

PERKASIE REGIONAL AUTHORITY

Financial Statements

As of and For the Years Ended
December 31, 2023 and 2022

PERKASIE REGIONAL AUTHORITY

December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board
Perkasie Regional Authority

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, 2023 and 2022, 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 financial position of Perkasie Regional Authority, as of December 31, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Authority 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.

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.

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 opinions. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 the Management's Discussion and Analysis on pages 5 through 10 and the schedule of changes in the net position liability and related ratios and schedules of contributions on pages 31 and 32 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 an opinion on the financial statements as a whole that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal regulations Part 200, Uniform Administrative Requirements, Cost Principles*, the schedule of operating expenses and schedule of revenues and expenses – budget and actual on pages 34 through 52 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 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 expenditures of federal awards, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our

testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Marcum LLP

Philadelphia, Pennsylvania
July 23, 2024

PERKASIE REGIONAL AUTHORITY
Management's Discussion and Analysis (Unaudited)
December 31, 2023, 2022 and 2021

Management's Discussion and Analysis (MD&A) is an introduction to the basic financial statements. This section presents management's discussion of the financial activities of Perkasio Regional Authority's ("Authority") for the years ended December 31, 2023, 2022 and 2021. The Management Discussion and Analysis (MD&A) is only a component of the entire financial statement. Readers should read and evaluate all sections of the report, including the notes to the financial statements in addition to this MD&A.

FINANCIAL AND AUTHORITY HIGHLIGHTS

- The Authority's total assets increased substantially from \$42.4 million in 2022 to \$49.7 million in 2023, for an increase of about \$7.3 million (17%), which was mostly attributable to construction in progress (namely a new water main extension and a new reservoir tank).
- The Authority's net position increased from \$29.1 million in 2022 to \$34.7 million in 2023, or an increase of roughly \$5.6 million (19.4%).
- The Authority's liabilities increased roughly \$1.73 million (13.2%) due to a new bank loan of \$2.6 million in addition to planned repayments on the Authority's debt obligations.
- The Authority's total operating revenues remained consistent with a nominal increase of about \$177,000 or about 3%.
- The Authority's total operating expenses increased about \$348,000, or about 10%, over 2022.
- The operating revenues were in line with budgeted revenues, while the operating expenses were \$253,000 below budget mostly due to lower than anticipated water and sewer service expenses and lower general and administrative costs. This resulted in an operating revenue over expenses of about \$277,000.
- The Authority realized roughly 75 new customers in 2023 after adding about 280 new customers the previous five (5) years. 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 eight (8) years.
- 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. A couple of those projects include an abandoned industrial building that is being converted to a 90+ unit apartment building that the Authority anticipates tapping fees of roughly \$360,000 in 2024 for this project. Another project is the McClennen Tract subdivision which will include 196 new homes and the Authority collected \$156,000 of tapping fees in 2023 and anticipates an additional \$155,000 in tapping fees in 2024.

PERKASIE REGIONAL AUTHORITY
Management's Discussion and Analysis (Unaudited)
December 31, 2023, 2022 and 2021

Overview of the Financial Statements

The Authority is considered a proprietary fund in accordance with governmental accounting standards. Proprietary funds report on business-type activities and the financial statements are prepared using the economic resources measurement focus and accrual basis of accounting.

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 Authority's basic financial statements comprise the statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements.

Statement of Net Position – This statement will provide information that will help the reader determine if the Authority is financially better or worse off because of the year's activity. These statements include all assets and liabilities using historical cost and the accrual method of accounting like that used by private sector companies.

Statement of Revenues, Expenses, and Changes in Net Position – This statement presents the results of business activities during the fiscal year and the amounts by which the net assets changed. All revenues and expenses are considered regardless of when the cash is received or paid.

Statement of Cash Flows – Reports changes in cash and cash equivalents resulting from operational, capital and financing, and investment activities.

Notes to Financial Statements – The financial statement note disclosures provide the reader with additional information that is essential to a full understanding of the data presented in the financial statements.

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.

Condensed Financial Information

The following table is a summary of the Authority's December 31, 2023 Statement of Net Position with comparative information as of December 31, 2022 and 2021.

PERKASIE REGIONAL AUTHORITY
Management's Discussion and Analysis (Unaudited)
December 31, 2023, 2022 and 2021

Summary of Net Position

	2023	2022	2021		2023	2022	2021
Current Assets	\$ 2,563,457	\$ 1,173,446	\$ 1,265,730	Current Liabilities	\$ 406,198	\$ 126,926	\$ 197,959
Property, Plant & Equipment - Net	37,545,046	31,097,992	31,465,463	Current Liabilities From Restr. Assets	1,446,396	1,353,167	1,333,278
Restricted Assets	8,768,002	9,420,366	8,851,846	Long Term Liabilities	13,044,484	11,684,609	13,004,407
Other Assets	802,551	664,472	318,904	Net Positions	34,706,132	29,066,282	27,378,988
Deferred Outflows	621,537	460,655	551,104	Deferred Inflows	697,383	585,947	538,415
Total	\$50,300,593	\$42,816,931	\$42,453,047	Total	\$50,300,593	\$42,816,931	\$42,453,047

Current assets primarily include cash and accounts receivable and there the balance has been relatively flat. As of December 31, 2023, current assets also includes a grant receivable of \$1.2 million which accounts for the increase.

Property, plant and equipment, net includes the costs of the water and sewer infrastructure. During the year ended December 31, 2023, the Authority incurred costs of approximately \$7 million related to Old Bethlehem Pike water main extension, improvements to the reservoir, additional sewer capacity, and Highland Drive water lining. During the year ended December 31, 2022, the Authority incurred costs of approximately \$1 million related to Mt. View road and other miscellaneous projects.

Restricted assets include funds held by the Trustee for debt service, capital projects, and operations of the Authority. All amounts are held in money market accounts which are deemed to be cash equivalents. As part of the Authority's Trust Indenture related to its Bonds outstanding, all receipts are pledged to the trustee bank and deposited into these funds. The change year to year is based on the Authority's cash activity. For the year ended December 31, 2023, the Authority generated cash from operating and investing activities of \$2,595,000 and \$435,000, respectively, offset by cash used in capital and related financing activities of \$3,641,000. For the year ended December 31, 2022, the Authority generated cash from operating and investing activities of \$3,037,000 and \$184,000, respectively, offset by cash used in capital and related financing activities of \$2,689,000.

Other assets includes the water and sewer assessment receivables (i.e. tapping fees) and the Authority's net pension asset. The majority of the water and sewer assessment outstanding will be paid once the related property is sold. Due to the investment performance of the Authority's pension plan, the Authority's pension plan changed from a net pension liability as of December 31, 2021 to a net pension asset of \$343,000 as of December 31, 2023 and 2022.

Deferred outflows of resources includes amounts related to the Authority's defined benefit pension plan and deferred amount from refunding of its 2011 bonds. The deferred amount is amortized ratably over the life of the 2019 Revenue Bonds. The change in the pension plan varies year to year based on the performance of the plan. There was an increase in deferred outflows related to the pension of \$192,000 primarily due to contributions made subsequent to the valuation date of the pension plan.

PERKASIE REGIONAL AUTHORITY
Management’s Discussion and Analysis (Unaudited)
December 31, 2023, 2022 and 2021

Current liabilities primarily consist of accounts payable and accrued liabilities for capital projects. As of December 31, 2023, current liabilities increased \$279,000 due to accrued liabilities on capital projects. As of December 31, 2022, current liabilities decreased \$71,000 due to a decrease in accrued liabilities on capital projects.

Long-term liabilities consist of the Authority’s 2019 Water and Sewer Revenue Bonds and a 2023 Water and Sewer Revenue Note. Long-term liabilities increased by \$1,360,000 due to the addition of a \$2,600,000 Water and Sewer Revenue Note, principal payments of \$1,160,000 on the 2019 Water and Sewer Revenue bonds and the amortization of the bond premium related to the issuance of the 2019 Water and Sewer Revenue Bonds. Long-term liabilities decreased by \$1,320,000 due to principal payments of \$1,195,000 on long-term debt and the amortization of the bond premium related to the issuance of the 2019 Water and Sewer Revenue Bonds.

