

BOROUGH OF PERKASIE
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

BOROUGH OF PERKASIE

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INDEPENDENT AUDITORS' REPORT

To the Borough Council
Borough of Perkasio
Perkasie, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Perkasio as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Perkasio, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Borough of Perkasio, 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 Borough of Sellersville'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 generally accepted 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 generally accepted 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 Borough of Perkasio'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 Borough of Perkasio'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, budgetary comparison information, schedules of changes in net pension liability, and schedules of employer contributions – pension plan on pages 4 through 13 and 59 through 64 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.



STYER ASSOCIATES
Certified Public Accountants

Souderton, Pennsylvania
October 27, 2022



As management of the Borough of Perkasie, we offer readers of the Borough of Perkasie's financial statements this narrative overview and analysis of the financial activities of the Borough for the fiscal year ended December 31, 2021. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A) found in pages 4 through 13. The MD&A is to be read in conjunction with the Borough's financial statements on the remaining pages.

THE FINANCIAL HIGHLIGHTS

- As of December 31, 2021, the Borough of Perkasie's Government-wide assets exceeded its liabilities by \$18,876,166 (net position). Of this amount, \$3,888,593 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. Total cash increased by \$325,081.
- The Borough's Government-wide net position increased from 2020 by \$1,074,578-pg.14.
- As of December 31, 2021, the Borough of Perkasie's Total Governmental Funds reported an ending fund balance of \$2,901,323. Of this amount, \$1,704,960 (unassigned fund balance-pg.16) is available for spending at the government's discretion. The unassigned fund balance is 21.6% of total General Fund expenditures.
- As of December 31, 2021, the Borough of Perkasie's Proprietary Fund reported an ending net position of \$2,958,887. Of this amount, \$1,535,521 (unrestricted net position-pg.19), is available for spending at the government's discretion. The unrestricted net position is 25.7% of the Proprietary Fund total operating expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Borough's annual financial report consists of several sections. The MD&A is intended to serve as a synopsis of the Borough of Perkasie's financial performance for the year. The Borough of Perkasie's year-end Financial Statements, beginning on page 14, are comprised of five components: 1) Government-Wide Financial Statements, 2) Governmental Fund Financial Statements, 3) Notes to the Financial Statements, 4) Budgetary Comparison Schedule-General Fund, and 5) Pension Plan Liability & Contribution Schedules.

Government-Wide Financial Statements -The Government-Wide Financial Statements (pgs 14, 15) are designed to provide readers with a broad overview of the Borough of Perkasie's finances, in a manner similar to a private-sector business that utilizes full accrual accounting.

The Statement of Net Position presents information on all of the Borough of Perkasie's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Borough is improving or deteriorating.

BOROUGH OF PERKASIE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

The Statement of Activities presents information showing how the Borough's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement, of some items, that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the Government-Wide Financial Statements distinguish functions of the Borough of Perkasia that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental fund activities of the Borough include General Government, Public Safety, Refuse Collection, Capital Projects, Public Works, and Parks and Recreation. Electric distribution is the business-type (proprietary) activity of the Borough.

The Government-Wide financial statements include only the Borough of Perkasia. There are no other organizations or agencies whose financial statements should be combined and presented with the financial statements of the Borough.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Borough of Perkasia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Borough of Perkasia are governmental, proprietary or fiduciary (escrow) funds.

Governmental Fund Financial Statements - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements (pgs 16, 17) focus on near-term inflows and outflows of spendable resources, as well as the balance of spendable resources available at the end of the fiscal year (modified accrual accounting). Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Borough of Perkasia maintains 6 individual governmental funds (General Fund, Capital Fund, State Liquid Fuels Fund, Fire Protection Fund, Menlo Aquatics Fund and the Refuse Fund). The Governmental Fund Balance Sheet (pg 16) and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances (pg 17) contain three columns and a total column. The General Fund column includes the General Fund, the Menlo Aquatics Fund and the

BOROUGH OF PERKASIE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

Refuse Fund. The Capital Fund column is self-explanatory. The Other Governmental Funds column includes the State Liquid Fuels Fund and the Fire Protection Fund. Only the General Fund and Capital Projects Funds are to be considered major governmental funds.

The Reconciliation, on page 18, details the difference between the net change in fund balances on the Statement of Revenues, Expenditures and Changes in Fund Balances, on page 17, and the Statement of Activities on page 15.

The Borough of Perkasia adopts an annual appropriated budget for all of its funds. A budgetary comparison schedule has been provided as required supplementary information for the General Fund to demonstrate compliance with this budget on pages 59 and 60.

Proprietary Fund - The Borough maintains one type of proprietary fund; an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Borough of Perkasia uses an enterprise fund to account for its Electric distribution activities.

Proprietary fund statements (pgs 19-21) provide the same type of information as the government-wide financial statements, only in more detail. The Propriety Fund financial statements provide separate information for the Electric Fund which is also considered a major fund of the Borough of Perkasia.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide, governmental fund and proprietary fund financial statements. The notes to the financial statements can be found on pages 24 through 58 of this report.

Government-Wide Financial Analysis (See Table 1)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Borough of Perkasia, assets exceeded liabilities by \$18,876,166 at the close of 2021.

Infrastructure assets of the governmental activities are included within this report. The capital assets (e.g., land, buildings, machinery, infrastructure, and equipment) of the governmental activities of the Borough of Perkasia less outstanding debt equal \$13,371,186. The majority of the outstanding debt of the governmental activities funds was incurred for buildings and aquatic center construction.

The largest portion of the governmental activities net position of \$13,371,186 (84.0 percent) reflects its investment in capital assets (e.g., land, buildings, building improvements, machinery and equipment) less depreciation and any related debt used to acquire those assets that is still outstanding. The Borough of Perkasia uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough of Perkasia's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

BOROUGH OF PERKASIE, PENNSYLVANIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2021

Table 1 – Borough of Perkasio's Net Position-Gov't Wide

Assets:	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 4,526,026	\$ 3,391,790	\$ 2,573,958	\$ 2,886,386	\$ 7,099,984	\$ 6,278,176
Capital assets	15,908,186	15,837,554	1,423,366	1,200,396	17,331,552	17,037,950
Deferred Outflows	1,685,734	1,200,583	293,250	134,930	1,978,984	1,335,513
Total assets	22,119,946	20,429,927	4,290,574	4,221,712	26,410,520	24,651,639
Long-term debt	2,646,909	3,122,351	-	-	2,646,909	3,122,351
Other liabilities	639,483	796,718	776,421	745,449	1,415,904	1,542,167
Total liabilities	3,286,392	3,919,069	776,421	745,449	4,062,813	4,664,518
Deferred Inflows	2,916,275	1,788,302	555,266	397,231	3,471,541	2,185,533
Net Position:						
Invested in capital assets, net of debt	13,371,186	12,826,554	1,423,366	1,200,396	14,794,552	14,026,950
Restricted	193,021	235,524	-	-	193,021	235,524
Unrestricted	2,353,072	1,660,478	1,535,521	1,878,636	3,888,593	3,539,114
Total net position	\$ 15,917,279	\$ 14,722,556	\$ 2,958,887	\$ 3,079,032	\$ 18,876,166	\$ 17,801,588

The balance of the total unrestricted net position, in Table 1, of \$3,888,593 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the 2021 fiscal year, the Borough of Perkasio reported an increase in net position of \$1,074,578 as indicated on page 15.

