years and are in various stages of planning and development of new projects, including an abandoned industrial building that is being converted to a 90+ unit apartment building. The Authority anticipates tapping fees of roughly \$450,000 in 2023 for this project.

USING THIS ANNUAL REPORT

This annual report consists of three parts: Management’s Discussion and Analysis; the Financial Statements; Required Supplementary Information and Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the Financial Statements.

Required Financial Statements

The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position is the first required statement; it includes all of the Authority’s assets, deferred outflows and liabilities and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and nature and extent of obligations (liabilities). It also provides the basis for computing the rates of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position, which is the second required financial statement. This statement measures the profitability of the Authority’s operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority’s cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities. It also provides information regarding sources of cash, uses of cash, and the changes in the cash balance during the reporting period.

Financial Analysis of the Authority

The Authority’s net position (the difference between assets, deferred outflows, liabilities, and deferred inflows) is a measure of its financial position. Over time, increases or decreases in net position is an indicator of whether the Authority’s financial position has improved or declined. While this financial analysis is a strong indicator of the Authority’s financial position, other non-financial factors need to also be considered, such as new legislation affecting operations, economic conditions and growth.

The chart below titled “Summary of Net Position” provides a snapshot view of the Authority’s financial condition at December 31, 2021, 2020 and 2019. The current ratio, which represents the proportion of current assets to current liabilities, is a measure of financial liquidity. The Authority’s current ratio as of December 31, 2021 of 8.93:1 is an indicator of outstanding liquidity. The ratio of restricted assets to current liabilities payable from restricted assets represents the proportion of restricted assets to current liabilities from restricted assets. The ratio of 6.64:1 as of December 31, 2021 is also an indicator of strong liquidity. The ratio of liabilities to equity represents the proportion of total liabilities to net positions and is a financial leverage ratio which provides an indication of long-term solvency and measures the extent to which an entity’s assets have been acquired using long-term debt. A liability to equity ratio 1:1 or less is a strong indicator of long-term solvency. The Authority’s liability to equity ratio at December 31, 2021 was 0.54:1.

Summary of Net Position

	2021	2020	2019		2021	2020	2019
Current Assets	\$ 1,265,730	\$ 1,241,602	\$ 1,126,075	Current Liabilities	\$ 197,959	\$ 150,327	\$ 132,417
Property, Plant & Equipment - Net	31,465,463	30,629,202	30,320,106	Current Liabilities From Restr. Assets	1,333,278	1,346,278	1,301,323
Restricted Assets	8,851,846	8,966,974	8,300,063	Long Term Liabilities	13,004,407	14,435,767	15,664,476
Other Assets	53,905	79,466	73,781	Net Positions	27,378,988	25,303,533	22,961,724
Deferred Outflows	551,104	501,676	646,696	Deferred Inflows	273,416	183,015	406,781
Total	\$42,188,048	\$41,418,920	\$40,466,721	Total	\$42,188,048	\$41,418,920	\$40,466,721

Analysis of Net Position

PRA's total assets exceeded its liabilities by \$27.4M, \$25.3M, and \$22.9M at the end of 2021, 2020 and 2019, respectively. Our net position includes an investment in the water and sewer infrastructure, buildings, trucks, property, etc. less the debt incurred to acquire these assets of \$17.3M, \$15.2M and \$13.4M at the end of 2021, 2020 and 2019, respectively. These are the assets used by the Authority to provide service to our customers. While we report this number less the related debt, it must be realized that the resources to repay this debt must be obtained through other sources (i.e. rates) since these assets cannot be liquidated to retire the liability. The restricted portions of our net position (\$8.6M, \$8.7M and \$8.2M at the end of 2021, 2020 and 2019, respectively) are subject to provisions under our bond indenture for future debt service requirements and on-going capital projects. The unrestricted balance totaled \$1.4M, \$1.4M and \$1.3M at the end of 2021, 2020 and 2019, respectively.

Analysis of Changes in Net Position

The Authority's financial position remained stable for 2021. Our net position increased from \$25.3 million in 2020 to \$27.4 million in 2021, for an increase of roughly \$2.1 million. Operating income decreased about \$657,000 mostly due to a decrease tapping fees of \$800k, a decrease in other revenue of \$33k, offset by a decrease in operating expenses of \$186k. In addition, the Authority received a property dedication of approximately \$693,000 which is accounted for as non-operating income.

Total Revenues

Total Authority revenues for 2021, 2020 and 2019 amounted to \$4.8M, \$5.6M, and \$4.9M, respectively. The Authority has had level rates for the last several years and 2021 was no different. The rates for 2021 were unchanged from 2020. The revenues have grown on average 1%-2% each year while the rate increases have averaged about 0.5%-1% the past 5 years and that is due to the increase in customers as the Authority has realized new customers the last several years.

Detailed Analysis of Operating and Non-Operating Revenue Variances:

- Water and Sewer Service Charges have remained steady, increasing on average about 1-3% the last several years, with the Authority maintaining rates relatively the same in 2021.

- Water and Sewer Assessments were \$154,000, \$949,000, and \$108,000 for 2021, 2020 and 2019, respectively. Assessments are received from the ratepayers as repayment of monies expended by the Authority for installation of water or sewer facilities serving a customer’s property, thereby creating property improvement. This income varies from year to year, depending on the retirement of outstanding assessments or the levying of new ones.
- Other Revenues are derived from fees and charges not directly related to metered water and sewer sales. These include payments for services provided to tenants of Authority rental properties, sale of excess equipment or property, fees for account certifications and delinquent notification fees as well as the sewer truck services.
- Investment Earnings is non-operating revenue, generated by returns on the Authority’s investments. Interest income decreased substantially for 2021 at \$2,800 compared to 2020 at \$12,700 due to a reduction in interest rates.
- Rental Income is non-operating revenue, which is generated from excess commercial, industrial and rental properties leased by the Authority. The Authority leases space on its water tank to cell phone companies as well as office space at the main office. Rental income remained relatively the same year over year, which was a plus due to the fact that most landlords were unable to collect rent during the pandemic. The rental income in 2021 was slightly higher than 2020 \$120,000 vs \$114,000.

Stability of Operating Revenues

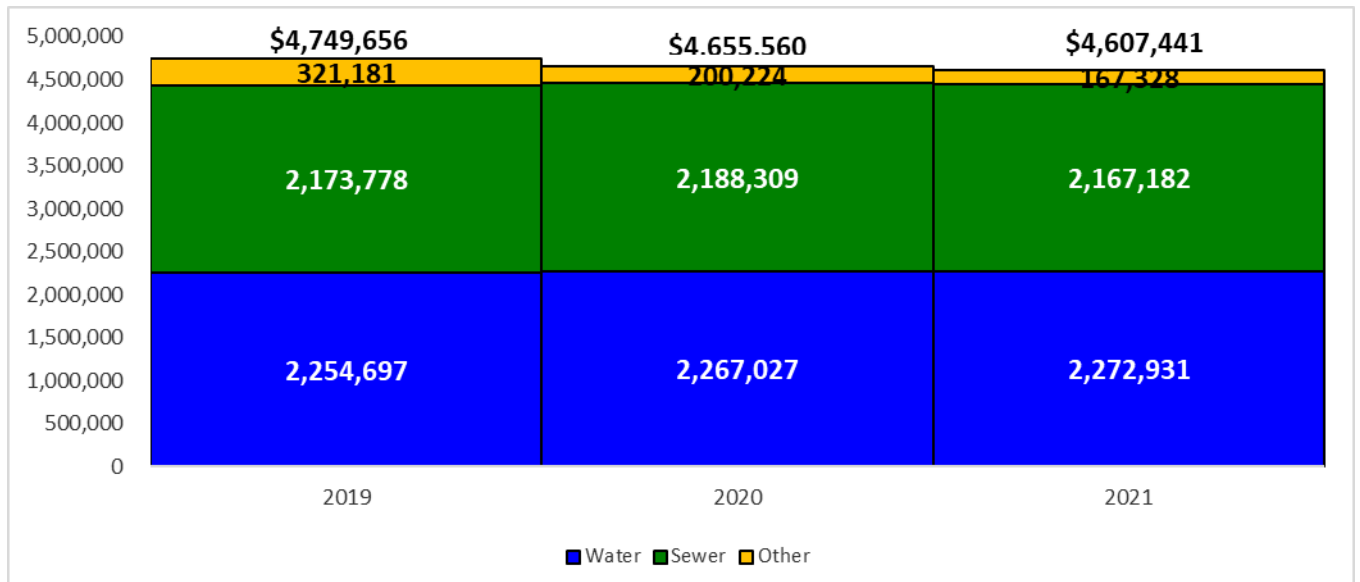
The Authority’s rate base is mainly residential with a small amount of commercial and industrial users. The breakdown is as follows:

Residential, including multi-family	93.7%
Commercial, including mixed uses	4.0%
Industrial	0.6%
Institutional (schools & churches)	0.7%
Public	1.0%

Accordingly, the user base is extremely stable, which comprises 95.4% of the Authority’s residential, institutional and public users. The primary growth in the Authority’s service area is expected to be residential; however, both the agreements with East and West Rockhill contain both new areas and areas that can be redeveloped in commercially zoned areas.