Deferred inflows of resources includes amounts related to the Authority’s defined benefit pension plan and lease receivable. There hasn’t been a significant change in the balance as of December 31, 2022. The change as of December 31, 2023 primarily relates to the pension plan.

Condensed Statement of Revenues, Expenses, and Changes in Net Position:

The following table is a summary of the Authority’s Statement of Revenues, Expenses and Changes in Net Position for the year ended December 31, 2023 with comparative information for the years ended December 31, 2022 and 2021.

	2023	2022	2021
Operating Revenues:			
Water and Sewer	\$ 4,657,170	\$ 4,568,662	\$ 4,440,113
Other	207,460	212,885	167,328
Tapping Fees	617,736	524,140	153,868
Total Operating Revenues	5,482,366	5,305,687	4,761,309
Operating Expenses:			
Water and sewer	1,546,926	1,386,527	1,206,075
Professional Fees	123,725	122,297	81,839
General and Administrative	832,402	658,727	629,646
Depreciation	1,351,993	1,339,833	1,280,245
Total Operating Expenses	3,855,046	3,507,384	3,197,805
Operating income	1,627,320	1,798,303	1,563,504
Total Nonoperating Income (Expense)	4,012,530	(111,009)	511,951
Change in Net Position	<u>\$ 5,639,850</u>	<u>\$ 1,687,294</u>	<u>\$ 2,075,455</u>

For the years ended December 31, 2023 and 2022, water and sewer revenue have increased by approximately 2% since there was no rate increase in 2022 and a minimal rate increase for 2023.

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Management’s Discussion and Analysis (Unaudited)
December 31, 2023, 2022 and 2021

The Authority’s rate base has remained stable partly due to the mix of customers with the customer base being predominantly residential with only a small amount of commercial and industrial users. The breakdown is as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Residential, including multi-family	94.4%	95.3%	93.7%
Commercial, including mixed uses	3.7%	3.2%	4.0%
Industrial, Institutional, Public	1.9%	1.5%	2.3%

Other Revenues are derived from fees and charges not directly related to metered water and sewer sales. These include fees for account certifications and delinquent notification fees as well as the sewer truck services. For the year ended December 31, 2023, other revenue remained flat. For the year ended December 31, 2022, other revenue increased by \$46,000 over the prior year.

Tapping fees are not budgeted and vary based on the amount of new construction and developments. For the years ended December 31, 2023 and 2022, tapping fees increased by \$94,000 and \$370,000, respectively.

Water and sewer expenses increased by \$160,000 (12%) and \$180,000 (15%) for the years ended December 31, 2023 and 2022, respectively. For the year ended December 31, 2023, the increase was primarily attributable to an increase in sewage treatment costs (\$65,000) and repairs and maintenance of the wells (\$73,000). For the year ended December 31, 2022, the increase was primarily attributable to an increase in sewage treatment costs (\$109,000) and repairs and maintenance of the wells and sewer lines (\$68,000).

Professional fees were flat for the year ended December 31, 2023 and increased \$40,000 during the year ended December 31, 2022 due to increase engineering and hydrogeologist expenses.

General and administrative costs represent administration employee compensation and benefits including medical benefits, billing supplies, communication, education, trustee’s fees and insurance. For the year ended December 31, 2023, general and administrative costs increased \$174,000 due to an increase in pension expense of \$113,000 and increase in equipment costs and repairs and maintenance totaling \$45,000. For the year ended December 31, 2022, general and administrative costs increased \$30,000 due to an increase in salaries and employee insurance.

Nonoperating income (expense) includes investment income, lease income, capital contributions, debt issue costs and interest expense on long-term debt.

Investment earnings increased \$383,000 and \$54,000 for the years ended December 31, 2023 and 2022, respectively, due to the overall increase in interest rates.

Lease income 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. Lease income remained relatively the same for the years ended December 31, 2023 and 2022.

Capital contributions include property dedications to the Authority where developers contribute the easements and water and sewer lines back to the Authority, which are recorded at fair value. During the year ended December 31, 2023, the Authority received property dedications totaling \$606,000. During the year ended December 31, 2023, the Authority received a grant a \$3.7 million grant from the Commonwealth of Pennsylvania to update the water line along Old Bethlehem Pike and adjacent main roads. The grant is a reimbursement grant in which the Authority incurs the costs and then submits a request for reimbursement. During the year ended December 31, 2023, the Authority received reimbursements totaling \$3.3 million.

PERKASIE REGIONAL AUTHORITY
Management's Discussion and Analysis (Unaudited)
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Debt issue costs arise from costs incurred on new debt and are expensed when incurred. During the year ended December 31, 2023, the Authority incurred \$81,000 of costs in connection with its Water and Sewer Revenue Note, Series 2023 (see below).

Interest expense on long-term debt increased by \$23,000 for the year ended December 31, 2023 due to the new water and sewer revenue note offset by decreases on the water and sewer revenue bonds due to principal payments. Interest expense on long-term debt decreased by \$78,000 for the year ended December 31, 2022 due to principal payments on the water and sewer revenue bonds.

Long-Term Debt:

On April 4, 2023, the Authority entered into a ten-year Water and Sewer Revenue Note, Series of 2023, in the amount of \$2,600,000 with a fixed interest rate of 3.5%. 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 note is secured by all revenues of the Authority.

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 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.

In the ever-changing world of water regulations, the Perfluoroalkyl and polyfluoroalkyl substances (PFAS) regulations will be the biggest impact to the Authority. While the Authority is below the current Pennsylvania thresholds for these chemicals, the Authority may not be so lucky with future regulations. With that in mind, the Authority will be applying for a grant in 2024 to offset costs for a treatment facility at one of the Authority wellsite. In addition, the Authority is also looking to develop a new water source that is anticipated to supply a significant amount of water and be operational by 2027.

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@perkasieregionalauthority.org, by visiting our website at www.perkasieregionalauthority.org or by writing Perkasio Regional Authority, 150 Ridge Rd. Sellersville, PA 18960.

PERKASIE REGIONAL AUTHORITY

Statements of Net Position

December 31, 2023 and 2022

	2023	2022
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 353,843	\$ 312,270
Accounts receivable	864,733	794,954
Grant receivable	1,240,580	-
Supply inventory	59,141	59,141
Due from Pennridge Wastewater Treatment Authority	45,160	7,081
Total current assets	2,563,457	1,173,446
Noncurrent assets:		
Restricted cash and cash equivalents	8,768,002	9,420,366
Net pension asset	342,789	342,789
Assessments receivable	297,508	137,636
Lease receivable	162,254	184,047
Capital Assets:		
Non-Depreciable		
Land	790,410	790,410
Construction in progress	6,835,476	901,337
Depreciable		
Property, plant and equipment	57,091,888	55,301,796
Purchased wastewater treatment capacity	3,302,550	3,227,734
Accumulated depreciation	(30,475,278)	(29,123,285)
Net Capital Assets	37,545,046	31,097,992
Total noncurrent assets	47,115,599	41,182,830
Total assets	49,679,056	42,356,276
Deferred outflows of resources:		
Deferred amounts from refunding, net of amortization of \$233,020 and \$202,188, respectively	228,945	259,777
Deferred outflows - pension	392,592	200,878
Total deferred outflows	621,537	460,655
Total assets and deferred outflows	\$ 50,300,593	\$ 42,816,931