Table 2 highlights the Borough's revenues and expenditures for the fiscal year ended December 31, 2021. These two components are subtracted to yield the change in net position.

Revenue is further divided into two major components: Program Revenue and General Revenue. Program revenue is defined as charges for sales and services, and operating grants and contributions. General revenue includes taxes, investment income and other unrestricted revenue sources.

BOROUGH OF PERKASIE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

Table 2 – Borough of Perkasie's Changes in Net Position-Gov't Wide

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<u>Revenues</u>						
<u>Program Revenues</u>						
Charges for services	\$ 2,932,066	\$ 2,440,465	\$ 8,870,596	\$ 8,243,711	\$ 11,802,662	\$ 10,684,176
Grants and contributions	985,016	805,575	28,784	36,486	1,013,800	842,061
<u>General Revenues</u>						
Property taxes	565,028	557,423	-	-	565,028	557,423
EI Tax, LST & other taxes	1,990,352	1,749,069	-	-	1,990,352	1,749,069
Other general revenues	257,041	202,397	6,061	14,022	263,102	216,419
Total Revenues	6,729,503	5,754,929	8,905,441	8,294,219	15,634,944	14,049,148
<u>Expenses</u>						
General government	1,029,257	942,945	-	-	1,029,257	942,945
Public safety	3,668,616	3,888,305	-	-	3,668,616	3,888,305
Refuse collection	660,586	708,667	-	-	660,586	708,667
Public works	1,019,064	867,737	-	-	1,019,064	867,737
Recreation and conservation	1,106,673	942,250	-	-	1,106,673	942,250
Employee benefits and ins	1,020,778	720,886	-	-	1,020,778	720,886
Miscellaneous	49,749	5,279	-	-	49,749	5,279
Interest on long-term debt	37,825	70,904	-	-	37,825	70,904
Electric	-	-	5,967,818	5,649,747	5,967,818	5,649,747
Total expenses	8,592,548	8,146,973	5,967,818	5,649,747	14,560,366	13,796,720
Inc/(Dec) in net postn b4 trans	(1,863,045)	(2,392,044)	2,937,623	2,644,472	1,074,578	252,428
Transfers	3,057,768	2,784,784	(3,057,768)	(2,784,784)	-	-
Changes in net position	1,194,723	392,740	(120,145)	(140,312)	1,074,578	252,428
Net position - beginning of year	14,722,556	14,329,816	3,079,032	3,219,344	17,801,588	17,549,160
Net position - end of year	\$ 15,917,279	\$ 14,722,556	\$ 2,958,887	\$ 3,079,032	\$ 18,876,166	\$ 17,801,588

BOROUGH OF PERKASIE, PENNSYLVANIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2021

Table 3 below discloses cost of services for Governmental Activities. The total cost of services columns contain all costs related to the programs and the net cost columns show the total costs not covered by program revenues. The net costs are costs that must be covered by local taxes or other general revenue or transfers.

Table 3 – Borough of Perkasie's Government Wide Activities

<u>Programs</u>	<u>Total Cost of Services</u>		<u>Total Net (Cost)/Revenue</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General Government	\$ 1,029,257	\$ 942,945	\$ (713,649)	\$ (499,258)
Public Safety	3,668,616	3,888,305	(2,278,550)	(2,663,145)
Refuse Collection	660,586	708,667	153,280	93,906
Public Works	1,019,064	867,737	(774,918)	(596,830)
Recreation and Conservation	1,106,673	942,250	(202,736)	(740,512)
Employee Benefits and Ins.	1,020,778	720,886	(771,319)	(418,911)
Miscellaneous	49,749	5,279	(49,749)	(5,279)
Interest on Long Term Debt	37,825	70,904	(37,825)	(70,904)
Total	\$ 8,592,548	\$ 8,146,973	\$ (4,675,466)	\$ (4,900,933)

The net cost of services is 54.4% of total cost of services in 2021. This reflects the reliance on taxes and other revenue sources to fund the cost of services.

Governmental Activities

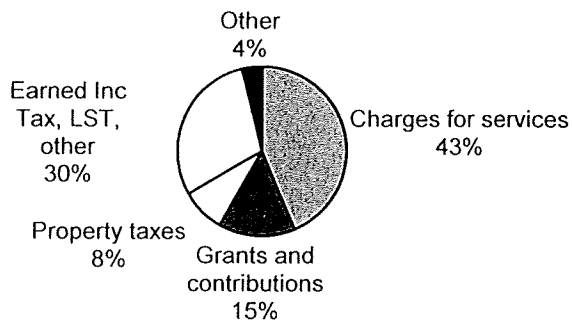
The largest sources of governmental activities revenue, reflected on the Statement of Activities on page 15, were derived from charges for services at 43% followed by earned income tax, local services tax and real estate transfer tax at 30%, government grants at 15% and property taxes at 8% as shown in Chart 1. Excluded are transfers from other funds.

- Property tax millage for 2021 is 6.25 mills. One and one-half mills, approved by voter referendum, is dedicated to the Perkasie Volunteer Fire Company specifically for the purchase, debt service, and maintenance of fire equipment.
- Real estate transfer taxes collected for 2021 increased by 36.4% and earned income taxes collected increased by 9.5%. The overall increase of both taxes was \$224,600 (13.4%).
- General Fund investment earnings decreased from \$12,577 in the prior year to \$5,622, a 55% decrease, for the year ended December 31, 2021. The decrease was primarily related to a decrease in the interest rates.