Therefore, we will also see significant growth in both commercial and institutional uses, as the new service area in West Rockhill would include a significant area around Grandview Hospital, and the area in East Rockhill is along the 313 Corridor leading from Doylestown to Quakertown as well as the Ridge Road area where the Pennridge Airport is located. The Borough of Perkasie is also currently marketing a redevelopment area in the middle of the downtown area. The redevelopment of downtown Perkasie started to show positive signs as several new businesses have opened in the last several of years.

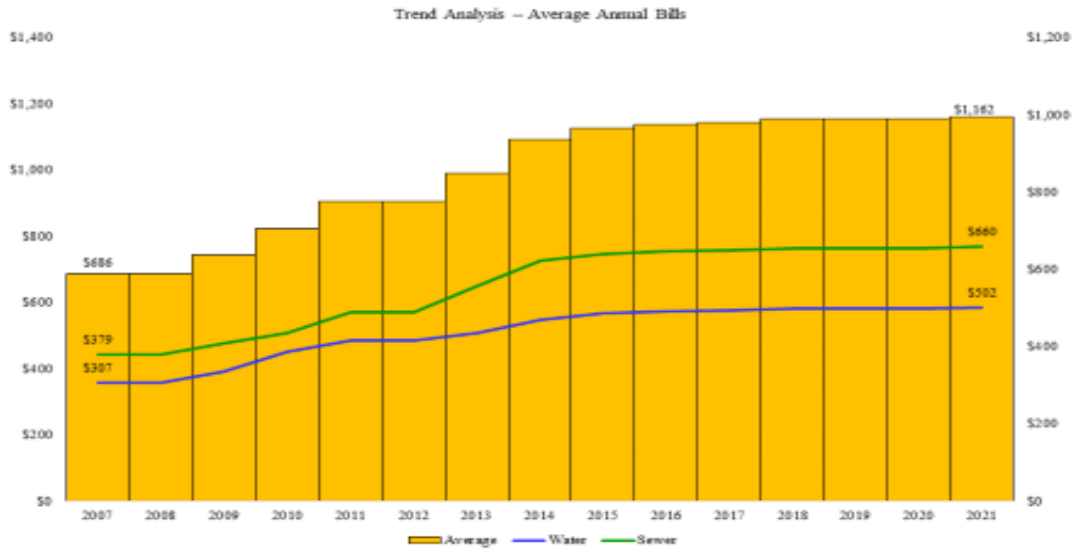
See the chart below for a review of the last three (3) years of operating revenue (exclusive of tapping fees).



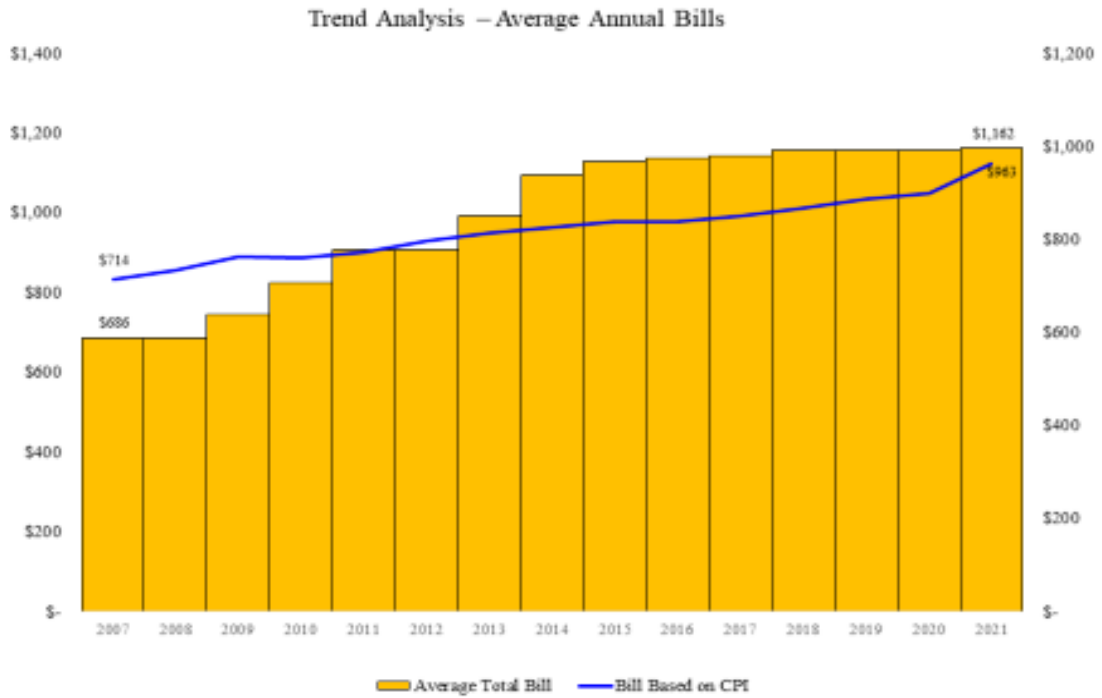
Rates

Since 2013, there has been no significant increase in long-term debt, and the addition of a few additional customers, the base charges for water decreased from \$62.75 to \$62.50 per quarter, and since operating expenses stayed relatively consistent the consumption charges remained unchanged from 2020. The base charge for sewer remained consistent at \$50.50 for 2020. The average customer bill (for both water and sewer) for 2021 remained essentially the same from \$290.50 to \$288.75. The Authority is still obligated to continue their infrastructure replacement program for both water and sewer facilities and maintain a capital improvement fund that will one day help fund the construction of additional treatment facilities.

Listed below are two charts, the first indicating the rate increases since 2000 and the average water and sewer bills for residential customers using 15,000 gallons per quarter, and the second, compares the actual average total annual bill to the average annual bill adjusted for inflation using the Consumer Price Index.



The chart, which compares the actual average annual bill to the Consumer Price Index, illustrates that the Authority's rate increases since 2000 have mirrored US inflation.



Long-Term Authority Debt:

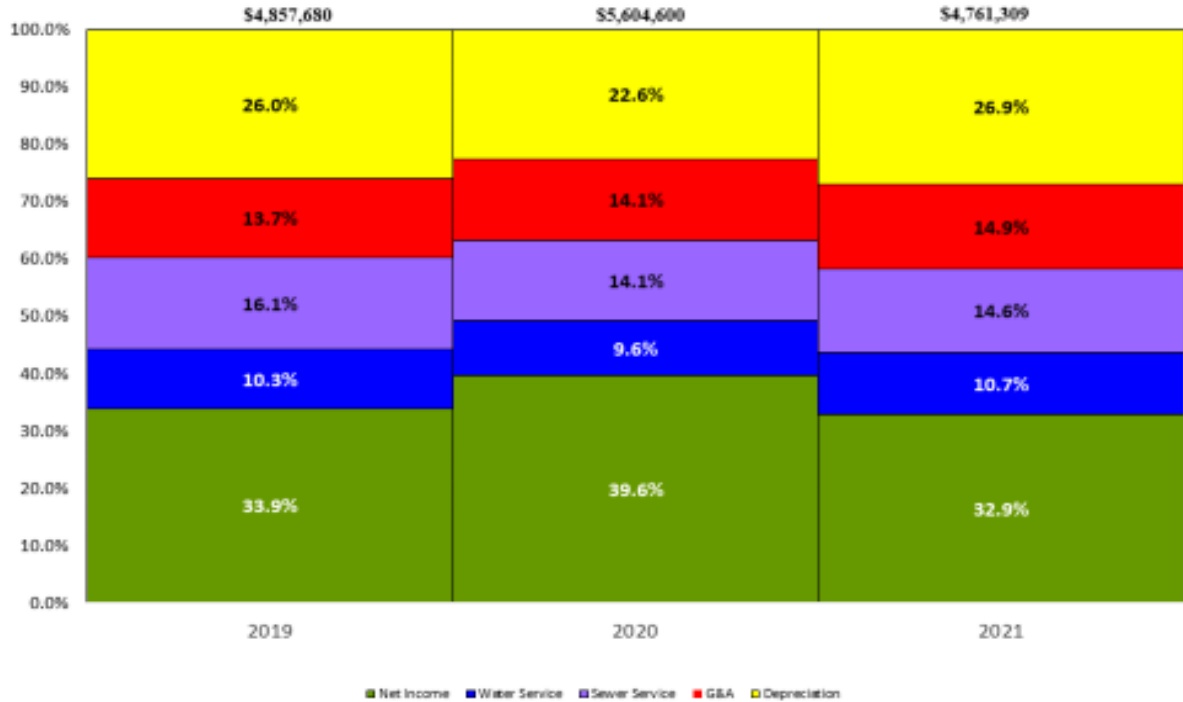
- In November 2019, the Authority issued \$12,755,000 of Water and Sewer Revenue Bonds for the purpose of refunding the 2014 Series Bonds outstanding and to pay off \$7,514,000 on the Uninvest loan (See below). As part of this refinancing, the Authority liquidated the Bond Reserve Fund and used those funds to pay down existing debt.
- In December of 2014, the Authority issued \$9,150,000 of Water and Sewer Revenue Bonds for the purpose of refunding the 2011 Bonds, as well as to pay the costs of issuance. The 2014 bond issue was advanced refunded with the issuance of the 2019 Water and Sewer Revenue Bonds. The Bonds were fully retired in February 2020.
- In December of 2017, the Authority acquired the assets of the Ridge Run Development for a purchase price of \$300,000 in exchange for a promissory note. The note does not bear interest and requires 20 quarterly installments of principal payments beginning in February 2018. The promissory note matures in November 2022.
- None of the Authority's bond issues pledge the taxing power of the Commonwealth of Pennsylvania, nor any political subdivision. The Authority is not a component unit of any entity (see Note 1, page 17 of the Financial Statements).