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

PERKASIE REGIONAL AUTHORITY

Statements of Net Position, Continued

December 31, 2023 and 2022

	2023	2022
<u>LIABILITIES & NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 394,628	\$ 116,309
Lease liability, current	11,570	10,617
Total current liabilities	406,198	126,926
Current liabilities (payable from restricted cash):		
Water and sewer revenue bonds - current portion	1,205,000	1,160,000
Water and sewer revenue note - current portion	5,000	-
Accrued interest	236,396	193,167
Total current liabilities (payable from restricted cash)	1,446,396	1,353,167
Total current liabilities	1,852,594	1,480,093
Long-term liabilities:		
Escrow liabilities	145,935	32,090
Lease liability, net of current portion	12,079	24,115
Water and sewer revenue note, net of current portion	2,595,000	-
Water and sewer revenue bonds, net of current portion	10,291,470	11,628,404
Total long-term liabilities	13,044,484	11,684,609
Total liabilities	14,897,078	13,164,702
Deferred inflows of resources:		
Deferred inflows - pension	535,129	401,900
Deferred inflows - lease receivable	162,254	184,047
Total deferred inflows	697,383	585,947
Net position:		
Net investments in capital assets	23,424,927	18,274,856
Restricted for debt service	6,947,265	5,486,833
Restricted for capital projects	2,824,921	3,740,366
Unrestricted	1,509,019	1,564,227
Total net position	34,706,132	29,066,282
Total liabilities, deferred inflows and net positions	\$ 50,300,593	\$ 42,816,931

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, 2023 and 2022

	2023	2022
Revenues:		
Sewer service charges	\$ 2,268,022	\$ 2,225,094
Water sales	2,389,148	2,343,568
Tapping fees and assessments	617,736	524,140
Other revenue	207,460	212,885
	5,482,366	5,305,687
Expenses:		
Sewer service	877,251	822,967
Water service	669,675	563,560
Professional fees	123,725	122,297
General and administrative	832,402	658,727
Depreciation	1,351,993	1,339,833
	3,855,046	3,507,384
Total expenses		
Operating income	1,627,320	1,798,303
Non-operating income (expense):		
Investment earnings	440,486	57,442
Lease income	117,599	126,603
Debt issue costs	(80,861)	-
Interest expense	(384,053)	(360,535)
	93,171	(176,490)
Net non-operating income (expense)		
Income before capital contributions	1,720,491	1,621,813
Capital contributions - property dedications	605,570	-
Capital contributions - grant	3,313,789	65,481
	5,639,850	1,687,294
Increase in net position		
Net position at beginning of year	29,066,282	27,378,988
	\$ 34,706,132	\$ 29,066,282
Net position at end of year		

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

PERKASIE REGIONAL AUTHORITY

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash receipts from customers	\$ 4,689,193	\$ 4,662,653
Other operating cash receipts	563,522	554,369
Cash payments to employees for services	(961,204)	(964,012)
Cash payments to vendors for goods and services	(1,628,349)	(1,215,560)
Net cash provided by operating activities	2,663,162	3,037,450
Cash flows from capital and related financing activities:		
Additions to capital assets	(6,925,221)	(1,046,811)
Grant proceeds	2,073,209	65,481
Developer escrow activity, net	113,845	(15,787)
Proceeds from long-term debt	2,600,000	-
Debt issue costs	(80,861)	-
Principal payments on long term debt	(1,160,000)	(1,195,000)
Principal payments on finance leases	(11,083)	(10,617)
Interest paid	(441,926)	(486,748)
Net cash used in capital and related financing activities	(3,832,037)	(2,689,482)
Cash flows from investing activities:		
Investment earnings	440,486	57,442
Proceeds from rental income	117,598	126,602
Net cash provided by investing activities	558,084	184,044
Net (decrease) increase in cash and cash equivalents	(610,791)	532,012
Cash and cash equivalents - beginning	9,732,636	9,200,624
Cash and cash equivalents - ending	\$ 9,121,845	\$ 9,732,636
Reconciliation of cash and cash equivalents:		
Cash - unrestricted	\$ 353,843	\$ 312,270
Cash - restricted	8,768,002	9,420,366
	\$ 9,121,845	\$ 9,732,636
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,627,320	\$ 1,798,303
Adjustment for noncash charges to operations:		
Depreciation	1,351,993	1,339,833
Changes in assets and liabilities:		
Accounts receivable	(69,779)	(4,934)
Assessments receivable	(159,872)	(83,731)
Due from Pennridge Wastewater Treatment Authority	(38,079)	60,710
Net pension asset and liability and deferred inflows and outflows	(58,485)	(156,148)
Accounts payable and accrued payroll	10,064	83,417
Net cash provided by operating activities	\$ 2,663,162	\$ 3,037,450
Supplemental Disclosure of Noncash Investing and Financing Transactions		
Acquisition of property, plant and equipment included in accrued liabilities	\$ 317,644	\$ 49,389
Property dedications during the year	\$ 605,570	\$ -

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

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2023 and 2022

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.

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.

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2023 and 2022

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) Construction Fund for the payment of costs of each project involving construction for which bonds are issued;
- d) 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.

CASH AND CASH EQUIVALENTS

The Authority considers money market funds, including money market funds held in the Trust 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.

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. 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, 2023 and 2022

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, 2023 and 2022.

DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

Deferred outflows of resources are defined as a consumption of net assets by the Authority that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the Authority that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities. 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, 2023 and 2022, the Authority recorded amortization of \$30,832, which was reported as interest expense in the statement of revenues, expenses and changes in net position. Additionally, the Authority's reports deferred outflows of resources for contributions to its pension plan after the measurement date. The Authority's reports deferred inflows of resources related to its pension plan and related to its lease receivable (See Note 8).

PENSION PLAN

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. For purposes of measuring the net position liability, deferred outflows or resources, deferred inflows of resources, and pension expense, information about the net pension liability and additions to and deductions from the net pension liability have been determined on the same basis as reported by Pennsylvania Municipal Retirement System ("PMRS"). See Note 10 for further information regarding the pension plan.

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NET POSITION

Net position 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 Position consist of net assets that do not meet the definition of "restricted" or "net investments in capital assets".

RECLASSIFICATIONS

Certain reclassifications of prior-year financial information presented herein for comparative purposes have been reclassified to conform to the current year presentation. The reclassifications had no impact on the increase in net position for the year ended December 31, 2022.

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, 2023 and 2022, 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 \$8,621,640 and \$9,388,067 at December 31, 2023 and 2022, respectively, and were 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 equivalents.

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2023 and 2022

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 \$297,508 and \$137,636 as of December 31, 2023 and 2022, respectively. As of December 31, 2023, \$88,405 of the remaining balance is expected to be paid when the related property is sold.

NOTE 5 - CAPITAL ASSETS

Property, plant, and equipment at December 31, 2023 and 2022 and related accumulated depreciation and depreciation expense for the years then ended follow:

<u>2023</u>	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Non-Depreciable				
Land	\$ 790,410	\$ -	\$ -	\$ 790,410
Construction in Progress	901,337	5,988,950	(54,811)	6,835,476
Subtotal	1,691,747	5,988,950	(54,811)	7,625,886

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Beginning	Increases	Decreases	Ending
Depreciable				
Building	6,300,418	-	-	6,300,418
Water System	31,502,211	937,307	-	32,439,518
Sewer System	16,795,185	852,785	-	17,647,970
Furniture and Equipment	365,310	-	-	365,310
Leased automobile	57,515	-	-	57,515
Vehicles	281,157	-	-	281,157
Purchased Wastewater Treatment Capacity	3,227,734	74,816	-	3,302,550
Subtotal	58,529,530	1,864,908	-	60,394,438
Total	\$ 60,221,277	\$ 7,853,858	\$ (54,811)	\$ 68,020,324

Accumulated Depreciation

	Beginning	Increases	Decreases	Ending
Building	\$ 1,428,036	\$ 160,287	\$ -	\$ 1,588,323
Water System	14,919,548	734,114	-	15,653,662
Sewer System	10,709,347	337,661	-	11,047,008
Furniture and Equipment	324,286	7,252	-	331,538
Leased automobile	17,255	11,503	-	28,758
Vehicles	236,204	19,619	-	255,823
Purchased Wastewater Treatment Capacity	1,488,609	81,556	-	1,570,165
Total	\$ 29,123,285	\$ 1,351,992	\$ -	\$ 30,475,278
Net	\$ 31,097,992			\$ 37,545,046