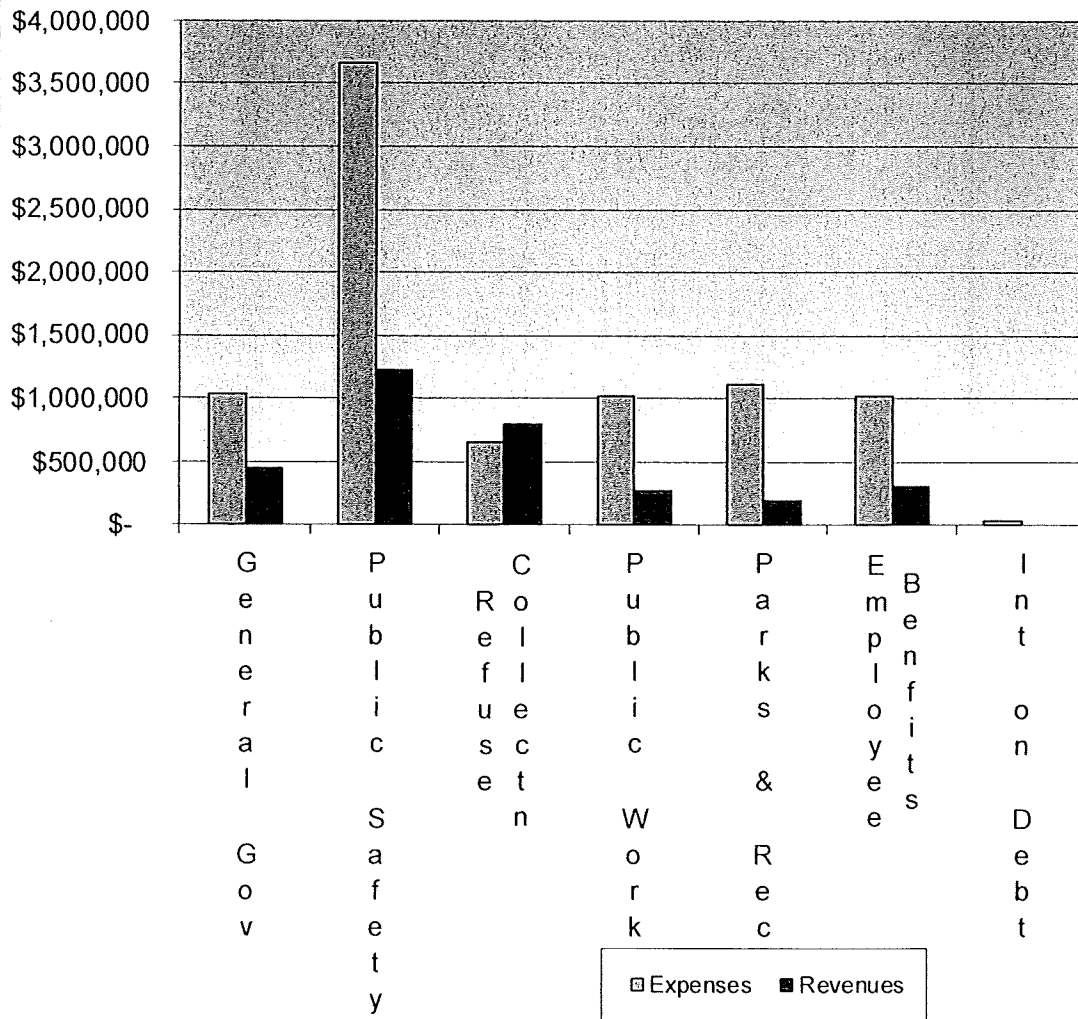
As shown on Chart 2 and in the Statement of Activities on page 15, 43% of the Borough's expenditures are for public safety, 20% for public works including refuse and recycling collection, 13% for parks and recreation, 12% for general government and 12% for employee benefits. The revenue sources in the graph below are from Charges for Services and Grants

BOROUGH OF PERKASIE, PENNSYLVANIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2021

Revenues by Source - Governmental Activities
 Chart 1



Expenses and Program Revenues-Government Wide Activities
 Chart 2



Proprietary Fund/Electric Enterprise

The Borough of Perkasia's proprietary fund provides the same type of information presented as business-type activities in the government-wide financial statements, but in more detail.

Business-Type Activities

Revenues of the Borough's business-type activities increased by 7.6% (\$8,870,596 in 2021 compared to \$8,243,711 in 2020) and expenses increased by 5.6%. The increase in revenue was primarily the result of a temporary rate reduction provided to customers in 2020 during the Covid-19 pandemic which lowered that year's revenues. The expenses increased primarily due to increased costs of purchased electricity, supplies, and various other items. The business-type activities ending net position of \$2,958,887 reflected a decrease in net position of \$120,145. Reflected in the ending fund balance/net position are transfers in the amount of \$3,057,768 from the business type fund to the governmental funds.

Governmental Funds-Activities

The focus of the Borough of Perkasia's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Borough of Perkasia's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2021, the Borough of Perkasia's governmental funds reported combined ending fund balances of \$2,901,323, an increase of \$ 69,152 in comparison with the prior year. Reflected in the ending fund balances are transfers in the amount of \$3,057,768 from the business type fund to the governmental funds.

The General Fund is the chief operating fund of the Borough of Perkasia. As of December 31, 2021, the total fund balance of the General Fund was \$1,959,272 of which \$77,263 was non-spendable for prepaid expenses and inventory. The unassigned fund balance of \$1,704,960 represents 21.6% of the total General Fund expenditures for 2021-pg. 17.

General Fund Budget Comparison Highlights

During the year, revenues were 10.7% higher than budget with expenses 1.1% less than budget. The net change in the fund balance, after recognizing operating transfers, was a favorable difference of \$147,524 versus the budget as reflected on page 59.

Earned income taxes, real estate transfer taxes and local services tax remained a major source of revenue for the borough. The three taxes combined totaled \$1,990,352 in 2021, as reflected on page 15.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets (Table 4)

The Borough of Perkasio's investment in capital assets for its governmental and business-type activities as of December 31, 2021, amounts to \$17,331,552 net of accumulated depreciation. This investment in capital assets includes land, buildings, building improvements, park facilities, infrastructure, vehicles and equipment. The increase in the investment in capital assets for the current fiscal year was a total of \$293,602 including depreciation. Depreciation of \$1,261,020 and asset disposals, that had a net asset reduction impact of \$38,517, was offset by asset additions of \$1,593,139.

Table 4 – Borough of Perkasio's Capital Assets

	Governmental		Business Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 4,568,939	\$ 4,568,939	\$ 134,211	\$ 134,211	\$ 4,703,150	\$ 4,703,150
Buildings	8,165,091	7,773,678	339,663	339,663	8,504,754	8,113,341
Equipment	8,482,672	8,380,989	3,011,640	2,956,875	11,494,312	11,337,864
Vehicles	1,865,990	1,899,044	940,844	699,528	2,806,834	2,598,572
Infrastructure	8,930,980	8,271,387	585,237	524,124	9,516,217	8,795,511
Accum Depr	<u>(16,105,486)</u>	<u>(15,056,483)</u>	<u>(3,588,229)</u>	<u>(3,454,005)</u>	<u>(19,693,715)</u>	<u>(18,510,488)</u>
Totals	\$ 15,908,186	\$ 15,837,554	\$ 1,423,366	\$ 1,200,396	\$ 17,331,552	\$ 17,037,950

Major capital asset events that occurred during the year included the following:

- Road reconstruction with adjoining curb & sidewalk replacements
- Replaced two police vehicles
- Replaced a Bucket Truck
- Addition of Amphitheater in Lenape Park
- Continued to replace electric meters

Additional information on the Borough's capital assets can be found in Note 5 of this report.