EXPENSES

Overall Operating Expenses for 2021 were lower than 2020 by approximately 5% due to lower expenses for the sewer system, lower professional fees and lower general and administrative expenses.

The "operations" chart on the next page shows a graphic history of the Authority's operations over the last three (3) years.

Trend Analysis - Operations



Detailed Analysis of Operating Expenses

- **Water Service**

Costs of providing water service in 2021 decreased by about 5% or \$26,400 primarily due to a decrease in maintenance and repairs of the system.

- **Sewer Service**

The Authority contracts with the Pennridge Wastewater Treatment Authority for treatment of all its sewage wastes. Our costs for sewage treatment are broken down into two categories. The first is actual treatment costs, which decreased 13% from \$670,761 in 2020 to \$581,947 in 2021.

The Authority is responsible for the repairs and maintenance of its own sewage collection system. Sewage collection costs decreased by about 5% or \$5,500 in 2021 mostly due to less maintenance and repairs needed.

- **Professional Fees**

Total professional fees decreased by 21% or \$22,000 from 2020 to 2021 primarily due to decrease in engineer expenses, legal and other professional fees.

- **General and Administrative**

These costs represent administration employee compensation and benefits including medical benefits, billing supplies, communication, education, trustee's fees and insurance. Overall, administrative costs decreased by \$57,000, or 8%, from last year. This is mainly attributed to the decrease in employee pension costs.

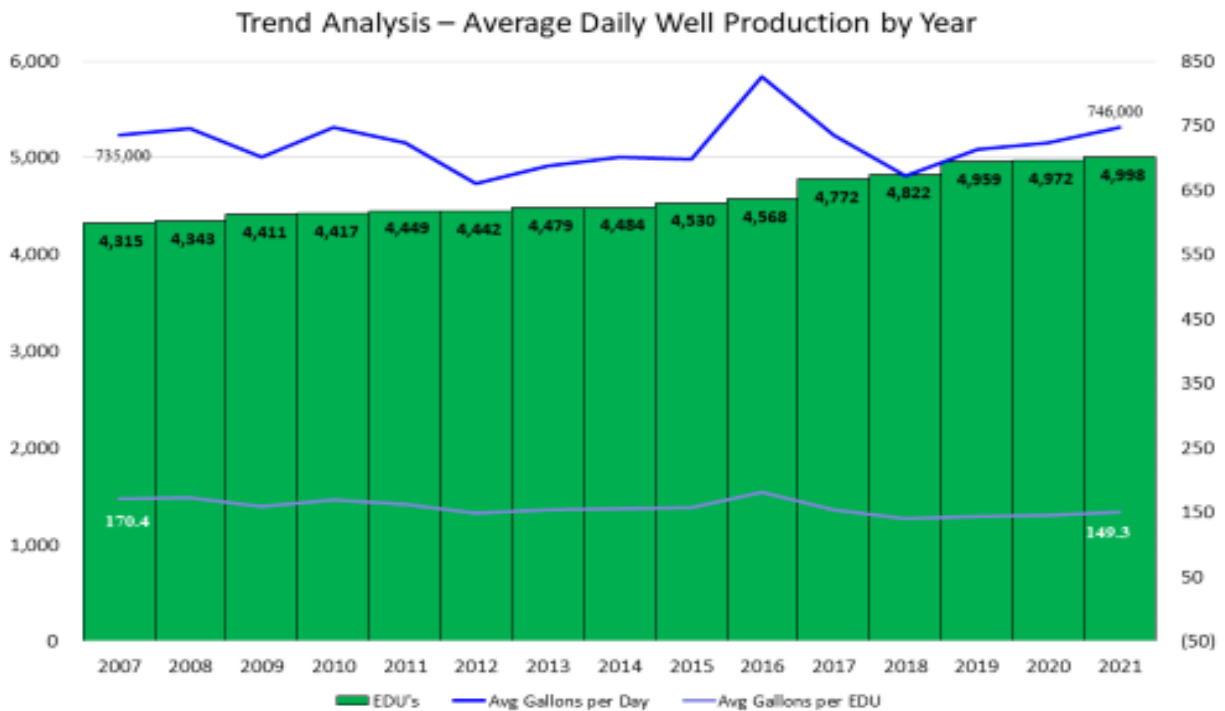
- **Bond Interest**

Interest expense for 2021 was \$438,786, compared to \$491,365 for 2020, a decrease of \$52,579.

- **Water Production**

The Authority's water production has remained relatively stable although the number of units served has increased. During the last ten years, while production has remained the same (roughly 715,000 gallons produced per day), the average per equivalent dwelling unit has decreased from 177 gallons per day to 145 gallons per day. In 2016, the Authority saw an increase to just over 180 gallons per day, but that can be attributed to a few leaks that were detected in the system. The Authority has a 10-year rolling average of 152 gallons per day per EDU and in 2021, the average production per EDU increased slightly from 145 gallons per day in 2020 to 149 gallons per day.

The following graph shows the results of the Authority's infrastructure replacement program, as well as its meter replacement and meter reading upgrades, which were completed in 2004. In 2016, usage slightly increased to 180 gallons per day, up from 156 gallons per day in 2014. The average consumption in 2017 returned to normal after the Authority located and fixed a few water leaks. In 2018, the average consumption dropped even further, to the all-time low of about 139 gallons per day. The consumption in 2021 increased slightly with the average customer using 149 gallons per day. It is believed that newer water fixtures and low flow machines (washing machines, dishwashers, etc.) have led to less water being used by residential customers over the last few years and those changes seemed to have flattened out.



Future Plans

The Authority realizes that in order to remain viable and keep rates stable it must grow and add to its customer base. To that end, the Board has initiated capital projects to extend facilities further into West Rockhill Township over the past couple of years with the hope of spurring development in the Township.

The Authority has also been looking at different revenue sources over the past few years and in 2021 signed contracts with two (2) bulk water companies. The Authority sells bulk water to these companies via special metered “hydrants” in the distribution system which allows for increased revenues as well as ensuring the water in the system is getting turned over. Although the Authority didn’t see substantial revenue increases in 2021 due to this new revenue stream, it anticipates this potentially being a large source of revenue moving forward.

Contacting the Authority

We have prepared the MD&A in a manner we hope you find useful. Keep in mind, this entire report is a financial overview designed to give our customers and creditors a general understanding of how the Authority conducts business and accounts for the money it receives. Should you have questions regarding these statements, please contact our office by phone at (215) 257-3654, by e-mailing us at info@perkasiauthority.org, by visiting our website at www.perkasiauthority.org or by writing Perkasie Regional Authority, 150 Ridge Rd. Sellersville, PA 18960.

PERKASIE REGIONAL AUTHORITY

Statements of Net Position

December 31, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 348,778	\$ 335,571
Accounts receivable	64,665	94,209
Unbilled revenue receivable	725,355	744,872
Supply inventory	59,141	59,141
Due from Pennridge Wastewater Treatment Authority	67,791	7,809
Total current assets	1,265,730	1,241,602
Noncurrent assets:		
Restricted cash and cash equivalents	8,851,846	8,966,974
Assessments receivable	53,905	79,466
Capital Assets:		
Non-Depreciable		
Construction in progress	1,107,757	1,619,348
Land	790,410	790,410
Depreciable		
Property, plant and equipment	54,201,247	51,629,066
Purchased wastewater treatment capacity	3,149,501	3,093,585
Accumulated depreciation	(27,783,452)	(26,503,207)
Net Capital Assets	31,465,463	30,629,202
Total noncurrent assets	40,371,214	39,675,642
Total assets	41,636,944	40,917,244
Deferred outflows of resources:		
Deferred amounts from refunding, net of amortization of \$171,356 and \$115,967, respectively	290,609	345,998
Deferred outflows - pension	260,495	155,678
Total deferred outflows	551,104	501,676
Total assets and deferred outflows	\$ 42,188,048	\$ 41,418,920

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

PERKASIE REGIONAL AUTHORITY

Statements of Net Position, Continued

December 31, 2021 and 2020

	2021	2020
<u>LIABILITIES & NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 107,342	\$ 80,327
Capital lease obligation, current	10,617	-
Note payable, current	80,000	70,000
Total current liabilities	197,959	150,327
Current liabilities (payable from restricted cash):		
Water and sewer revenue bonds - current portion	1,020,000	5,000
Notes payable - current portion	95,000	1,123,000
Accrued interest	218,278	218,278
Total current liabilities (payable from restricted cash)	1,333,278	1,346,278
Total current liabilities	1,531,237	1,496,605
Long-term liabilities:		
Escrow liabilities	47,877	79,396
Net pension liability	1,460	109,099
Note payable, net of current portion	-	175,000
Capital lease obligation, net of current portion	34,732	-
Water and sewer revenue bonds, net of current portion	12,920,338	14,072,272
Total long-term liabilities	13,004,407	14,435,767
Total liabilities	14,535,644	15,932,372
Deferred inflows of resources:		
Deferred inflows - pension	273,416	183,015
Net position:		
Net investments in capital assets	17,304,776	15,183,930
Restricted for debt service	5,628,014	4,712,077
Restricted for capital projects	3,005,554	4,036,619
Unrestricted	1,440,644	1,370,907
Total net position	27,378,988	25,303,533
Total liabilities, deferred inflows and net positions	\$ 42,188,048	\$ 41,418,920