2022

	Beginning	Increases	Decreases	Ending
Non-Depreciable				
Land	\$ 790,410	\$ -	\$ -	\$ 790,410
Construction in Progress	1,107,757	285,312	491,732	901,337
Subtotal	1,898,167	285,312	491,732	1,691,747
Depreciable				
Building	6,279,355	21,063	-	6,300,418
Water System	30,423,141	1,079,070	-	31,502,211
Sewer System	16,794,769	416	-	16,795,185
Furniture and Equipment	365,310	-	-	365,310
Leased automobile	57,515	-	-	57,515
Vehicles	281,157	-	-	281,157
Purchased Wastewater Treatment Capacity	3,149,501	78,233	-	3,227,734
Subtotal	57,350,748	1,178,782	-	58,529,530
Total	\$ 59,248,915	\$ 1,464,094	\$ 491,732	\$ 60,221,277

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 5 - CAPITAL ASSETS (CONTINUED)

<u>Accumulated Depreciation</u>	Beginning	Increases	Decreases	Ending
Building	\$ 1,268,802	\$ 159,234	\$ -	\$ 1,428,036
Water System	14,195,460	724,088	-	14,919,548
Sewer System	10,370,878	338,469	-	10,709,347
Furniture and Equipment	318,507	5,779	-	324,286
Leased auto	5,752	11,503	-	17,255
Vehicles	215,132	21,072	-	236,204
Purchased Wastewater Treatment Capacity	1,408,921	79,688	-	1,488,609
Total	\$ 27,783,452	\$1,339,833	\$ -	\$ 29,123,285
Net	\$31,465,463			\$31,097,992

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 \$755,035 and \$690,460 for the years ended December 31, 2023 and 2022, respectively. Amounts due from PWTA for advances in excess of actual expenses totaled \$45,160 and \$7,081 at December 31, 2023 and 2022, 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 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 2014 and to payoff the outstanding balance of \$7,514,000 on a term 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. The bonds are secured by all revenues of the Authority.

As part of the issuance, the Authority received a bond premium of \$1,616,195 which is being amortized on a straight-line basis over the life of the bond issue and recorded to interest expense. The straight-line method is not materially difference from the effective interest method.

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 10 for the explanation and calculation of the rate covenant.

On April 4, 2023, the Authority entered into a ten-year Water and Sewer Revenue Note, Series of 2023, in the amount of \$2,600,000 with a fixed interest rate of 3.5%. Principal payments on the Note are made annually on February 1st. Interest is paid semiannually on February 1st and August 1st of each year. The note is secured by all revenues of the Authority.

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 7 - LONG-TERM DEBT (CONTINUED)

A summary of long term debt activity for the year ended December 31, 2023 and amounts due at December 31, 2023 follow:

	December 31, 2022	Additions	Reductions	December 31, 2023	Amounts Due Within One Year
Bonds, Series 2019	\$ 11,590,000	\$ -	\$ (1,160,000)	\$ 10,430,000	\$ 1,205,000
Note, Series 2023	-	2,600,000	-	2,600,000	5,000
Bond Premium	1,198,404	-	(131,934)	1,066,470	-
Grand Total	\$ 12,788,404	\$ 2,600,000	\$ (1,291,934)	\$ 14,096,470	\$ 1,210,000

Interest expense on long term debt amounted to \$485,155 and \$461,637 for the years ended December 31, 2023 and 2022, respectively. Amortization of the bond premium amounted to \$131,934 for each of the years ended December 31, 2023 and 2022, which was reported as interest expense in the statement of revenues, expenses and changes in net position.

Scheduled future principal and interest maturities with respect to long-term debt at December 31, 2023, follow:

Year	Bond Principal	Notes Payable	Total Long- Term Debt	Interest	Total Debt Service Requirement
2024	\$ 1,205,000	\$ 5,000	\$ 1,210,000	\$ 513,588	\$ 1,723,588
2025	1,255,000	5,000	1,260,000	434,638	1,694,638
2026	1,310,000	5,000	1,315,000	383,163	1,698,163
2027	1,360,000	5,000	1,365,000	329,588	1,694,588
2028	1,415,000	5,000	1,420,000	279,913	1,693,913
2029-2033	3,885,000	2,575,000	6,460,000	510,693	6,970,693
Total	\$ 10,430,000	\$ 2,600,000	\$ 13,030,000	\$ 2,445,580	\$ 15,475,580

NOTE 8 – LEASES

LESSEE

A summary of the changes in the lease liability during the years ended December 31, 2023 and 2022 is as follows:

2023	Beginning	Increases	Decreases	Ending
Auto	\$ 34,732	\$ -	\$ (11,083)	\$ 23,649
2022	Beginning	Increases	Decreases	Ending
Auto	\$ 45,349	\$ -	\$ (10,617)	\$ 34,732

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 8 – LEASES (CONTINUED)

The weighted average lease term and discount rate as of December 31, 2023 and 2022 were as follows:

	2023	2022
Weighted average remaining lease term	2.5 yrs	3.5 yrs
Weighted average discount rate	3.50%	3.50%

A summary of principal and interest for future payments that are included in the measurement of the lease liability for the remaining term of the lease is as follows:

For the Year Ending December 31,	Total Payment
2024	\$ 12,609
2025	12,609
Total minimum lease payments	25,218
Less: amounts representing interest	1,569
Present value of minimum lease payments	23,649
Less: current maturities of lease liability	11,570
Lease liability, net of current maturities	\$ 12,079

LESSOR

The Authority has entered into a sublease of its office space as well a lease of its tank site for cell service, as a lessor. The leases have various terms expiring between May 31, 2025 and December 3, 2027. The lessees are required to make monthly fixed payments ranging from \$2,274 to \$5,435 with minimal escalation clauses and options to extend the lease term. The lease receivable was discounted using the Authority’s effective borrowing rate of 3.5%. For the years ended December 31, 2023 and 2022, the Authority recognized lease revenue of \$117,599 and \$126,603, respectively.

As of December 31, 2023 and 2022, the lease receivable and deferred inflows amounted to \$162,254 and \$184,047, respectively.

A summary of the future expected lease rental payments and interest for the next four years follows:

Year Ending December 31	Future Rents
2024	\$ 93,646
2025	55,274
2026	27,283
2027	25,009
Subtotal	201,212
Interest	(38,958)
Net Lease Receivable	\$ 162,254

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 9 - RETIREMENT PLAN

The Authority offers a defined benefit to its employees by participating in 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. 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. 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:

CONTRIBUTIONS

The plan does not require employee contributions. 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, 2023 and 2022 amounted to \$116,781 and \$101,117, respectively. 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%.

BENEFITS

All full time employees are covered under the retirement plan. The plan does not require employee contributions. Employees are 100 % vested in their contributions after five years of service. Normal retirement age is 60 years old and five years of service. The Retirement benefit is equal to 2% of final salary multiplied by total years of credited service, not to exceed 40% of final salary. Final salary is the average annual compensation paid during the member's highest five consecutive years of employment, not to exceed 75% of the participant's final salary. Separation from employment upon attainment of age 55 with 15 years of credited service with a reduced benefit entitlement.

PLAN MEMBERS COVERED BY BENEFIT TERMS

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:

For the year ending December 31,	2023	2022
Inactive employees or beneficiaries currently receiving benefits	10	10
Inactive employees entitled to, but not yet receiving benefits	3	3
Active employees	8	8
Total participant count	21	21

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 9 - RETIREMENT PLAN (CONTINUED)

The net pension liability (asset) at December 31, 2023 and 2022 was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2022. 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.

EXPECTED RATE OF RETURN

The PMRS System’s long-term expected rate of return 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. These nominal rates of return further assume that investment expenses will be offset by the additional return performance derived from active investment management.
- 2) The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 2.8% to produce real rates of return.
- 3) The 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. Based on the most recent asset allocation study conducted by Dahab Associates, the minimum acceptable confidence level for the Board has been determined to be 70%. The chart below identifies simulated portfolio returns at various confidence levels.