Long-term Liabilities (Table 5)

At the end of the current fiscal year, the Borough of Perkasio had total long-term liabilities outstanding of \$2,537,000 entirely backed by the full faith and credit of the government.

BOROUGH OF PERKASIE, PENNSYLVANIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2021

Table 5 – Outstanding Long-term Liabilities

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Notes	\$ 2,537,000	\$ 3,011,000	\$ -	\$ -	\$ 2,537,000	\$ 3,011,000
Pension Liab-Non-Unif	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pension Liab-Police	\$ -	\$ 446,946	\$ -	\$ -	\$ -	\$ 446,946
Leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Comped Absences	\$ 109,909	\$ 138,855	\$ -	\$ -	\$ 109,909	\$ 138,855
Total	\$ 2,646,909	\$ 3,596,801	\$ -	\$ -	\$ 2,646,909	\$ 3,596,801

More detailed information about the Borough's long-term liabilities is presented in Note 9 to the financial statements.

NEXT YEAR'S BUDGET

- Several roads are scheduled for maintenance and reconstruction in accordance with the road survey plan prepared by the Borough Engineer.
- Upgrades to the Borough's Recycling Center
- Purchase a new police vehicle
- Park Improvements
- Continue to replace electric meters

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Borough's finances and to show the Borough's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Borough Manager or Finance Director, 620 West Chestnut Street, Perkasie, Pennsylvania 18944.

General information relating to the Borough of Perkasie, Pennsylvania, can be found at the Borough's website, <http://www.perkasieborough.org>.

**BOROUGH OF PERKASIE
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash.....	\$ 3,762,135	\$ 1,499,125	\$ 5,261,260
Receivables	299,119	637,316	936,435
Internal balances.....	(147,870)	(49,556)	(197,426)
Net pension asset.....	517,172	283,929	801,101
Prepaid expenses	53,094	11,552	64,646
Inventories.....	24,170	191,592	215,762
Deposits.....	18,206		18,206
Capital Assets:			
Land	4,568,939	134,211	4,703,150
Other capital assets, net of depreciation.....	11,339,247	1,289,155	12,628,402
Total Capital Assets.....	<u>15,908,186</u>	<u>1,423,366</u>	<u>17,331,552</u>
Total Assets.....	<u>20,434,212</u>	<u>3,997,324</u>	<u>24,431,536</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	<u>1,685,734</u>	<u>293,250</u>	<u>1,978,984</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	<u>\$ 22,119,946</u>	<u>\$ 4,290,574</u>	<u>\$ 26,410,520</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 566,062	\$ 416,223	\$ 982,285
Accrued expenses.....	73,421	34,156	107,577
Customer deposits		326,042	326,042
Long term liabilities:			
Due within one year.....	460,000		460,000
Due in more than one year	<u>2,186,909</u>		<u>2,186,909</u>
Total Liabilities.....	<u>3,286,392</u>	<u>776,421</u>	<u>4,062,813</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	2,448,227	555,266	3,003,493
Deferred revenues	<u>468,048</u>		<u>468,048</u>
Total Deferred Inflows of Resources	<u>2,916,275</u>	<u>555,266</u>	<u>3,471,541</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt ..	13,371,186	1,423,366	14,794,552
Restricted.....	193,021		193,021
Unrestricted.....	<u>2,353,072</u>	<u>1,535,521</u>	<u>3,888,593</u>
Total Net Position.....	<u>15,917,279</u>	<u>2,958,887</u>	<u>18,876,166</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 22,119,946</u>	<u>\$ 4,290,574</u>	<u>\$ 26,410,520</u>

(The notes to the financial statements are an integral part of this statement.)

**BOROUGH OF PERKASIE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for	Operating	Governmental	Business	Total
		Services	Grants and Contributions	Capital Grants and Contributions	Activities	
Governmental activities:						
General government	\$ 1,029,257	\$ 311,037	\$ 4,571	\$ (713,649)	\$ (713,649)	\$ (713,649)
Public safety	3,668,616	1,324,759	65,307	(2,278,550)	(2,278,550)	(2,278,550)
Refuse collection	660,586	813,866		153,280	153,280	153,280
Public works	1,019,064		244,146	(774,918)	(774,918)	(774,918)
Recreation and conservation	1,106,673	482,404	103,500	(202,736)	(202,736)	(202,736)
Employee benefits and insurance	1,020,778		249,459	(771,319)	(771,319)	(771,319)
Miscellaneous	49,749			(49,749)	(49,749)	(49,749)
Interest on long term debt	37,825			(37,825)	(37,825)	(37,825)
Total Governmental Activities	<u>8,592,548</u>	<u>2,932,066</u>	<u>666,983</u>	<u>(4,675,466)</u>	<u>(4,675,466)</u>	<u>(4,675,466)</u>
Business type activities:						
Electric	5,967,818	8,870,596	28,784	0	2,931,562	2,931,562
Total	<u>14,560,366</u>	<u>11,802,662</u>	<u>695,767</u>	<u>(4,675,466)</u>	<u>2,931,562</u>	<u>(1,743,904)</u>
<u>General Revenues</u>						
Taxes:						
Property taxes, levied for						
general purposes				429,420	429,420	429,420
fire protection						
Earned income taxes				135,608	135,608	135,608
Local services tax				1,571,581	1,571,581	1,571,581
Real estate transfer taxes				91,006	91,006	91,006
Franchise fees				327,765	327,765	327,765
Investment earnings				164,755	164,755	164,755
Miscellaneous				5,622	5,622	5,622
Special item – gain on sale of assets				31,275	31,275	31,275
Transfers				55,389	55,389	55,389
Total General Revenues				<u>(3,057,768)</u>	<u>(3,057,768)</u>	<u>0</u>
Change in Net Position				<u>5,870,189</u>	<u>(3,051,707)</u>	<u>2,818,482</u>
Net Position – Beginning				1,194,723	(120,145)	1,074,578
Net Position – Ending				<u>14,722,556</u>	<u>3,079,032</u>	<u>17,801,588</u>
				<u>\$ 15,917,279</u>	<u>\$ 2,958,887</u>	<u>\$ 18,876,166</u>

(The notes to the financial statements are an integral part of this statement.)