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

PERKASIE REGIONAL AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended December 31, 2021 and 2020

	2021	2020
Revenues:		
Sewer service charges	\$ 2,167,182	\$ 2,188,309
Water sales	2,272,931	2,267,027
Tapping fees and assessments	153,868	949,040
Other revenue	167,328	200,224
Total revenues	4,761,309	5,604,600
Expenses:		
Sewer service	696,557	790,860
Water service	509,518	535,908
Professional fees	81,839	103,610
General and administrative	629,646	686,684
Depreciation	1,280,245	1,266,559
Total expenses	3,197,805	3,383,621
Operating income	1,563,504	2,220,979
Non-operating income (expense) and capital contributions:		
Investment earnings	2,824	12,721
Rental income	119,993	114,094
Property dedications	693,401	485,380
Capital contributions	134,519	-
Interest expense	(438,786)	(491,365)
Net non-operating income (expense)	511,951	120,830
Increase in net position	2,075,455	2,341,809
Net position at beginning of year	25,303,533	22,961,724
Net positions at end of year	\$ 27,378,988	\$ 25,303,533

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

PERKASIE REGIONAL AUTHORITY

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash receipts from customers	\$ 4,584,855	\$ 4,531,416
Other operating cash receipts	191,094	1,062,096
Cash payments to employees for services	(893,476)	(876,637)
Cash payments to vendors for goods and services	(1,154,445)	(1,322,979)
Net cash provided by operating activities	2,728,028	3,393,896
Cash flows from capital and related financing activities:		
Additions to capital assets	(1,330,269)	(1,067,906)
DCED grant proceeds	134,519	
Developer escrow activity, net	(31,519)	30,417
Principal payments on long term debt	(1,198,000)	(1,306,000)
Principal payments on capital leases	(12,166)	-
Interest paid	(515,331)	(400,187)
Net cash used in capital and related financing activities	(2,952,766)	(2,743,676)
Cash flows from investing activities:		
Investment earnings	2,824	12,721
Proceeds from rental income	119,993	114,094
Net cash provided by investing activities	122,817	126,815
Net (decrease) increase in cash and cash equivalents	(101,921)	777,035
Cash and cash equivalents - beginning	9,302,545	8,525,510
Cash and cash equivalents - ending	\$ 9,200,624	\$ 9,302,545
Reconciliation of cash and cash equivalents:		
Cash - unrestricted	\$ 348,778	\$ 335,571
Cash - restricted	8,851,846	8,966,974
	\$ 9,200,624	\$ 9,302,545
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,563,504	\$ 2,220,979
Adjustment for noncash charges to operations:		
Depreciation	1,280,245	1,266,559
Changes in assets and liabilities:		
Billed and unbilled accounts receivable	49,061	(16,921)
Assessments receivable	25,561	(5,685)
Due from Pennridge Wastewater Treatment Authority	(59,982)	11,518
Net pension liability and deferred inflows and outflows	(122,055)	(64,065)
Accounts payable and accrued payroll and severance	(8,306)	(18,489)
Net cash provided by operating activities	\$ 2,728,028	\$ 3,393,896
Supplemental Disclosure of Noncash Capital and Related Financing Activities:		
Equipment purchased via capital leases	\$ 57,515	\$ -
Property, plant and equipment additions included in accounts payable	\$ 74,450	\$ 39,129

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

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 1 - DESCRIPTION OF OPERATIONS

The Perkasio Regional Authority ("Authority") is a body, politic and corporate, created under the Pennsylvania Municipality Authorities Act 53 Pa.C.S. §§ 5601-5622, as amended ("Act") pursuant to an ordinance enacted by the Council of the Borough of Perkasio, Bucks County, Pennsylvania ("Borough"), for the purpose of owning, operating, and maintaining water and sewer systems within the Borough and surrounding areas for which it is authorized to serve. The certificate of incorporation of the Authority was issued by the Secretary of the Commonwealth of Pennsylvania on April 28, 1955.

The governing body of the Authority is a Board consisting of five members appointed by Borough Council. The terms of the members of the Board have been staggered so that the term of one member expires annually. The Board is authorized to exercise any and all powers conferred by the aforementioned Act necessary for the acquisition, construction, improvement, extension, maintenance and operation of the system facilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The financial reporting entity consists of the primary government and organizations for which it is financially accountable. In determining financial accountability, consideration is given to financial interdependency, selection of governing body, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Based on the foregoing criteria, the Authority is not a component unit of any primary government. In addition, there are no component units to be included in the Authority's financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they are earned. Expenses are recorded at the time liabilities are incurred regardless of the timing of the related cash flows.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

The Authority considers money market funds and all highly liquid investments with an original maturity date of ninety days or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TRUST INDENTURE AND RESTRICTED ASSETS

The Authority entered into a Trust Indenture, dated as of April 1, 1994 (the "Original Indenture"), as supplemented by ten Supplemental Trust Indentures, the most recent dated November 6, 2019, with U.S. Bank National Association as Trustee in connection with the issuance of its Water and Sewer Revenue Bonds, Series of 2019. The aforementioned Trust Indenture provides for the creation of the following funds:

- a) Revenue Fund for deposit of all revenues and receipts arising from the operation of the water and sewer system and any income derived from investments in any other Fund under the Indenture with the exception of the Construction Fund;
- b) Bond Fund into which revenues are to be transferred from the Revenue Fund for payment of interest and principal on the bonds as they become due;
- c) Bond Reserve Fund in an amount equal to the maximum annual aggregate debt service of the 2014 Bonds for the purpose of funding deficiencies which may occur in the Bond Fund;
- d) Construction Fund for the payment of costs of each project involving construction for which bonds are issued;
- e) Bond Redemption and Improvement Fund for funding (1) any deficiencies which may occur in the Bond or Bond Reserve Funds, (2) capital repairs, additions or contributions, and (3) bond redemptions.

The above-captioned funds are reported in the Statements of Net Position under the caption restricted cash and cash equivalents.

ACCOUNTS RECEIVABLE

The Authority believes all accounts receivable are fully collectible. Accordingly, no provision for bad debt has been established. The Authority's policy is to either file a lien against the property or shut-off the water to the property for any uncollectible account which results in the collection of all accounts receivable.

ESTIMATED UNBILLED REVENUE RECEIVABLE

Customers are billed for water and sewer in arrears based on actual water consumption. The Authority includes all customers in one of three cycles in which each cycle is billed on a staggered quarterly basis. As a result, revenues earned for services provided, but not billed, encompassing the period from October 1 through December 31, are accrued on a pro rata basis at the end of the calendar year.

SUPPLY INVENTORY

The Authority maintains an inventory of supplies in use for emergencies which are valued at the lower of cost (first-in, first-out) or net realizable value.

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS

Property, plant and equipment that have an estimated useful life in excess of one year are carried at historical cost if purchased or constructed. Donated assets are recorded at estimated fair value at the date of donation. Interest incurred during the construction phase of capital assets is included as part of the capitalized cost of constructed assets. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets which range from 5 to 40 years. Normal maintenance and repairs are charged to expense as incurred, major renewals or betterments, which extend the life or increase the value of assets, are capitalized. Construction in Progress represents costs incurred by the Authority for in-process activities designed to expand, replace, or extend useful lives of existing property and equipment.

The Authority continually evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of its long-lived assets or whether the remaining balance of its long-lived assets should be evaluated for possible impairment. If and when such factors, events or circumstances indicate that long-lived assets should be evaluated for possible impairment, the Authority will determine the fair value of the asset by making an estimate of expected future cash flows over the remaining lives of the respective assets and compare that fair value with the carrying value of the assets in measuring their recoverability. There were no impairment losses recognized during the years ended December 31, 2021 and 2020.

DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

The Authority reports decreases in net assets that relate to future periods as deferred outflows in a separate section of the statement of net position. The deferred outflows of resources in the Authority's financial statements include a deferred amount arising from the refunding of the 2011 and 2011A bond issues. The deferred refunding amount is being amortized over the life of the refunding bonds as part of interest expense. For the years ended December 31, 2021 and 2020, the Authority recorded amortization of \$55,389 and \$60,156, respectively, which was reported as interest expense in the statement of revenues, expenses and changes in net position. Additionally, the Authority also reports its 2021 and 2020 contributions to the Pennsylvania Municipal Retirement System ("PMRS") after the measurement date as deferred outflows. The net pension liability associated with the Authority's financial statements was measured as of December 31, 2020. The amounts paid by the Authority in 2021 to the PMRS plan will be reflected within the Authority's pension expense and related liability when the net pension liability is measured for the next fiscal year.

In addition to decreases in net assets, the Authority also reports a separate section of deferred inflows of resources. This separate financial statement element represents the net difference between differences between expected and actual results, changes in assumptions and projected, and actual earnings of its PMRS plan. The amount will be amortized over a five year closed period beginning in the year in which the difference occurred.