For the years ended December 31, 2023 and 2022, the target allocation and best estimates of real rates of return for each asset class are summarized in the following table:

<u>2023</u>	Target Allocation	Nominal Rate of Return	Long-term Expected Real Rate of Return
Asset Class			
Domestic Equities (large capitalized firms)	24.5%	7.5%	5.0%
Domestic Equities (small capitalized firms)	8%	8.2%	5.7%
International Equities (internationally developed markets)	14.5%	7.6%	5.1%
International Equities (emerging markets)	3%	8.0%	5.5%
Global Equities	5%	7.0%	4.5%
Real Estate	10%	7.4%	4.9%
Timber	5%	6.5%	4.0%
Fixed Income (Core Investment Grade)	24%	4.6%	2.1%
Fixed Income (Opportunistic Credit)	5%	8.0%	5.5%
Cash	1%	2.2%	-.3%
Total Portfolio	100%	7.4%	4.9%

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 9 - RETIREMENT PLAN (CONTINUED)

<u>2022</u>	Target	Nominal	Long-term
Asset Class	Allocation	Rate of Return	Expected Real Rate of Return
Domestic Equities (large capitalized firms)	24.5%	7.5%	5.0%
Domestic Equities (small capitalized firms)	8%	8.2%	5.7%
International Equities (internationally developed markets)	14.5%	7.6%	5.1%
International Equities (emerging markets)	3%	8.0%	5.5%
Global Equities	5%	7.0%	4.5%
Real Estate	10%	7.4%	4.9%
Timber	5%	6.5%	4.0%
Fixed Income (Core Investment Grade)	24%	4.6%	2.1%
Fixed Income (Opportunistic Credit)	5%	8.0%	5.5%
Cash	1%	2.2%	-3%
Total Portfolio	<u>100%</u>	<u>7.4%</u>	<u>4.9%</u>

ACTUARIAL ASSUMPTIONS

For the years ended December 31, 2023 and 2022, the Authority’s total pension liability was determined by an actuarial valuation, using the following actuarial assumptions applied to the period included in the measurement:

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 Male table projected 15 years with scale AA; Females – RP2000 Non-Annuitant Female table projected 15 years with scale AA, setback five years
Post-Retirement Mortality:	Males – RP2000 Non-Annuitant Male table projected 5 years with scale AA; Females – RP2000 Non-Annuitant Female table projected 10 years with scale AA

DISCOUNT RATE

The discount rate used to measure the total pension liability was 5.25%. 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.

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 9 - RETIREMENT PLAN (CONTINUED)

SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the net pension (asset) / liability of the Authority, calculated using the discount rate of 5.25%, as well as what the Authority's net pension (asset) / 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:

December 31, 2023 and 2022	1% Decrease (4.25%)	Discount Rate (5.25%)	1% Increase (6.25%)
Net pension liability / (asset)	\$ 145,666	\$ (342,789)	\$ (754,476)

CHANGES IN NET PENSION ASSET

Changes in the net pension (asset) liability for the years ended December 31, 2023 and 2022 are as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (Asset) (a) – (b)
Balance at December 31, 2022	\$3,643,022	\$3,641,562	\$1,460
Changes for the year:			
Service cost	127,584	-	127,584
Interest	192,873	-	192,873
Employer contributions	-	98,399	(98,399)
Employee contributions	-	72,446	(72,446)
Contributions – PMRS assessment	-	420	(420)
Net investment income	-	503,674	(503,674)
Benefit payments	(140,164)	(140,164)	-
Administrative expense	-	(10,233)	10,233
Net change	180,293	524,542	(344,249)
Balance at December 31, 2023	\$3,823,315	\$4,166,104	\$(342,789)

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 9 - RETIREMENT PLAN (CONTINUED)

	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (Asset) (a) – (b)
Balance at December 31, 2021	\$3,643,022	\$3,641,562	\$1,460
Changes for the year:			
Service cost	127,584	-	127,584
Interest	192,873	-	192,873
Employer contributions	-	98,399	(98,399)
Employee contributions	-	72,446	(72,446)
Contributions – PMRS assessment	-	420	(420)
Net investment income	-	503,674	(503,674)
Benefit payments	(140,164)	(140,164)	-
Administrative expense	-	(10,233)	10,233
Net change	180,293	524,542	(344,249)
Balance at December 31, 2022	\$3,823,315	\$4,166,104	\$(342,789)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSION

At December 31, 2023 and 2022, the Authority reported deferred outflows and inflows of resources related to its pension plan from the following sources:

December 31, 2023

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 184,666	\$ 112,501
Change in assumptions	-	62,193
Net difference between projected and actual earnings on pension plan investments	350,463	-
	535,129	174,694
Contributions subsequent to measurement date	-	217,898
Total	\$ 535,129	\$ 392,592

December 31, 2022

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 184,666	\$ 37,568
Change in assumptions	-	62,193
Net difference between projected and actual earnings on pension plan investments	217,234	-
	401,900	99,761
Contributions subsequent to measurement date	-	101,117
Total	\$ 401,900	\$ 200,878

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 9 - RETIREMENT PLAN (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSION

Deferred inflows and outflows are amortizable over a five-year period, beginning in the year in which the differences occurred and will be recognized annually in pension expense as follows:

Year ending December 31	
2024	\$ (58,296)
2025	(151,751)
2026	(84,306)
2027	(66,082)
Total	<u>\$ (360,435)</u>

For the years ended December 31, 2023 and 2022, the Authority's pension expense consisted of the following:

	2023	2022
Change in pension liability	\$ -	\$ (344,249)
Change in deferred outflows	(191,714)	59,617
Change in deferred inflows	133,229	128,484
Employer contributions	116,801	101,117
Pension expense	<u>\$ 58,316</u>	<u>\$ (55,031)</u>

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, 2023 and 2022 are as follows:

Description	2023	2022
Total pledged revenues	\$ 9,354,240	\$ 5,555,212
Total operating expense (net of depreciation)	<u>2,503,053</u>	<u>2,167,551</u>
Amount available for debt service	6,851,187	3,387,661
Average annual debt service @110%	<u>1,675,856</u>	<u>1,556,614</u>
Excess over required funding	<u>\$ 5,175,331</u>	<u>\$ 1,831,047</u>

PERKASIE REGIONAL AUTHORITY

Notes to Financial Statements

December 31, 2023 and 2022

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, 2023, 2022 and 2021.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 23, 2024, which is the date the financial statements were available to be issued. On April 8, 2024 the Authority executed a lease extension with Pennoi Associates through May 31, 2025 with monthly rent of \$5,598 payable in advance on the 1st day of the month. 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 (Asset) and Related Ratios (Unaudited)

December 31, 2023

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability - Authority's Portion								
Service cost	\$ 127,584	\$ 127,412	\$ 99,302	\$ 92,941	\$ 89,435	\$ 83,496	\$ 95,533	\$ 106,864
Interest	192,873	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	(140,164)	(125,920)	(123,610)	(135,749)	(155,161)	(185,664)	(98,088)	(91,780)
Net change in total pension liability - Authority's portion	180,293	417,524	139,010	(412,199)	112,429	264,307	161,269	12,244
Total pension liability - beginning	3,643,022	3,225,498	3,086,488	3,498,687	3,386,258	3,121,951	2,960,682	2,948,438
Total pension liability - ending - Authority's portion	<u>\$ 3,823,315</u>	<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	\$ 98,399	\$ 95,527	\$ 99,132	\$ 86,277	\$ 86,207	\$ 85,336	\$ 82,722	\$ 44,964
Contributions - PMRS assessment	420	400	420	440	460	460	460	-
Contributions - employee	72,446	65,916	44,410	34,542	29,744	27,655	31,878	32,854
PMRS investment income	173,264	160,917	174,719	163,819	154,667	135,686	147,816	139,919
Market value investment income	330,410	335,734	(124,439)	(327,654)	340,759	81,114	(154,434)	18,558
Benefits payments	(140,164)	(125,920)	(123,610)	(135,749)	(155,161)	(185,664)	(98,088)	(91,780)
PMRS administrative expense	(420)	(400)	(420)	(440)	(460)	(460)	(460)	(480)
Additional administrative expense	(9,813)	(7,011)	(6,039)	(7,311)	(7,113)	(6,647)	(6,162)	(5,336)
Net change in plan fiduciary net position	524,542	525,163	64,173	(186,076)	449,103	137,480	3,732	138,699
Plan fiduciary net position - beginning	3,641,592	3,116,429	3,052,256	3,238,332	2,789,229	2,651,749	2,648,017	2,509,318
Plan fiduciary net position - ending - Authority's Portion	<u>\$ 4,166,134</u>	<u>\$ 3,641,592</u>	<u>\$ 3,116,429</u>	<u>\$ 3,052,256</u>	<u>\$ 3,238,332</u>	<u>\$ 2,789,229</u>	<u>\$ 2,651,749</u>	<u>\$ 2,648,017</u>
Net pension liability (asset) - ending - Authority's Portion	<u>\$ (342,819)</u>	<u>\$ 1,430</u>	<u>\$ 109,069</u>	<u>\$ 34,232</u>	<u>\$ 260,355</u>	<u>\$ 597,029</u>	<u>\$ 470,202</u>	<u>\$ 312,665</u>
Plan fiduciary net position as a percentage of total pension liability	109.0%	100.0%	96.6%	98.9%	92.6%	82.4%	84.9%	89.4%
Covered employee payroll	594,972	599,762	561,760	604,614	617,991	617,133	673,946	757,952
Net pension liability as a percentage of covered employee payroll	-57.6%	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 Employer Contributions (Unaudited)