**BOROUGH OF PERKASIE
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash.....	\$ 2,279,351	\$ 1,408,849	\$ 73,935	\$ 3,762,135
Receivables, net of allowance for uncollectibles:				
Taxes.....	89,865		864	90,729
Other.....	132,775	75,615		208,390
Prepaid expenses.....	53,094			53,094
Deposits.....		18,206		18,206
Inventories.....	24,170			24,170
Due from other funds.....	153,439	58,827		212,266
TOTAL ASSETS.....	<u>\$ 2,732,694</u>	<u>\$ 1,561,497</u>	<u>\$ 74,799</u>	<u>\$ 4,368,990</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Accounts payable.....	\$ 57,789	\$ 508,273	\$	\$ 566,062
Accrued expenses.....	56,774	16,647		73,421
Due to other funds.....	201,559	99,750	58,827	360,136
Total Liabilities.....	<u>316,122</u>	<u>624,670</u>	<u>58,827</u>	<u>999,619</u>
<u>Deferred Inflows of Resources:</u>				
Deferred revenue.....	457,300	10,748	0	468,048
<u>Fund Balances:</u>				
Nonspendable.....	77,263			77,263
Restricted for:				
State liquid fuels funds.....			14,632	14,632
Fire protection.....			1,340	1,340
Police K-9 and Upper Bucks Consortium..	177,049			177,049
Assigned for:				
Capital expenditures.....		926,079		926,079
Unassigned.....	1,704,960			1,704,960
Total Fund Balances.....	<u>1,959,272</u>	<u>926,079</u>	<u>15,972</u>	<u>2,901,323</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	<u>\$ 2,732,694</u>	<u>\$ 1,561,497</u>	<u>\$ 74,799</u>	

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	15,908,186
Other long term assets are not available to pay current period expenses	517,172
Deferred outflows of resources related to pensions are not reported in the governmental funds.	1,685,734
Deferred inflows of resources related to pensions are not reported in the governmental funds.	(2,448,227)
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(2,646,909)
Net Position of Governmental Activities	<u>\$ 15,917,279</u>

(The notes to the financial statements are an integral part of this statement.)

**BOROUGH OF PERKASIE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes, penalties and interest	\$ 2,419,772	\$	\$ 135,608	\$ 2,555,380
Franchise taxes.....	164,755			164,755
Permits, fines and licenses	145,942			145,942
Interest and rents	92,814	2,206	39	95,059
Intergovernmental revenues.....	338,241	318,033	232,441	888,715
Charges for services.....	2,689,018	103,500		2,792,518
Miscellaneous revenues	<u>79,945</u>	<u>45,707</u>		<u>125,652</u>
Total Revenues	<u>5,930,487</u>	<u>469,446</u>	<u>368,088</u>	<u>6,768,021</u>
Expenditures:				
General government.....	887,551	13		887,564
Public safety.....	3,368,701		136,265	3,504,966
Refuse collection.....	593,479			593,479
Public works	570,466			570,466
Recreation and conservation.....	770,551			770,551
Debt service - principal		474,000		474,000
- interest.....		37,825		37,825
Capital outlays	68,730	1,224,441		1,293,171
Employee benefits.....	1,482,514			1,482,514
Insurance and other expenses....	<u>142,101</u>			<u>142,101</u>
Total Expenditures	<u>7,884,093</u>	<u>1,736,279</u>	<u>136,265</u>	<u>9,756,637</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,953,606)</u>	<u>(1,266,833)</u>	<u>231,823</u>	<u>(2,988,616)</u>
Other Financing Sources (Uses):				
Operating transfers in.....	2,136,640	1,360,081		3,496,721
Operating transfers out.....	<u>(150,670)</u>		<u>(288,283)</u>	<u>(438,953)</u>
Total Other Financing Sources (Uses)	<u>1,985,970</u>	<u>1,360,081</u>	<u>(288,283)</u>	<u>3,057,768</u>
Net Change in Fund Balances.....	32,364	93,248	(56,460)	69,152
FUND BALANCES-BEGINNING	<u>1,926,908</u>	<u>832,831</u>	<u>72,432</u>	<u>2,832,171</u>
FUND BALANCES-ENDING.....	<u>\$ 1,959,272</u>	<u>\$ 926,079</u>	<u>\$ 15,972</u>	<u>\$ 2,901,323</u>

(The notes to the financial statements are an integral part of this statement.)

**BOROUGH OF PERKASIE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net change in fund balances – total governmental funds	\$	69,152
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,235,945) exceeded depreciation (\$1,126,796) in the current period.</p>		
		109,149
<p>In the statement of activities, only the loss on the sale of the asset is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the basis of the assets.</p>		
		(38,517)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.</p>		
		580,939
<p>Repayment of long-term debt is an expenditure in the governmental funds, but the payment reduces long term liabilities in the statement of net position.</p>		
		<u>474,000</u>
Change in net position of governmental activities		<u>\$ 1,194,723</u>

(The notes to the financial statements are an integral part of this statement.)

**BOROUGH OF PERKASIE
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2021**

<u>ASSETS</u>	<u>Electric Enterprise</u>
Current Assets:	
Cash.....	\$ 1,499,125
Receivables.....	637,316
Inventory.....	191,592
Prepaid expenses.....	11,552
Due from other funds.....	<u>23,869</u>
Total Current Assets.....	<u>2,363,454</u>
Non Current Assets:	
Net pension asset.....	283,929
Capital assets:	
Land.....	134,211
Buildings.....	339,663
Equipment.....	3,011,640
Infrastructure.....	585,237
Vehicles.....	940,844
Less accumulated depreciation.....	<u>(3,588,229)</u>
Total Non Current Assets.....	<u>1,707,295</u>
Total Assets.....	<u>4,070,749</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred amounts related to pensions.....	<u>293,250</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....	
	\$ <u>4,363,999</u>
 <u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable.....	\$ 416,223
Accrued expenses.....	34,156
Customer deposits.....	326,042
Due to other funds.....	<u>73,425</u>
Total Current Liabilities.....	<u>849,846</u>
Total Liabilities.....	<u>849,846</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred amounts related to pensions.....	<u>555,266</u>
 <u>NET POSITION</u>	
Invested in capital assets.....	1,423,366
Unrestricted.....	<u>1,535,521</u>
Total Net Position.....	<u>2,958,887</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION.....	
	\$ <u>4,363,999</u>

(The notes to the financial statements are an integral part of this statement.)

**BOROUGH OF PERKASIE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2021**

	<u>Electric Enterprise</u>
<u>Operating Revenues:</u>	
Charges and fees	\$ 8,701,536
Other revenue.....	<u>169,060</u>
Total Operating Revenues	<u>8,870,596</u>
<u>Operating Expenses:</u>	
Purchase of power.....	4,371,898
Operating expenses	1,245,245
General and administrative	215,909
Depreciation expense	<u>134,224</u>
Total Operating Expenses	<u>5,967,276</u>
Operating Income	<u>2,903,320</u>
<u>Nonoperating Revenues and (Expenses):</u>	
Interest revenue	6,061
Intergovernmental revenues.....	28,784
Interest expense.....	<u>(542)</u>
Total Nonoperating Revenues.....	<u>34,303</u>
Income Before Operating Transfers	2,937,623
<u>Operating Transfers:</u>	
Operating transfers out.....	<u>(3,057,768)</u>
Change in Net Position	(120,145)
TOTAL NET POSITION – BEGINNING	<u>3,079,032</u>
TOTAL NET POSITION – ENDING.....	<u>\$ 2,958,887</u>

(The notes to the financial statements are an integral part of this statement.)