OPERATING REVENUES AND EXPENSES

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations which is the sale of water and treatment of wastewater for its customers. Operating expenses include the cost of services, professional and administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting the aforementioned criteria are reported as non-operating revenues and expenses and are included under capital and related financing and investing activities in the Statement of Cash Flows.

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET POSITIONS

Net positions represent the difference between the Authority's assets and deferred outflows and liabilities and deferred inflows. Net Investments in Capital Assets represent capital assets, reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets. Restricted for Debt Service is comprised of certain funds restricted under the Trust Indenture for payment of debt service on bonds. Restricted for Capital Projects represents funds restricted for future capital projects in accordance with the Trust Indenture. Unrestricted Net Positions consist of net assets that do not meet the definition of "restricted" or "net investments in capital assets".

BUDGET

As required by the terms of the Trust Indenture, the Authority prepares an annual budget which details anticipated revenues and the Authority's plans to expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the year. A comparison of actual and budgeted revenues and expenses is presented in the Supplementary Information section of the financial statements.

USE OF ESTIMATES

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

NOTE 3 - DEPOSITS AND INVESTMENTS

DEPOSITS

The Authority maintains its cash balances at one financial institution. The cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per depositor, per institution. State law requires that all public deposits in financial institutions in excess of federal insurance limits be fully collateralized by obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Pennsylvania Act 72 of 1971, as amended, permits banking institutions to satisfy this collateralization requirement by pooling securities pledged as collateral for public funds on deposit. At December 31, 2021 and 2020, cash balances maintained at the financial institution were fully covered by the FDIC.

Restricted cash is held by the trustee in money market accounts which are not covered by the FDIC or Pennsylvania Act 72. Amounts maintained in money market accounts totaled \$8,851,846 and \$8,966,974 at December 31, 2021 and 2020, respectively, and \$8,601,846 and \$8,716,974, respectively, was not insured. The Authority has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash or cash equivalent.

As of December 31, 2021 and 2020, all amounts held in the Trust funds were considered cash and cash equivalents.

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

State statutes and the Trust Indenture authorize the Authority to invest in (1) obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; (2) obligations of the Commonwealth of Pennsylvania or its political subdivisions; (3) accounts insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund; (4) shares of an investment company whose shares are registered under the Securities Act of 1933 which invests only in obligations described in (1) through (3) above; and (5) obligations of certain nonguaranteed federal agencies.

CUSTODIAL CREDIT RISK

Deposit custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. Investment custodial credit is the risk that the counterparty to an investment transaction will fail and the Authority will not recover the value of the investment or collateral securities that are in the possession of an outside party. The Authority does not have a formal investment policy that addresses interest rate, credit, and custodial credit risk. All investment accounts are maintained by one institution.

NOTE 4 - ASSESSMENTS RECEIVABLE

The Authority currently pays one-third of the project cost of extending water and sewer systems to furnish service to customers and assesses the remaining balance to the property owners. The assessments are payable over five years, with a 20% down payment in year one, and 20% due in each of the next four years plus an interest rate of 5% per annum on the outstanding balance. Some of the residents who owe the Authority for water and sewer assessments have financial hardships and cannot pay in accordance with the Authority's terms. In those instances, the Authority secures its interest by filing a lien on the property. Amounts due from property owners for water and sewer assessments totaled \$53,905 and \$79,466 as of December 31, 2021 and 2020, respectively. As of December 31, 2021, the entire remaining balance is expected to be paid when the related property is sold.

NOTE 5 - CAPITAL ASSETS

Property, plant, and equipment at December 31, 2021 and 2020 and related accumulated depreciation and depreciation expense for the years then ended follow:

<u>2021</u>	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Depreciable				
Building	\$ 6,279,355	\$ -	\$ -	\$ 6,279,355
Water System	28,255,176	2,167,965	-	30,423,141
Sewer System	16,448,068	346,701	-	16,794,769
Furniture and Equipment	365,310	-	-	365,310
Vehicles	281,157	57,515	-	338,672
Purchased Wastewater Treatment Capacity	3,093,585	55,916	-	3,149,501
Subtotal	54,722,651	2,628,097	-	57,350,748

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Beginning	Increases	Decreases	Ending
Total from previous page	54,722,651	2,628,097	-	57,350,748
Non-Depreciable				
Land	790,410	-	-	790,410
Construction in Progress	1,619,348	567,371	1,078,962	1,107,757
Total	\$ 57,132,409	\$ 3,195,468	\$ 1,078,962	\$ 59,248,915
Accumulated Depreciation				
	Beginning	Increases	Decreases	Ending
Building	\$ 1,110,621	\$ 158,181	\$ -	\$ 1,268,801
Water System	13,512,760	682,700	-	14,195,460
Sewer System	10,035,721	335,157	-	10,370,878
Furniture and Equipment	312,708	5,799	-	318,507
Vehicles	194,060	26,824	-	220,884
Purchased Wastewater Treatment Capacity	1,337,337	71,584	-	1,403,912
Total	\$ 26,503,207	\$ 1,280,245	\$ -	\$ 27,783,452
Net	\$ 30,629,202			\$ 31,465,463
 <u>2020</u>				
	Beginning	Increases	Decreases	Ending
Depreciable				
Building	\$ 6,279,355	\$ -	\$ -	\$ 6,279,355
Water System	28,008,477	246,699	-	28,255,176
Sewer System	16,202,626	245,442	-	16,448,068
Furniture and Equipment	365,310	-	-	365,310
Vehicles	281,157	-	-	281,157
Purchased Wastewater Treatment Capacity	3,036,127	57,458	-	3,093,585
Subtotal	54,173,052	549,599	-	54,722,651
Non-Depreciable				
Land	790,410	-	-	790,410
Construction in Progress	593,292	1,056,008	29,952	1,619,348
Total	\$ 55,556,754	\$ 1,605,607	\$ 29,952	\$ 57,132,409
Accumulated Depreciation				
	Beginning	Increases	Decreases	Ending
Building	\$ 952,440	\$ 158,181	\$ -	\$ 1,110,621
Water System	12,838,830	673,930	-	13,512,760
Sewer System	9,704,737	330,984	-	10,035,721
Furniture and Equipment	306,909	5,799	-	312,708
Vehicles	172,988	21,072	-	194,060
Purchased Wastewater Treatment Capacity	1,260,744	76,593	-	1,337,337
Total	\$ 25,236,648	\$ 1,266,559	\$ -	\$ 26,503,207
Net	\$ 30,320,106			\$ 30,629,202

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 6 - SEWAGE TREATMENT SERVICES

The Authority joined with several other municipalities in 1973 to form the Pennridge Wastewater Treatment Authority (“PWTA”). PWTA provides sewage treatment services to all or portions of the member municipalities and the area served by the Authority. PWTA’s normal operating costs are assessed among the participants based upon their proportionate share of equivalent dwelling units. PWTA’s charges to the Authority for treatment operating costs are expensed as incurred and totaled \$581,947 and \$670,761 for the years ended December 31, 2021 and 2020, respectively. Amounts due from PWTA for advances in excess of actual expenses totaled \$67,791 and \$7,809 at December 31, 2021 and 2020, respectively.

Capital construction and plant upgrade costs are assessed based upon the percentages of plant capacity attributed to each member. The Authority’s payments to PWTA for capital construction and plant upgrades, as summarized in Note 5, are capitalized as purchased wastewater treatment capacity and depreciated over a period of 40 years.

NOTE 7 - LONG-TERM DEBT

On December 23, 2014, the Authority issued Water and Sewer Revenue Bonds, Series 2014, in the amount of \$9,150,000 with an average interest rate of 2.7% to advance refund \$8,425,000 of outstanding Water and Sewer Revenue Bonds, Series February 2011, with an average interest rate of 4.8%. Principal payments on bond issues are made annually on February 1st. Interest is paid semiannually on February 1st and August 1st of each year. The bonds were advanced refunded on November 6, 2019 with the issuance of the Water and Sewer Revenue Bonds, Series 2019 (See below). The Authority deposited a portion of the proceeds from the 2019 Bond Issue into an escrow account to provide for future debt service payments on the old debt which was retired on February 1, 2020.

On November 6, 2019, the Authority issued Water and Sewer Revenue Bonds, Series 2019, in the amount of \$12,755,000 with an average interest rate of 3.69% to advance refund \$8,460,000 of outstanding Water and Sewer Revenue Bonds, Series February 2014 and to payoff the outstanding balance of \$7,514,000 on the Uninvest loan. Principal payments on bond issues are made annually on February 1st. Interest is paid semiannually on February 1st and August 1st of each year. As part of the issuance, the Authority received a bond premium of \$1,616,195. The Amended and Restated Trust Indenture related to the bond issue contains a default provision that requires the Authority to meet a certain rate covenant. See Note 9 for the explanation and calculation of the rate covenant.

On November 8, 2017, the Authority obtained a \$4,466,000 term loan from TD Bank with an interest rate of 1.59% to advance refund \$4,355,000 of outstanding Water and Sewer Revenue Bonds, Series 2011A. The term loan matured on February 1, 2022 and was fully repaid.