December 31, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 98,819	\$ 95,927	\$ 99,532	\$ 86,717	\$ 86,667	\$ 85,796	\$ 83,182	\$ 44,197
Contributions in relation to the Actuarially determined contribution	<u>98,819</u>	<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>\$ -</u>	<u>\$ (20)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (767)</u>
Covered payroll	\$ 594,972	\$ 599,762	\$ 561,760	\$ 604,614	\$ 617,991	\$ 617,133	\$ 673,946	\$ 757,952
Contributions as a percentage of covered payroll	16.61%	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.

PERKASIE REGIONAL AUTHORITY

Notes to Required Supplementary Information (Unaudited)

December 31, 2023

(1) Significant methods and assumptions used in calculating the actuarially determined contributions

The methods and assumptions used in calculating the actuarially determined contributions are as follows:

	2022	2021	2020	2019	2018	2017	2016	2015
Valuation date	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level dollar based on the amortization periods in Act 205	Level dollar based on the amortization periods in Act 205	Level dollar based on the amortization periods in Act 205	Level dollar based on the amortization periods in Act 205	Level dollar based on the amortization periods in Act 205	Level dollar based on the amortization periods in Act 205	Level dollar based on the amortization periods in Act 205	Level dollar based on the amortization periods in Act 205
Asset valuation method	Based on the municipal reserves	Based on the municipal reserves	Based on the municipal reserves	Based on the municipal reserves	Based on the municipal reserves	Based on the municipal reserves	Based on the municipal reserves	Based on the municipal reserves
Actuarial assumptions:								
Discount rate	5.25%	5.25%	5.25%	5.50%	5.50%	5.50%	5.50%	5.50%
Inflation	2.80%	2.80%	2.80%	3.00%	3.00%	3.00%	3.00%	3.00%
Salary increases	Age-related scale with merit and inflation component 2.8% for those eligible for a COLA	Age-related scale with merit and inflation component 2.8% for those eligible for a COLA	Age-related scale with merit and inflation component 2.8% for those eligible for a COLA	Age-related scale with merit and inflation component 3.0% for those eligible for a COLA	Age-related scale with merit and inflation component 3.0% for those eligible for a COLA	Age-related scale with merit and inflation component 3.0% for those eligible for a COLA	Age-related scale with merit and inflation component 3.0% for those eligible for a COLA	Age-related scale with merit and inflation component 3.0% for those eligible for a COLA
COLA increases								
Pre-retirement mortality	Males: RP 2000 non-annuitant male table projected 15 years with scale AA Females: RP 2000 non-annuitant female table projected 15 years with scale AA, setback five years	Males: RP 2000 non-annuitant male table projected 15 years with scale AA Females: RP 2000 non-annuitant female table projected 15 years with scale AA, setback five years	Males: RP 2000 non-annuitant male table projected 15 years with scale AA Females: RP 2000 non-annuitant female table projected 15 years with scale AA, setback five years	Males: RP 2000 with one year set back Females: RP 2000 with five year set back	Males: RP 2000 with one year set back Females: RP 2000 with five year set back	Males: RP 2000 with one year set back Females: RP 2000 with five year set back	Males: RP 2000 with one year set back Females: RP 2000 with five year set back	Males: RP 2000 with one year set back Females: RP 2000 with five year set back
Post-retirement mortality	Males: RP 2000 non-annuitant male table projected 5 years with scale AA Females: RP 2000 non-annuitant female table projected 10 years with scale AA	Males: RP 2000 non-annuitant male table projected 5 years with scale AA Females: RP 2000 non-annuitant female table projected 10 years with scale AA	Males: RP 2000 non-annuitant male table projected 5 years with scale AA Females: RP 2000 non-annuitant female table projected 10 years with scale AA	Males: RP 2000 combined healthy mortality Females: RP 2000 combined healthy mortality	Males: RP 2000 combined healthy mortality Females: RP 2000 combined healthy mortality	Males: RP 2000 combined healthy mortality Females: RP 2000 combined healthy mortality	Males: RP 2000 combined healthy mortality Females: RP 2000 combined healthy mortality	Males: RP 2000 combined healthy mortality Females: RP 2000 combined healthy mortality

SUPPLEMENTARY INFORMATION

PERKASIE REGIONAL AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Federal Grantor/ Pass Through Agency/ Program or Cluster Title	Assistance Listing Number	Pass Through Entity Identifying Number	Provided to Subrecipients	Total Expenditures
<u>Federal Financial Expenditures</u>				
Environmental Protection Agency				
Drinking Water State Revolving Fund Cluster				
Pennsylvania Infrastructure Investment Authority	66.468	09514132209-PF	-	<u>\$ 3,313,789</u>
Total Expenditures of Federal Awards			-	<u><u>\$ 3,313,789</u></u>

See accompanying notes to schedule of expenditures of federal awards.

PERKASIE REGIONAL AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

For the Year ended December 31, 2023

NOTE 1 – GENERAL INFORMATION

The accompanying schedule of expenditures of federal awards (“the Schedule”) presents the activities in all the federal award programs of Perkasio Regional Authority (“Authority”). All financial awards expended directly from federal agencies, as well as financial awards passed through other governmental agencies are included on the Schedule. The Schedule has been prepared solely to comply with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles*. Because the Schedule submitted is limited to these requirements, this information is not intended to present the financial position and results of operations of the Authority.

NOTE 2 – BASIS OF ACCOUNTING

The Schedule is presented using the accrual basis of accounting. Expenditures of federal awards are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - SUBRECIPIENTS

The Authority does not have any subrecipients.

NOTE 5 – PRIOR YEAR EXPENSES

Pursuant to the terms of the grant award, the Authority is permitted to receive reimbursement for expenses incurred prior to the award date including amounts expenses in prior years. Included in the Schedule are amounts incurred during the year ended December 31, 2022, totaling \$40,793 that were reimbursed to the Authority during the year ended December 31, 2023.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORNACE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of the Board
Perkasie Regional Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Perkasie Regional Authority (“Authority”), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated July 23, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompany schedule of findings and questioned costs as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-002.

Perkasie Regional Authority's Response to Findings

The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Marcum LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania
July 23, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

To the Members of the Board
Perkasie Regional Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Perkasie Regional Authority's ("Authority") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Authority's major federal program for the year ended December 31, 2023. Perkasie Regional Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards, and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Authority's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matter

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance, which is described in the accompanying schedule of findings and questioned costs as item 2023-002 and 2023-003. Our opinion on the major program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Perkasio Regional Authority's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Perkasio Regional Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Perkasie Regional Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Perkasie Regional Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

Philadelphia, Pennsylvania
July 23, 2024

PERKASIE REGIONAL AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION I — SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP *UNMODIFIED*

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u> X </u>	None reported

Noncompliance material to financial statements noted?	<u> X </u>	Yes	<u> </u>	No
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FEDERAL AWARDS

Internal control over major federal programs:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified?	<u> X </u>	Yes	<u> </u>	None reported

Type of auditors' report issued on compliance for major federal programs *UNMODIFIED*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> X </u>	Yes	<u> </u>	No
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Identification of major federal programs:

NAME OF FEDERAL PROGRAM OR CLUSTER

***ASSISTANCE LISTING
NUMBER***

Drinking Water State Revolving Fund	66.468
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Dollar threshold used to distinguish between type A and type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	<u> </u>	Yes	<u> X </u>	No
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PERKASIE REGIONAL AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION II — FINANCIAL STATEMENT FINDINGS

Finding No. 2023-001 – Revenue Recognition

Criteria

Financial reporting requires revenue to be recognized in the proper period.