**BOROUGH OF PERKASIE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2021**

	<u>Electric Enterprise</u>
<u>Cash Flows From Operating Activities:</u>	
Cash received from customers	\$ 8,579,337
Cash payments to suppliers for goods and services	(5,238,978)
Cash payments to employees for services	(699,760)
Other operating revenue	<u>238,153</u>
Net Cash Provided By Operating Activities	<u>2,878,752</u>
<u>Cash Flows From Noncapital Financing Activities:</u>	
Net receipts (payments) under interfund loans	(1,159,456)
Intergovernmental revenues	28,784
Transfers to other funds	<u>(3,057,768)</u>
Net Cash Used By Noncapital Financing Activities	<u>(4,188,440)</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Payments for purchase of property, plant, and equipment	(357,194)
Payments for interest expense	<u>(542)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(357,736)</u>
<u>Cash Flows From Investing Activities:</u>	
Interest revenue	<u>6,061</u>
NET DECREASE IN CASH	(1,661,363)
CASH – BEGINNING	<u>3,160,488</u>
CASH – ENDING	\$ <u>1,499,125</u>
<u>Reconciliation of Operating Income To Net Cash Provided By Operating Activities:</u>	
Operating income	\$ 2,903,320
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	134,224
(Increase) decrease in:	
Receivables	(42,304)
Inventory	(717)
Prepaid expenses	(10,326)
Net pension asset	(136,132)
Deferred outflows of resources	(158,320)
Increase (decrease) in:	
Accounts payable	(278)
Accrued expenses	2,300
Customer deposits	28,950
Deferred inflows of resources	<u>158,035</u>
Net Cash Provided By Operating Activities	\$ <u>2,878,752</u>

(The notes to the financial statements are an integral part of this statement.)

**BOROUGH OF PERKASIE
STATEMENT OF FIDUCIARY NET POSITION
YEAR ENDED DECEMBER, 31, 2021**

	<u>Custodial Fund</u>
<u>ASSETS</u>	
Cash	\$ 5,403
Due from developers.....	12,234
Due from other funds.....	<u>197,426</u>
TOTAL ASSETS.....	\$ <u>215,063</u>

<u>NET POSITION</u>	
Restricted for:	
Developers and individuals.....	\$ <u>215,063</u>
TOTAL NET POSITION.....	\$ <u>215,063</u>

(The notes to the financial statements are an integral part of this statement.)

**BOROUGH OF PERKASIE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2021**

	<u>Custodial Fund</u>
<u>Additions:</u>	
Contributions:	
Developers and individuals.....	\$ <u>272,502</u>
Total Contributions.....	<u>272,502</u>
TOTAL ADDITIONS.....	<u>272,502</u>
<u>Deductions:</u>	
Professional fees	209,685
Administrative fees	6,300
Return of contributions	<u>32,663</u>
TOTAL DEDUCTIONS.....	<u>248,648</u>
NET INCREASE.....	23,854
NET POSITION - BEGINNING OF YEAR.....	<u>191,209</u>
NET POSITION - END OF YEAR.....	<u>\$ 215,063</u>

The notes to the financial statement are an integral part of this statement.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 - Summary of Significant Accounting Policies:

The summary of significant accounting policies of the Borough is presented to assist in understanding the Borough's financial statements. The financial statements and notes are representations of the Borough's management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

The Borough of Perkasio is a municipal corporation incorporated under Article II of the Commonwealth of Pennsylvania Municipal Code Act of 1966, as amended. The Borough operates under a Council - Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of the Borough and its inhabitants.

Reporting Entity:

The financial statements of the Borough of Perkasio include all government activities, organizations and functions for which the Borough exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the Borough's financial statements include the degree of oversight responsibility exercised by the Borough Council over a government organization, activity or function, the Borough's accountability for the activity's fiscal matters, its scope of public service and the nature of any special financing relationships which may exist between the Borough and a given government activity. There are no agencies or organizations that require reporting in the Borough's financial statements.

Therefore, the Borough's municipal services, which include public safety (police and fire), public works, sanitation, health and human services, culture and recreation, public improvements, planning and zoning, and general administrative services, are included in the accompanying financial statements. In addition, the Borough owns and operates an enterprise activity, an electric utility which is included in the accompanying financial statements.

Related Organization - The Borough of Perkasio's Council appoints all members to the governing board of the Perkasio Regional Authority, an operating authority. The Perkasio Regional Authority provides water and sewer service to the residents of the Borough.

The Borough of Perkasio is not financially accountable for the Perkasio Regional Authority; therefore, the provisions have not been met regarding component units. The Perkasio Regional Authority is not included in the financial statements of the Borough of Perkasio.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 - Summary of Significant Accounting Policies (Continued):

Significant Accounting Policies:

The financial statements of the Borough have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. The Borough's significant accounting policies are described below.

Basic Financial Statements – Government-Wide Statements:

The Borough's basic financial statements include both government-wide (reporting the Borough as a whole) and fund financial statements (reporting the Borough's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental or business-type. The Borough's police and fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The Borough's electric service is classified as a business-type activity.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long term debt and obligations. The Borough's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Borough's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (property, earned income taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 - Summary of Significant Accounting Policies (Continued):

Basic Financial Statements – Government-Wide Statements (Continued):

The net costs (by function or business-type activity) are normally covered by general revenue (property, earned income taxes, intergovernmental revenues, interest income, etc.).

The Borough does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Borough as an entity and the change in the Borough's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements:

The financial transactions of the Borough are reported in individual fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Borough:

1. Governmental Funds – The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Borough:
 - a. **General fund** is the general operating fund of the Borough. It is used to account for all financial resources except those required to be accounted for in another fund.
 - b. **Capital projects fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).
 - c. **Special revenue funds** are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally or administratively restricted expenditures for specified purposes.

The two special revenue funds are not major funds of the Borough. The activity relating to these funds is shown in the other governmental funds column on the fund financial statements.

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 - Summary of Significant Accounting Policies (Continued):

Basic Financial Statements – Fund Financial Statements (Continued):

2. **Proprietary Funds** – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Borough:
 - a. **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.
3. **Fiduciary Funds** – The funds are used to report assets held in a trustee or custodial capacity for others and, therefore, are not available to support Borough programs.
 - a. **Custodial fund** is used to account for funds posted by developers who have projects in progress in the Borough and for funds received for security deposits from tenants in the Borough Hall building. The developers' funds are used to pay legal, engineering, and administrative costs incurred by the Borough relating to those projects. The security deposits will be returned to the tenants when they vacate their rental space less any charges for damages or rent.