On December 21, 2017, the Authority acquired the assets of the Ridge Run Development for a purchase price of \$300,000 in exchange for a promissory note. The note does not bear interest and requires 20 quarterly installments of principal payments only beginning February 1, 2018. The promissory note matures on November 1, 2022.

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 7 - LONG-TERM DEBT (CONTINUED)

A summary of long term debt activity for the year ended December 31, 2021 and amounts due at December 31, 2021 follow:

	December 31, 2020	Additions	Reductions	December 31, 2021	Amounts Due Within One Year
TD Bank Note	\$ 1,218,000	\$ -	\$(1,123,000)	\$ 95,000	\$ 95,000
Bond Series 2019	12,615,000	-	(5,000)	12,610,000	1,020,000
Bond Premium	1,462,272	-	(131,934)	1,330,338	
	<u>14,077,272</u>	-	<u>(136,934)</u>	<u>13,940,338</u>	<u>1,020,000</u>
	15,295,272	-	(1,259,934)	14,035,338	1,115,000
Ridge Run Note	150,000	-	(70,000)	80,000	80,000
Grand Total	<u>\$ 15,445,272</u>	<u>\$ -</u>	<u>\$(1,329,923)</u>	<u>\$ 14,115,338</u>	<u>\$ 1,195,000</u>

Interest expense on long term debt amounted to \$515,331 and \$563,143 for the years ended December 31, 2021 and 2020, respectively.

Scheduled future principal and interest maturities with respect to long-term debt at December 31, 2021, follow:

Year	Bond Principal	Notes Payable	Total Long- Term Debt	Interest	Total Debt Service Requirement
2022	1,020,000	175,000	1,195,000	484,755	1,679,755
2023	1,160,000	-	1,160,000	440,400	1,600,400
2024	1,205,000	-	1,205,000	393,100	1,598,100
2025	1,255,000	-	1,255,000	343,900	1,598,900
2026	1,310,000	-	1,310,000	292,600	1,602,600
2027-2031	5,970,000	-	5,970,000	664,800	6,634,800
2032	690,000	-	690,000	13,800	703,800
Total	<u>\$ 12,610,000</u>	<u>\$ 175,000</u>	<u>\$ 12,785,000</u>	<u>\$ 2,633,355</u>	<u>\$15,418,355</u>

NOTE 8 – CAPITAL LEASE OBLIGATIONS

As of December 31, 2021, the Authority leases equipment under a capital lease totaling \$57,515 and is included in property, plant and equipment in the accompanying statements of financial position. Accumulated amortization of the leased equipment was \$5,752 at December 31, 2021. Amortization of the equipment under capital leases is totaled \$5,752 for the year ended December 31, 2021 and is included in depreciation expense.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of December 31, 2021, are as follows:

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 8 – CAPITAL LEASE OBLIGATIONS (CONTINUED)

For the Year Ending December 31,	Amount
2022	\$ 12,609
2023	12,609
2024	12,609
2025	12,609
Total minimum lease payments	50,436
Less: amounts representing interest	5,087
Present value of minimum lease payments	45,349
Less: current maturities of capital lease obligations	10,617
Capital lease obligations, net of current maturities	34,732

NOTE 9 - RETIREMENT PLAN

The Authority offers a defined benefit pension plan to its employees by participating in the Pennsylvania Municipal Retirement System ("PMRS"), an agent multiple-employer public employees' retirement system administered by the Pennsylvania Municipal Retirement Board. PMRS acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate publicly available Comprehensive Annual Financial Report which can be obtained by contacting the PMRS accounting office at 1010 N 7th Street, Suite 301, Harrisburg, PA 17102-1400.

The plan's coverage and benefit provisions are summarized below:

Coverage and Benefit Provisions	
Covered employees	All active full-time employees are required to participate.
Benefit vesting	100% after 5 years of service
Normal retirement date	Employee is eligible upon attaining age 60.
Early retirement provision	Involuntary termination and 8 years of credited service or voluntary termination and 20 years of credited service.
Retirement benefit	Upon normal retirement, employees shall receive a benefit equal to 2% of Final Average Salary ("FAS"), i.e. average of the highest consecutive five years' salary, multiplied by all years of credited service, not to exceed 75% of the participant's FAS. For employees eligible for early retirement, the benefits are actuarially reduced for each year prior to age 60 that early retirement takes place. There is no Social Security offset.
Death benefit	Other than a refund of member contributions plus interest, death benefits are not provided if an active member dies prior to having met the eligibility for voluntary early retirement or normal retirement. Once a member has reached the required service for a voluntary early retirement or normal retirement age, and dies prior to retiring, the beneficiary will be entitled to benefits stipulated by law.
Disability benefit	Any member who has 10 or more years of service and becomes physically or mentally incapacitated to such a degree that he is not able to engage in any gainful employment, or sustains a service-related disability, regardless of the number of years of service, is eligible to receive a benefit of 50% of the highest five years' average salary. The benefit is reduced by any payments that an employee can receive from the Pennsylvania Workers' Compensation Act or the Pennsylvania Occupational Disease Act. A member who sustains a non-service related disability and has ten years of service shall receive a benefit of 30% of the highest five years' average salary.

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 9 - RETIREMENT PLAN (CONTINUED)

The agent maintains each municipality's accounts separately with that municipality's contributions and related employees' contributions. The assets may only be used for payment of benefits to members of the plan. As of January 1, 2021 (the last actuarial valuation date), the number of active participants, deferred vested participants, and participants currently receiving a benefit from the plan is summarized below:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to, but not yet receiving benefits	3
Active employees	8
Total participant count	<u>21</u>

METHOD OF ACCOUNTING

Due to the implementation of GASB No. 68, the Authority must report its proportionate share of the net pension liability, which is as of the December 31, 2020 measurement date. The Authority's proportionate share of the net pension liability as of December 31, 2021 and 2020 was \$1,460 and \$109,099, respectively.

GASB No. 68 requires the Authority to recognize a net pension liability for the difference between the present value of projected benefits for past services, known as the Total Pension Liability (TPL), and the restricted resources held in trust for the payment of pension benefits, known as the Fiduciary Net Position (FNP). For purposes of measuring the net position liability, deferred outflows or resources, deferred inflows of resources, and pension expense, information about the FNP of PMRS and additions to and deductions from PMRS FNP have been determined on the same basis as reported by PMRS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit term. Investments are recorded at fair value.

The net pension liability at December 31, 2021 was measured as of December 31, 2020, and the TPL used to calculate the net pension liability was determined by actuarial valuations as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating component units, actuarially determined.

FUNDING

Authority employees are required to contribute 3% of compensation. Any member who terminates service prior to eligibility for vesting or retirement benefits shall receive all amounts contributed in a lump-sum amount, plus interest which is credited at an annual rate of 6.0%.

An Actuarially Determined Contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The Actuarially Determined Contribution provided is based upon the plan's minimum municipal obligation (MMO) as defined in Pennsylvania Act 205 of 1984 ("Act 205"). The MMO is based upon the plan's biennial actuarial valuation. Any funding requirements established by the MMO in excess of required employee contributions must be paid by the municipality in accordance with Act 205. The MMO for the years ended December 31, 2021 and 2020 amounted to \$98,819 and \$95,927, respectively.

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 9 - RETIREMENT PLAN (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the years ended December 31, 2021 and 2020, the Authority’s pension expense amounted to (\$23,236) and \$31,862, respectively. At December 31, 2021 and 2020, the Authority reported \$98,819 and \$95,927, respectively, included in deferred outflows of resources for its contributions subsequent to the December 31, 2021 and 2020 measurement dates and through December 31, 2021 and 2020, respectively.

The Authority also recorded deferred outflows of resources of \$104,817 for changes in assumptions of \$50,501, differences between expected and actual experience of \$116,713, differences between projected and actual earnings on investments of (\$143,618), and 2021 contributions to the Plan of \$98,819, less 2021 amortization expense of (\$17,598). Deferred outflows related to the pension plan amounted to \$260,495 and \$155,678 as of December 31, 2021 and 2020, respectively.

The Authority also recorded deferred inflows of resources of (\$90,401) for the difference between expected and actual experience of \$117,039, and differences between projected and actual earnings on investments of (\$131,014) less 2021 amortization expense (\$76,426). Deferred inflows related to the pension plan amounted to \$273,416 and \$183,015 as of December 31, 2021 and 2020, respectively.

Deferred inflows and outflows are amortizable over a four year period and will be recognized annually in pension expense as follows:

Year ending December 31	
2022	\$ 106,605
2023	(85,669)
2024	(18,224)
2025	-
2026	-
Total	<u>\$ 2,712</u>

ACTUARIAL ASSUMPTIONS

Actuarial Cost Method:	Entry Age
Amortization Period:	Level dollar based upon the amortization periods in Act 205
Asset Valuation Method:	Based upon municipal reserves
Discount Rate:	5.25%
Inflation Rate:	2.8%
Salary Increases:	Age related scale with merit and inflation component
COLA Increases:	2.8% for those eligible for a COLA
Pre-Retirement Mortality:	Males – RP2000 Non-Annuitant Table projected 15 years with Scale AA, Females – same as males except with 5 year setback
Post-Retirement Mortality:	Males – RP2000 Male Annuitant Table projected 5 years with Scale AA, Females – Female Annuitant Table projected 10 years with Scale AA

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 9 - RETIREMENT PLAN (CONTINUED)

DISCOUNT RATE

The discount rate used to measure the total pension liability was 5.25% for the December 31, 2021 and 2020 valuations. The projection of cash flows used to determine the discount rate assumes that the employees will continue to contribute at the current rates and the employers will continue the historical and legally required practice of contributing to the Plan based on an Actuarially Determined Contribution, reflecting a payment equal to annual normal cost, the expected administrative expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level dollar amount over a closed period.