Condition

The authority failed to recognize revenue related to its federal grant in the amount of \$1,240,580 for the year ended December 31, 2023.

Cause

This is the first time the Authority had received a federal grant in many years and although the Authority understood the terms and conditions of the grant, the Authority was recognizing revenue from the grant on a cash basis versus an accrual basis, which is the accounting methodology followed by the Authority.

Effect

The Authority failed to recognize capital contributions related to expenses incurred during the year ended December 31, 2023 and submitted for reimbursement as revenue and a receivable as of December 31, 2023.

Questioned Costs

None

Recommendation

As part of the Authority's internal controls over financial reporting process, we recommend the Authority correctly report all revenue expenses, including grant awards. This should reduce the occurrence of improper revenue recognition.

Views of Responsible Officials

See corrective action plan.

SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No. 2023-002 – Internal Control over Preparation of Schedule of Expenditures of Federal Awards (“SEFA”)

Identification of the Federal Program: ALN #66.468

Criteria

Uniform Guidance prescribe the required Schedule of Expenditures of Federal Awards contents and delineates how or what is deemed to be expenditures for purposes of completing the SEFA.

Condition

During procedures performed for reconciliation of the information presented on the SEFA to the underlying records used to prepare the SEFA such as the general ledger, reimbursement requests and grant agreements, auditor noted the following:

- The federal expenditures were not properly reflected on the SEFA as the Authority did not properly account for expenditures submitted for reimbursement but not received before December 31, 2023 (See Finding 2023-001 above).
- The Authority lacked the proper segregation of duties as the Authority Manager prepared and reviewed the SEFA.

Cause

This is the first time the Authority had received a federal grant in many years and although the Authority understood the terms and conditions of the grant, the Authority was recognizing revenue from the grant on a cash basis versus accrual basis. Additionally, the Authority does not employ many staff, and therefore, there are limited people involved in the finance department.

Effect

Inaccurate information on the SEFA may lead to incorrect reporting on the Data Collection Form submitted to the Federal Single Audit Clearinghouse, as well as incorrect information submitted to grantor agencies.

Questioned Costs

None

Recommendation

To ensure adequate internal controls over the preparation of the SEFA, we recommend that the Authority implement financial controls and procedures to ensure that information reported on the

SEFA is accurate, complete, agrees to underlying records and is prepared in accordance with Uniform Guidance and in a timely manner and properly reviewed by someone who did not prepare the SEFA.

Views of Responsible Officials

See corrective action plan.

Finding No. 2023-003 – Improper Charging of Payroll Costs to the Grant

Identification of the Federal Program: ALN #66.468

Criteria

In accordance with Part 200 of the Uniform Guidance and the allowable costs and cost principles, direct costs must be identified specifically with a particular final cost objective, such as a federal award or that can be directly assigned to such activities with a high degree of accuracy.

Condition

The approved budget for the grant included two Authority employees both of which are salaried employees. During the audit procedures performed for testing payroll charged as direct cost reimbursement for the grant award, the auditors noted that the Authority allocated the approved budgeted payroll evenly throughout the year to the grant versus specifically identifying and allocating actual time incurred on the grant as a reimbursement request. One of the employees did have a timesheet and did indicate time was incurred on the grant but no actual hours were quantified on the timesheet. The other Authority employee does not complete a timesheet as the individual is in an administrative function. There was no timesheet for this employee. The total payroll charged to the grant award was below the questioned cost threshold.

Cause

The Authority had an approved budget and the actual hours incurred on the grant were more than the budgeted time submitted. Therefore, the Authority did not track the specific time.

Effect

Although there was an approval of budgeted payroll costs, actual payroll costs may be less than the budget and therefore, the Authority would not be entitled to reimbursement, and ultimately, the Authority could receive funding for unallowable costs.

Questioned Costs

None

Recommendation

To ensure adequate internal controls over compliance, we recommend that the Authority specifically track all hours associated with any grant where reimbursement is being requested.

Views of Responsible Officials

See corrective action plan.

SECTION IV – PRIOR YEAR AUDIT FINDINGS

None

Board Members:

Chairman
David Watt

Vice-Chairman
J. Thomas Horn

Secretary
Victoria Miller

Treasurer
Stephen Algeo

Asst. Sec./Treas.
Gregory Martin



PERKASIE REGIONAL AUTHORITY

Providing Water and Wastewater Service Since 1895

Staff:

Manager
Nicholas T. Fretz

Engineer
Peter C. Andersen, P.E.

Solicitor
John Schaeffer, III, Esq.

Web Site
www.perkasieauthority.org

FINDING – FINANCIAL STATEMENT AUDIT

Finding No. 2023-001 – Revenue Recognition

The Authority Manager did not disclose the grant receivable as it was not yet received at the end of 2023 and should have been booked as an accrual and not a cash basis receipt. The Manager will ensure that going forward items are booked based on the accrual and not the cash basis.

Anticipated Completion Date: 12/31/2024

Person(s) Responsible for Corrective Action: Manager

FINDING – FEDERAL AWARD PROGRAM AUDIT

Finding No. 2023-002 Internal Control over Preparation of Schedule of Expenditures of Federal Awards (“SEFA”)

The Manager acknowledges that there is no separation of duties, but with the Authority being very small and there only being three (3) office employees; it does not make financial sense to hire an additional person to oversee the grant proceeds. The Manager will make sure that going forward all items pertaining to the grant are reviewed by the Board and Engineer to help off-set that separation of duty issue.

The Authority Manager did not disclose the grant receivable as it was not yet received at the end of 2023 and should have been booked as an accrual and not a cash basis receipt. The Manager will ensure that going forward items are booked based on the accrual and not the cash basis.

Anticipated Completion Date: 12/31/2024

Person(s) Responsible for Corrective Action: Manager

FINDING – FEDERAL AWARD PROGRAM AUDIT

Finding No. 2023-003 Improper Charging of Payroll Costs to the Grant

The payroll timesheets for the Grant funding was not clearly defined as to who was working on that specific project on specific days. Going forward the Manager will have a timesheet for each employee that works on the grant project each day and the number of hours from that day spent working on that project. The Manager will review all employee timesheets and the Engineer/Board will review the timesheet for the Manager.