Basis of Accounting:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. **Accrual** – Both governmental and business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.
2. **Modified Accrual** – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long term debt, if any, is recognized when due.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 - Summary of Significant Accounting Policies (Continued):

Cash and Cash Equivalents:

The Borough has defined cash and cash equivalents to include cash on hand, demand deposits, money markets, and certificates of deposit. Additionally, funds pooled in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania Treasurer's Invest program are treated as a cash equivalent because the Borough can deposit or withdraw cash at any time without prior notice or penalty.

Accounts Receivable – Electric Fund:

The following procedures are followed regarding the accounts receivable due to the Borough from electric customers. Accounts 1-30 days past due are mailed a first past due statement with penalty and shut off notice. Accounts 31-40 days past due are mailed a second past due statement with penalty and final shut off notice. Accounts 41 days past due are notified that electric will be shut off between April 15 and November 1 as allowed by law. Yellow tags are placed on doors 5 days before shut off. Red tags are placed on door on shut off date and then power is shut off. Properties associated with accounts closed and not paid are liened with collection made when property is sold. Rental property owners are charged after sending 3 notices, and the property is liened if the owner does not pay after 20 days.

Budget:

The Borough Council adheres to the following procedures in establishing the budgets reflected in the financial statements.

1. Beginning at least 30 days prior to adoption of the budget, a proposed budget for the ensuing year shall be prepared in a manner designated by Council. The proposed budget shall be kept on file with the borough secretary and made available for public inspection for a period of 10 days.
2. Notice that the proposed budget is available for inspection must be published in a newspaper of general circulation in the Borough and conspicuously posted during the 10 day period noted in item 1.
3. After 10 days, Council shall adopt the budget no later than December 31 and file it with the Pennsylvania Department of Community and Economic Development.
4. Annual budgets are generally adopted for the general, highway aid, capital improvement, and electric funds.
5. For budgetary purposes, appropriations lapse at the end of each year.

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 - Summary of Significant Accounting Policies (Continued):

Budget (Continued):

6. The budget is prepared on the modified accrual basis of accounting.
7. The budget was not amended during 2021.

Pensions:

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Borough of Perkasio's Pennsylvania Municipal Retirement System (PMRS) plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by PMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Revenue:

The Borough reports deferred revenue on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Borough before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Borough has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Operating Revenues and Expenses:

The Borough's proprietary fund distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Borough's electric fund consist of charges for services and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Developers Funds:

The Borough requires developers to deposit escrow funds to pay legal and engineering fees incurred by the Borough on their behalf.

Use of Estimates:

The preparation of financial statements 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.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 - Summary of Significant Accounting Policies (Continued):

Date of Management Evaluation of Subsequent Events:

Management has evaluated subsequent events through October 27, 2022, the date on which the financial statements were available to be issued.

Note 2 - Deposits and Investments:

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits and certificates of deposit, and qualifying commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocal arrangements. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes.

The Borough does not have a formal deposit and investment policy but adheres to state statutes and prudent business practice. Governmental Funds' amounts are either maintained in demand deposits, highly liquid money market funds, certificates of deposits, or pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT), and the Pennsylvania Treasurer's Invest Program and are captioned as "cash" in the statement of net position. These amounts are stated at cost which approximates market. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Borough.

Deposits:

Concentration of Credit Risk – As of December 31, 2021, 9% of the balances shown as cash on the Borough's Statement of Net Position were held by PLGIT, 75% by Univest Bank and Trust Company, 4% by American Heritage Federal Credit Union, 2% by Pennsylvania Treasurer's Invest Program, 7% by Penn Community Bank, and 3% by QNB Bank.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough follows state statutes as they relate to custodial credit risk. As of December 31, 2021, the Borough's total bank balances of \$5,295,279 were exposed to custodial credit risk as follows:

Balances subject to FDIC Insurance	\$ 632,402
Balances subject to NCUS Insurance.....	230,584
Balances uninsured and collateralized with securities held by Univest Bank and Trust Company and Penn Community Bank not in the Borough's name.....	3,829,955
Balances uninsured and uncollateralized funds with PLGIT and Invest.....	<u>602,338</u>
TOTAL.....	<u>\$ 5,295,279</u>

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 3 - Receivables:

A breakdown of the various receivables of the Borough of Perkasio at December 31, 2021 is as follows:

<u>Taxes receivable</u>	<u>\$ 90,729</u>
 <u>Other Receivables:</u>	
<u>General fund:</u>	
Charges for services, fines and reimbursements.....	<u>\$ 132,775</u>
 <u>Capital Projects Fund:</u>	
Property owner sidewalk assessments	<u>\$ 75,615</u>
 <u>Electric fund accounts receivable</u>	 <u>\$ 637,316</u>

Note 4 - Inventories:

Inventory in the general fund consists of trash bags held for sale to residents. They are reported at cost.

Inventory in the electric fund consists of poles, wire, and transformers. They are reported at cost.

Note 5 - Capital Assets:

Capital assets purchased or acquired with an original cost of \$2,500 and infrastructure construction over \$25,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	30 years
Machinery and equipment	5 – 20 years
Vehicles	3 – 10 years
Infrastructure	25 years

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 5 - Capital Assets (Continued):

Changes in Capital Assets:

The following is a summary of changes in capital assets for the year ended December 31, 2021:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land.....	\$ 4,568,939	\$ 0	\$ 0	\$ 4,568,939
Other capital assets:				
Buildings	7,773,678	391,413		8,165,091
Equipment	8,380,989	101,683		8,482,672
Vehicles	1,899,044	83,256	(116,310)	1,865,990
Infrastructure	8,271,387	659,593		8,930,980
Total Other Capital Assets At Historical Cost	26,325,098	1,235,945	(116,310)	27,444,733
Less accumulated depreciation:				
Buildings	(5,883,544)	(212,925)		(6,096,469)
Equipment	(5,445,167)	(403,666)		(5,848,833)
Vehicles	(1,109,682)	(166,157)	77,793	(1,198,046)
Infrastructure	(2,618,090)	(344,048)		(2,962,138)
	(15,056,483)	(1,126,796)	77,793	(16,105,486)
Other capital assets net	11,268,615	109,149	(38,517)	11,339,247
Governmental Activities				
Capital Assets Net	\$ 15,837,554	\$ 109,149	\$ (38,517)	\$ 15,908,186
<u>Business Type Activities:</u>				
Capital assets not being depreciated:				
Land.....	\$ 134,211	\$ 0	\$ 0	\$ 134,211
Other capital assets:				
Buildings	339,663			339,663
Equipment	2,956,875	54,765		3,011,640
Vehicles	699,528	241,316		940,844
Infrastructure	524,124	61,113		585,237
Total Other Capital Assets At Historical Cost.....	4,520,190	357,194	0	4,877,384

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 5 - Capital Assets (Continued):