LONG-TERM EXPECTED RATE OF RETURN

The PMRS System's long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole and at different levels of probability or confidence.

There are four steps to the method:

- 1) Expected future real rates of return are based primarily on the 20 year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the Board's opinion, any such asset classes are expected in the future to significantly vary from its 20 year historical returns.
- 2) The nominal rates of return by asset class are adjusted by the investment expenses and an expected future annual inflation rate of 2.25% to produce the long-term expected real rates of return.
- 3) The long-term expected real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations. The results from steps 1 through 3 are shown in the chart below labeled "System Nominal and Real Rates of Return by Asset Class."
- 4) These weighted real rates of return are then subjected to a probability simulation to understand the likelihood of success in achieving various portfolio return levels. The minimum acceptable confidence level for the Board for achieving the Regular Interest Rate has been determined to be 60%.

The target allocation and best estimates of real rates of return for each asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Nominal Rate of Return	Long-Term Expected Rate of Return
Domestic Equities (large capitalized firms)	25%	7.6%	5.3%
Domestic Equities (small capitalized firms)	15%	8.3%	6.1%
International Equities (international developed markets)	15%	7.8%	5.5%
International Equities (emerging markets)	10%	8.2%	6.0%
Real Estate	15%	7.5%	5.3%
Timber	5%	6.0%	3.8%
Fixed Income	15%	4.1%	1.9%
Total Portfolio	100%	7.8%	5.6%

Based on the four part analysis, the Board established the System's long-term expected rate of return at 7.8%.

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 9 - RETIREMENT PLAN (CONTINUED)

SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the net pension liability of the Authority, calculated using the discount rate of 5.25%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

	1% Decrease (4.25%)	Discount Rate (5.25%)	1% Increase (6.25%)
Net pension liability	\$466,881	\$1,460	\$(390,813)

NOTE 10 - RATE COVENANT COMPLIANCE

Section 6.02 of the Original and Amended and Restated Trust Indenture requires the Authority to establish water and sewer rates and other charges which, together with any investment income earned on Funds under the Trust Indenture will be sufficient to pay (1) the administrative expenses of the Authority, (2) the expenses of operating, maintaining and repairing the Water and Sewer System, and (3) 110% of the average annual debt service requirements on Water and Sewer Revenue Bonds (but in no event less than the actual debt service requirements of the current fiscal year).

A calculation of the Authority's compliance with the requirement for the year ended December 31, 2021 follows:

Description	Amount
Total pledged revenues	\$5,018,645
Total operating expense (net of depreciation)	1,917,560
Amount available for debt service	3,101,085
Average annual debt service @110%	1,575,888
Excess over required funding	\$1,525,197

NOTE 11 - RISK MANAGEMENT AND COMMITMENTS

LITIGATION

In the normal course of its activities, the Authority is a party to various legal actions and subject to certain asserted and unasserted claims and assessments. The Authority is of the opinion that the outcome of any pending actions will not have a material effect on the Authority's financial position or results of operations.

RISK MANAGEMENT

The Authority is subject to various risks of losses arising from torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the Authority purchases commercial insurance. No settlements have exceeded coverage during the years ended December 31, 2021, 2020 and 2019.

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 11 - RISK MANAGEMENT AND COMMITMENTS (CONTINUED)

COMMITMENTS

The Authority leases its water tanks to cell tower companies. During the years ended December 31, 2021 and 2020, rental income amounted to \$119,993 and \$114,094, respectively. The Authority expects rental income of approximately \$100,000 per year through 2025.

Our operations have not experienced any significant impact as a result of the COVID-19 pandemic. The Authority continues to monitor the impact of COVID-19 throughout the United States and the World. The Authority is monitoring how the restrictive measures, including mask and vaccine requirements were implemented or reinstated by various governmental authorities and private business. Economic recovery in the United States and various other regions in the world has continued but may be threatened by the continued adverse public health impacts of COVID-19 and other factors. Any significant disruption in the Authority's operations as a result of COVID-19 could have an adverse effect on the Authority's business operations.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 9, 2022, which is the date the financial statements were available to be issued. Except as disclosed in Note 7, there were no other subsequent events requiring recognition or disclosure in these financial statements as a result of this evaluation.

REQUIRED SUPPLEMENTARY INFORMATION

PERKASIE REGIONAL AUTHORITY

Schedule of Changes in Net Pension Liability and Related Ratios

Last Seven Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability - Authority's Portion							
Service cost	\$ 127,412	99,302	\$ 92,941	\$ 89,435	\$ 83,496	\$ 95,533	\$ 106,864
Interest	171,414	163,318	184,607	178,155	171,007	164,836	165,220
Differences between expected and actual experience	163,725	-	(553,998)	-	99,868	(4,901)	(168,060)
Changes of assumptions	80,893	-	-	-	95,600	3,889	-
Benefit payments	<u>(125,920)</u>	<u>(123,610)</u>	<u>(135,749)</u>	<u>(155,161)</u>	<u>(185,664)</u>	<u>(98,088)</u>	<u>(91,780)</u>
Net change in total pension liability - Authority's portion	417,524	139,010	(412,199)	112,429	264,307	161,269	12,244
Total pension liability - beginning	<u>3,225,498</u>	<u>3,086,488</u>	<u>3,498,687</u>	<u>3,386,258</u>	<u>3,121,951</u>	<u>2,960,682</u>	<u>2,948,438</u>
Total pension liability - ending - Authority's portion	\$ <u>3,643,022</u>	\$ <u>3,225,498</u>	\$ <u>3,086,488</u>	\$ <u>3,498,687</u>	\$ <u>3,386,258</u>	\$ <u>3,121,951</u>	\$ <u>2,960,682</u>
Plan Fiduciary Net Position - Authority's portion							
Contributions - employer	\$ 95,527	99,132	\$ 86,277	\$ 86,207	\$ 85,336	\$ 82,722	\$ 44,964
Contributions - PMRS assessment	400	420	440	460	460	460	-
Contributions - employee	65,916	44,410	34,542	29,744	27,655	31,878	32,854
PMRS investment income	160,917	174,719	163,819	154,667	135,686	147,816	139,919
Market value investment income	335,734	(124,439)	(327,654)	340,759	81,114	(154,434)	18,558
Benefits payments	(125,920)	(123,610)	(135,749)	(155,161)	(185,664)	(98,088)	(91,780)
PMRS administrative expense	(400)	(420)	(440)	(460)	(460)	(460)	(480)
Additional administrative expense	<u>(7,011)</u>	<u>(6,039)</u>	<u>(7,311)</u>	<u>(7,113)</u>	<u>(6,647)</u>	<u>(6,162)</u>	<u>(5,336)</u>
Net change in plan fiduciary net position	525,163	64,173	(186,076)	449,103	137,480	3,732	138,669
Plan fiduciary net position - beginning	<u>3,116,399</u>	<u>3,052,226</u>	<u>3,238,302</u>	<u>2,789,199</u>	<u>2,651,719</u>	<u>2,647,987</u>	<u>2,509,318</u>
Plan fiduciary net position - ending - Authority's Portion	\$ <u>3,641,562</u>	\$ <u>3,116,399</u>	\$ <u>3,052,226</u>	\$ <u>3,238,302</u>	\$ <u>2,789,199</u>	\$ <u>2,651,719</u>	\$ <u>2,647,987</u>
Net position liability - ending - Authority's Portion	\$ <u>1,460</u>	\$ <u>109,099</u>	\$ <u>34,262</u>	\$ <u>260,385</u>	\$ <u>597,059</u>	\$ <u>470,232</u>	\$ <u>312,695</u>
Plan fiduciary net position as a percentage of total pension liability	100.0%	96.6%	98.9%	92.6%	82.4%	84.9%	89.4%
Covered employee payroll	599,762	561,760	604,614	617,991	617,133	673,946	757,952
Net pension liability as a percentage of covered employee payroll	0.2%	19.4%	5.7%	42.1%	96.7%	69.8%	41.3%

The requirement for this schedule is to present 10 years of information. However, until a full 10 year trend is complete, only available information is presented.

PERKASIE REGIONAL AUTHORITY

Schedule of Contributions

Last Seven Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 95,927	99,532	\$ 86,717	\$ 86,667	\$ 85,796	\$ 83,182	\$ 44,197
Contributions in relation to the Actuarially determined contribution	<u>95,927</u>	<u>99,552</u>	<u>86,717</u>	<u>86,667</u>	<u>85,796</u>	<u>83,182</u>	<u>44,964</u>
Contribution excess	<u>-</u>	<u>(20)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(767)</u>
Covered payroll	\$ 599,762	561,760	\$ 604,614	\$ 617,991	\$ 617,133	\$ 673,946	\$ 757,952
Contributions as a percentage of covered payroll	15.99%	17.72%	14.34%	14.02%	13.90%	12.34%	5.93%

The requirement for this schedule is to present 10 years of information. However, until a full 10 year trend is complete, only available information is presented.