Anticipated Completion Date: 12/31/2024

Person(s) Responsible for Corrective Action: Manager

Nicholas Fretz
Manager

**Perkasie Regional
Authority**
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Sellersville, PA 18960

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www.perkasieauthority.org

tel: [215-257-3654](tel:215-257-3654)
fax: 215-257-5590

PERKASIE REGIONAL AUTHORITY

Schedule of Operating Expenses

Years Ended December 31, 2023 and 2022

	2023	%	2022	%	Variance Increase (Decrease)
	<u>2023</u>	<u>%</u>	<u>2022</u>	<u>%</u>	<u>(Decrease)</u>
SEWER SERVICE					
Salaries	\$ 76,021	1.4	\$ 88,972	1.7	\$ (12,951)
Payroll Taxes	6,104	0.1	7,144	0.1	(1,040)
Materials and Supplies	3,218	0.1	3,843	0.1	(625)
Electric	385	0.0	337	0.0	48
Maintenance and Repairs	16,173	0.3	17,365	0.3	(1,192)
Vehicle	19,143	0.3	14,127	0.3	5,016
Uniforms	1,172	0.0	719	0.0	453
Treatment Fees - Operating	755,035	13.8	690,460	13.0	64,575
Total Sewer Service	<u>877,251</u>	<u>16.0</u>	<u>822,967</u>	<u>15.5</u>	<u>54,284</u>
WATER SERVICE					
Salaries	275,061	5.0	273,926	5.2	1,135
Payroll Taxes	22,086	0.4	21,995	0.4	91
Materials and Supplies	46,747	0.9	11,940	0.2	34,807
Electric	92,548	1.7	100,879	1.9	(8,331)
Maintenance and Repairs	167,340	3.1	94,686	1.8	72,654
Vehicle	18,755	0.3	19,850	0.4	(1,095)
Uniforms	2,290	0.0	2,609	0.0	(319)
Testing	44,848	0.8	18,828	0.4	26,020
Meters	-	0.0	18,847	0.4	(18,847)
Total Water Service	<u>669,675</u>	<u>12.2</u>	<u>563,560</u>	<u>10.7</u>	<u>106,115</u>
PROFESSIONAL FEES					
Consulting Engineer	47,257	0.9	36,165	0.7	11,092
Accounting and Audit	40,685	0.7	40,595	0.8	90
Legal	10,783	0.2	13,112	0.2	(2,329)
Hydrogeologist	25,000	0.5	32,425	0.6	(7,425)
Total Professional Fees	<u>123,725</u>	<u>2.3</u>	<u>122,297</u>	<u>2.3</u>	<u>1,428</u>
GENERAL AND ADMINISTRATIVE					
Office Payroll	266,413	4.9	254,422	4.8	11,991
Employee Insurance	175,540	3.2	194,333	3.7	(18,793)
Payroll Taxes	23,178	0.4	22,103	0.4	1,075
Pension	58,316	1.1	(55,031)	(1.0)	113,347
Office Equipment	63,036	1.1	36,776	0.7	26,260
General Business Insurance	61,363	1.1	56,843	1.1	4,520
Communications	16,419	0.3	13,088	0.2	3,331
Postage	8,029	0.1	11,224	0.2	(3,195)
Education	4,006	0.1	5,534	0.1	(1,528)
Utilities	14,291	0.3	13,531	0.3	760
Maintenance and Repairs - Office	47,308	0.9	28,378	0.5	18,930
Office Supplies	2,091	0.0	2,977	0.1	(886)
Newsletter	-	0.0	1,264	0.0	(1,264)
Trustee Fees	3,233	0.1	4,655	0.1	(1,422)
Dues and Subscriptions	50,661	0.9	43,802	0.8	6,859
Miscellaneous	35,751	0.7	22,056	0.4	13,695
Vehicles	2,287	0.0	2,219	0.0	68
Billing	480	0.0	511	0.0	(31)
Website	-	0.0	42	0.0	(42)
Total General and Administrative Expenses	<u>832,402</u>	<u>15.2</u>	<u>658,727</u>	<u>12.4</u>	<u>173,675</u>
Total Operating Expenses	<u>\$ 2,503,053</u>	<u>45.7</u>	<u>\$ 2,167,551</u>	<u>40.9</u>	<u>\$ 335,502</u>

PERKASIE REGIONAL AUTHORITY

Schedule of Revenues and Expenses - Budget and Actual

Year Ended December 31, 2023

	Actual	Budget	Variance
OPERATING REVENUES			
Sewer Service Charges:			
Single Family	\$ 1,667,377	\$ 1,644,300	\$ 23,077
Multi-Family	294,115	315,000	(20,885)
Commercial	120,227	167,000	(46,773)
Industrial	25,864	34,600	(8,736)
School	55,750	63,200	(7,450)
Church	8,037	6,800	1,237
Public	28,402	28,500	(98)
Mixed	23,658	27,100	(3,442)
Miscellaneous	44,592	42,600	1,992
	2,268,022	2,329,100	(61,078)
Water Sales:			
Single Family	1,783,355	1,767,600	15,755
Multi-Family	255,045	251,600	3,445
Commercial	146,725	148,500	(1,775)
Industrial	25,182	23,900	1,282
School	74,742	69,600	5,142
Church	11,738	12,200	(462)
Public	20,707	26,100	(5,393)
Mixed	23,303	27,500	(4,197)
Miscellaneous	48,351	44,600	3,751
	2,389,148	2,371,600	17,548
Other Revenue:			
Fire Charges	101,802	89,900	11,902
Other	105,658	49,970	55,688
	207,460	139,870	67,590
Total Operating Revenues	\$ 4,864,630	\$ 4,840,570	\$ 24,060
 OPERATING EXPENSES			
Sewer Service:			
Salaries	\$ 76,021	\$ 107,600	\$ (31,579)
Materials and Supplies	3,218	7,000	(3,782)
Electric	385	700	(315)
Maintenance and Repairs	16,173	34,000	(17,827)
Vehicle	19,143	19,810	(667)
Uniforms	1,172	1,230	(58)
Treatment Fees	755,035	830,000	(74,965)
	871,147	1,000,340	(129,193)

PERKASIE REGIONAL AUTHORITY

Schedule of Revenues and Expenses - Budget and Actual, Continued

Year Ended December 31, 2023

	Actual	Budget	Variance
Water Service:			
Salaries	275,061	319,100	(44,039)
Materials and Supplies	46,747	50,500	(3,753)
Electric	92,548	129,030	(36,482)
Maintenance and Repairs	167,340	147,100	20,240
Vehicle	18,755	16,540	2,215
Uniforms	2,290	3,590	(1,300)
Testing	44,848	19,700	25,148
Meters	-	6,200	(6,200)
	<u>647,589</u>	<u>691,760</u>	<u>(44,171)</u>
Total Water Service	647,589	691,760	(44,171)
Professional Fees:			
Consulting Engineer	47,257	30,200	17,057
Auditor	40,685	41,800	(1,115)
Legal	10,783	16,800	(6,017)
Hydrogeologist	25,000	28,700	(3,700)
	<u>123,725</u>	<u>117,500</u>	<u>6,225</u>
Total Professional Fees	123,725	117,500	6,225
General and Administrative:			
Salaries	266,413	249,000	17,413
Employee Benefits	285,224	376,000	(90,776)
Materials and Supplies	65,267	104,300	(39,033)
Utilities	14,291	23,600	(9,309)
Communications	16,419	17,000	(581)
Maintenance and Repairs - Office	63,036	59,720	3,316
Vehicles	2,287	2,110	177
Maintenance and Repairs - Building	47,308	21,400	25,908
Lease of Vehicles	-	17,000	(17,000)
Trustee Fees	3,233	5,100	(1,867)
Insurance	61,363	68,700	(7,337)
Miscellaneous	35,751	2,500	33,251
	<u>860,592</u>	<u>946,430</u>	<u>(85,838)</u>
Total General and Administrative	860,592	946,430	(85,838)
Total Operating Expenses	<u>2,503,053</u>	<u>2,756,030</u>	<u>(252,977)</u>
Operating Revenues Over Expenses	<u>\$ 2,361,577</u>	<u>\$ 2,084,540</u>	<u>\$ 277,037</u>

PERKASIE REGIONAL AUTHORITY

Schedule of Revenues and Expenses - Budget and Actual, Continued

Year Ended December 31, 2023

	Actual	Budget	Variance
Operating Revenues Over Expenses	\$ 2,361,577	\$ 2,084,540	\$ 277,037
Nonoperating Revenues (Expenses):			
Investment Income	440,486	12,300	428,186
Lease Income	117,599	91,200	26,399
Capital contributions	3,919,359	-	3,919,359
Interest Expense	(384,053)	-	(384,053)
Principal Payments on Debt	(1,160,000)	(1,600,000)	440,000
Transfer for Debt Coverage	-	(588,040)	588,040
	2,933,391	(2,084,540)	5,017,931
Total Nonoperating Revenues (Expenses) - Net			
Total Revenues Over Expenses	\$ 5,294,968	\$ -	\$ 5,294,968
Reconciliation of Budget Reporting to Financial Statements:			
Revenues Over Expenses	\$ 5,294,968		
Principal Payments on Debt	1,160,000		
Tapping Fees	617,736		
Debt issue costs	(80,861)		
Depreciation and Amortization	(1,351,993)		
Increase in Net Position per Statement of Revenues, Expenses, and Changes in Net Position	\$ 5,639,850		