SUPPLEMENTARY INFORMATION

PERKASIE REGIONAL AUTHORITY

Schedule of Operating Expenses

Years Ended December 31, 2021 and 2020

	2021	%	2020	%	Variance Increase (Decrease)
	<u>2021</u>	<u>%</u>	<u>2020</u>	<u>%</u>	<u>(Decrease)</u>
SEWER SERVICE					
Salaries	\$ 84,672	1.8	\$ 81,517	1.5	\$ 3,155
Payroll Taxes	6,786	0.1	6,642	0.1	144
Materials and Supplies	2,660	0.1	2,770	0.0	(110)
Electric	345	0.0	381	0.0	(36)
Maintenance and Repairs	3,127	0.1	22,532	0.4	(19,405)
Vehicle	13,387	0.3	5,665	0.1	7,722
Uniforms	3,633	0.1	592	0.0	3,041
Treatment Fees - Operating	<u>581,947</u>	<u>12.2</u>	<u>670,761</u>	<u>12.0</u>	<u>(88,814)</u>
Total Sewer Service	696,557	14.7	790,860	14.1	(94,303)
WATER SERVICE					
Salaries	257,540	5.4	266,326	4.8	(8,786)
Payroll Taxes	20,642	0.4	21,701	0.4	(1,059)
Materials and Supplies	42,157	0.9	30,107	0.5	12,050
Electric	78,596	1.7	83,124	1.5	(4,528)
Maintenance and Repairs	78,343	1.6	106,322	1.9	(27,979)
Vehicle	16,543	0.3	7,016	0.1	9,527
Uniforms	1,812	0.0	2,105	0.0	(293)
Testing	12,745	0.3	17,483	0.3	(4,738)
Meters	<u>1,140</u>	<u>0.0</u>	<u>1,724</u>	<u>0.0</u>	<u>(584)</u>
Total Water Service	509,518	10.6	535,908	9.5	(26,390)
PROFESSIONAL FEES					
Consulting Engineer	11,598	0.2	23,508	0.4	(11,910)
Accounting and Audit	36,462	0.8	37,080	0.7	(618)
Legal	11,404	0.2	15,428	0.3	(4,024)
Other	-	0.0	7,290	0.1	(7,290)
Hydrogeologist	<u>22,375</u>	<u>0.5</u>	<u>20,304</u>	<u>0.4</u>	<u>2,071</u>
Total Professional Fees	81,839	1.7	103,610	1.9	(21,771)
GENERAL AND ADMINISTRATIVE					
Office Payroll	228,675	4.8	229,799	4.1	(1,124)
Employee Insurance	176,483	3.7	142,137	2.5	34,346
Payroll Taxes	19,859	0.4	20,342	0.4	(483)
Pension	(23,236)	(0.5)	31,862	0.6	(55,098)
Office Equipment	38,120	0.8	46,145	0.8	(8,025)
General Business Insurance	53,670	1.1	55,728	1.0	(2,058)
Communications	13,670	0.3	12,046	0.2	1,624
Postage	8,183	0.2	7,136	0.1	1,047
Education	4,900	0.1	2,430	0.0	2,470
Utilities	12,462	0.3	16,302	0.3	(3,840)
Maintenance and Repairs - Office	28,712	0.6	53,950	1.0	(25,238)
Office Supplies	2,656	0.1	2,823	0.1	(167)
Newsletter	1,164	0.0	1,086	0.0	78
Trustee Fees	4,655	0.1	750	0.0	3,905
Dues and Subscriptions	40,553	0.9	44,709	0.8	(4,156)
Miscellaneous	16,654	0.3	16,456	0.3	198
Vehicles	1,527	0.0	1,053	0.0	474
Billing	440	0.0	1,430	0.0	(990)
Website	<u>499</u>	<u>0.0</u>	<u>500</u>	<u>0.0</u>	<u>(1)</u>
Total General and Administrative Expenses	629,646	13.2	686,684	12.2	(57,038)
Total Operating Expenses	\$ <u>1,917,560</u>	<u>40.2</u>	\$ <u>2,117,062</u>	<u>37.7</u>	\$ <u>(199,502)</u>

PERKASIE REGIONAL AUTHORITY

Schedule of Revenues and Expenses - Budget and Actual

Year Ended December 31, 2021

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
OPERATING REVENUES			
Sewer Service Charges:			
Single Family	\$ 1,601,157	\$ 1,572,100	\$ 29,057
Multi-Family	291,698	312,100	(20,402)
Commercial	102,736	154,900	(52,164)
Industrial	31,187	33,300	(2,113)
School	46,084	64,400	(18,316)
Church	6,736	6,900	(164)
Public	35,102	28,200	6,902
Mixed	22,967	26,900	(3,933)
Miscellaneous	29,515	6,000	23,515
	<hr/>	<hr/>	<hr/>
Total Sewer Service Charges	2,167,182	2,204,800	(37,618)
Water Sales:			
Single Family	1,715,374	1,630,900	84,474
Multi-Family	254,242	277,700	(23,458)
Commercial	125,897	134,800	(8,903)
Industrial	28,083	27,100	983
School	58,874	61,800	(2,926)
Church	10,757	11,000	(243)
Public	21,859	26,800	(4,941)
Mixed	22,910	24,800	(1,890)
Miscellaneous	34,935	7,100	27,835
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Total Water Sales	2,272,931	2,202,000	70,931
Other Revenue:			
Fire Charges	95,681	82,100	13,581
Other	71,647	60,000	11,647
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Total Other Revenue	167,328	142,100	25,228
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	\$ <u>4,607,441</u>	\$ <u>4,548,900</u>	\$ <u>58,541</u>
 OPERATING EXPENSES			
Sewer Service:			
Salaries	\$ 84,672	\$ 94,800	\$ (10,128)
Materials and Supplies	2,660	11,000	(8,340)
Electric	345	500	(155)
Maintenance and Repairs	3,127	29,200	(26,073)
Vehicle	13,387	19,260	(5,873)
Uniforms	3,633	1,390	2,243
Treatment Fees	581,947	760,000	(178,053)
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Total Sewer Service	689,771	916,150	(226,379)

PERKASIE REGIONAL AUTHORITY

Schedule of Revenues and Expenses - Budget and Actual, Continued

Year Ended December 31, 2021

	Actual	Budget	Variance
Water Service:			
Salaries	257,540	278,600	(21,060)
Materials and Supplies	42,157	44,800	(2,643)
Electric	78,596	116,770	(38,174)
Maintenance and Repairs	78,343	140,600	(62,257)
Vehicle	16,543	16,070	473
Uniforms	1,812	4,060	(2,248)
Testing	12,745	18,500	(5,755)
Meters	1,140	7,600	(6,460)
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Total Water Service	488,876	627,000	(138,124)
Professional Fees:			
Consulting Engineer	11,598	45,000	(33,402)
Auditor	36,462	39,400	(2,938)
Legal	11,404	23,800	(12,396)
Hydrogeologist	22,375	34,900	(12,525)
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Total Professional Fees	81,839	143,100	(61,261)
General and Administrative:			
Salaries	228,675	238,000	(9,325)
Employee Benefits	200,534	345,400	(144,866)
Materials and Supplies	57,896	93,400	(35,504)
Utilities	12,462	25,000	(12,538)
Communications	14,169	18,900	(4,731)
Maintenance and Repairs - Office	38,120	52,640	(14,520)
Vehicles	1,527	1,990	(463)
Maintenance and Repairs - Building	28,712	19,000	9,712
Lease of Vehicles	-	17,000	(17,000)
Trustee Fees	4,655	5,100	(445)
Insurance	53,670	72,600	(18,930)
Miscellaneous	16,654	2,300	14,354
	<hr/>	<hr/>	<hr/>
Total General and Administrative	657,074	891,330	(234,256)
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	1,917,560	2,577,580	(660,020)
	<hr/>	<hr/>	<hr/>
Operating Revenues Over Expenses	\$ 2,689,881	\$ 1,971,320	\$ 718,561

PERKASIE REGIONAL AUTHORITY

Schedule of Revenues and Expenses - Budget and Actual, Continued

Year Ended December 31, 2021

	Actual	Budget	Variance
Operating Revenues Over Expenses	\$ 2,689,881	\$ 1,971,320	\$ 718,561
Nonoperating Revenues (Expenses):			
Investment Income	2,824	-	2,824
Rental Income	119,993	115,400	4,593
Interest Expense	(438,786)	-	(438,786)
Principal Payments on Debt	(1,128,000)	(1,642,888)	514,888
NPWA Agreement Principal Payment	(70,000)	(70,000)	0
Transfer for Debt Coverage	-	(373,832)	373,832
	(1,513,969)	(1,971,320)	457,351
Total Revenues Over Expenses	\$ 1,175,912	\$ 0	\$ 1,175,912
 Reconciliation of Budget Reporting to Financial Statements:			
Revenues Over Expenses	\$ 1,175,912		
Principal Payments on Debt	1,128,000		
NPWA Agreement principal payment	70,000		
Property Dedication	693,401		
DCED Grant	134,519		
Tapping Fees	153,868		
Depreciation and Amortization	(1,280,245)		
Increase in Net Position per Statement of Revenues, Expenses, and Changes in Net Position	\$ 2,075,455		