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Business-Type Activities:</u>				
Less accumulated depreciation:				
Buildings	(285,125)	(3,253)		(288,378)
Equipment	(2,602,619)	(46,891)		(2,649,510)
Vehicles	(482,081)	(58,515)		(540,596)
Infrastructure	(84,180)	(25,565)		(109,745)
	<u>(3,454,005)</u>	<u>(134,224)</u>	<u>0</u>	<u>(3,588,229)</u>
Other capital assets net	<u>1,066,185</u>	<u>222,970</u>	<u>0</u>	<u>1,289,155</u>
Business-Type Activities				
Capital Assets Net	<u>\$ 1,200,396</u>	<u>\$ 222,970</u>	<u>\$ 0</u>	<u>\$ 1,423,366</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

General government	\$ 100,192
Public safety – police and zoning	174,541
Refuse collection	67,107
Public works	447,988
Recreation and conservation	336,968
Total Governmental Activities Depreciation Expense	<u>\$1,126,796</u>

Business Type Activities:

Electric	<u>\$ 134,224</u>
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Note 6 - Deferred Outflows of Resources:

The Borough reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its financial statements. Deferred outflows of resources reported in this year's financial statements include deferred outflows of resources for contributions made to the Borough's defined benefit pension plans between the measurement date of the net pension liability and the end of the Borough's fiscal year, changes in assumptions made by PMRS during 2020, and differences between expected and actual experience. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred outflows related to assumption and experience changes will be recognized over a six year period.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 7 - Compensated Absences:

The Borough does allow employees to accumulate vacation time. Sick time, personal time, and comp time can be accrued for management staff based on the terms of negotiated employment contracts.

The following is a summary of compensated absences at December 31, 2021.

Governmental funds employees.....	\$ 109,909
Proprietary fund - employees.....	<u>22,280</u>
	<u>\$ 132,189</u>

Note 8 - Deferred Revenues:

Deferred revenues at December 31, 2021 consist of the following:

General fund:	
ARPA grant funds.....	\$457,300
Capital Projects Fund:	
Liened amounts for sidewalk assessments.....	<u>10,748</u>
	<u>\$468,048</u>

Note 9 - Long Term Liabilities:

The following is a summary of changes in long term liabilities for the year ended December 31, 2021.

<u>Governmental Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Loans Payable:					
DVRFA-2001	\$ 223,000	\$	\$(223,000)	\$	\$
DVRFA-2002	200,000		(98,000)	102,000	102,000
DVRFA-2006	1,001,000		(152,000)	849,000	158,000
DVRFA-2007	<u>1,587,000</u>		<u>(1,000)</u>	<u>1,586,000</u>	<u>200,000</u>
Total Loans	<u>3,011,000</u>	<u>0</u>	<u>(474,000)</u>	<u>2,537,000</u>	<u>460,000</u>

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 9 - Long Term Liabilities (Continued):

Other Liabilities:

Net pension liability:					
Police	446,496		(446,496)		
Compensated absences	<u>138,855</u>		<u>(28,946)</u>	<u>109,909</u>	
Total Other Liabilities.....	<u>585,351</u>	<u>0</u>	<u>(475,442)</u>	<u>109,909</u>	<u>0</u>
Governmental Activities					
Long Term Liabilities.....	\$ <u>3,596,351</u>	\$ <u>0</u>	\$ <u>(949,442)</u>	\$ <u>2,646,909</u>	\$ <u>460,000</u>

Description of Debt:

Governmental Activities:

Delaware Valley Regional Finance Authority (DVRFA) 2001 Borrowing:

On March 22, 2001, the Borough entered into a loan agreement with the Delaware Valley Regional Finance Authority. Total proceeds from the loan were \$3,000,000 which were used for acquisition and renovation of a building at 620 West Chestnut Street for a new Borough Hall, renovation of the existing Borough offices and the payment of the costs incurred to issue the note. The loan is payable in twenty annual installments due March 25 of each year. During 2004, the interest rate applicable to 70% of the loan balance was fixed for the remaining term at 3.66%. This amount was paid in full during 2017. The interest rate applicable to the remaining 30% of the loan balance is variable monthly. The average interest rate applicable to the loan during 2021, which includes amounts required to fund the payments for debt service on the bond issue, the net payments on interest rate swap agreements, and the administrative expenses to fund the DelVal Loan Program, was 0.745%. The loan was paid off during 2021.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 9 - Long Term Liabilities (Continued):

Delaware Valley Regional Finance Authority (DVRFA) 2002 Borrowing:

On November 22, 2002, the Borough entered into a loan agreement with the Delaware Valley Regional Finance Authority. Total proceeds from the loan were \$1,500,000 which were used for completion of the renovations of the new Borough Hall, renovation of the current office building for the police department expansion, and the payment of the costs incurred to issue the note. The loan is payable in twenty annual installments due October 25 of each year. During 2004, the interest rate applicable to 67% of the loan balance was fixed for the remaining term at 3.68%. This amount was paid in full in 2017. The interest rate applicable to the remaining 33% of the loan balance was variable monthly until November 1, 2021, at which time it was fixed at a rate of 1.258%. The average interest rate applicable to the loan during 2021, which includes amounts required to fund the payments for debt service on the bond issue, the net payments on interest rate swap agreements, and the administrative expenses to fund the DelVal Loan Program, was 0.831%.

A maturity schedule follows:

<u>October 25,</u> 2022	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$ <u>102,000</u>	\$ <u>642</u>	\$ <u>102,642</u>

Delaware Valley Regional Finance Authority (DVRFA) 2006 Borrowing:

On September 25, 2006, the Borough entered into a loan agreement with the Delaware Valley Regional Finance Authority. Total proceeds from the loan were \$2,600,000 which were used for the Menlo Pool Project and the costs incurred to issue the note. The loan is payable in twenty annual installments due September 25 of each year. The interest rates applicable to the remaining portion of the loan, which includes amounts required to fund the payments for debt service on the bond issue, the net payments on interest rate swap agreements, and the administrative expenses to fund the DelVal Loan Program, were as follows through November 1, 2021: 25% of the loan fixed at 1.77%, 50% of the loan fixed at 4.41%, and 25% of the loan at a variable interest rate which averaged 0.745%. On November 1, 2021, the rates on the portions of the loan, other than for the 25% fixed at 1.77%, were fixed at a rate of 1.258%. Interest is due monthly on the outstanding balance. A maturity schedule as follows:

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 9 - Long Term Liabilities (Continued):

<u>September 25,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 158,000	\$ 10,802	\$ 168,802
2023	164,000	8,579	172,579
2024	170,000	6,274	176,274
2025	175,000	3,893	178,893
2026	<u>182,000</u>	<u>1,439</u>	<u>183,439</u>
	<u>\$ 849,000</u>	<u>\$ 30,987</u>	<u>\$ 879,987</u>

Delaware Valley Regional Finance Authority (DVRFA) 2007 Borrowing:

On June 25, 2007, the Borough entered into a loan agreement with the Delaware Valley Regional Finance Authority. Total proceeds from the loan were \$1,600,000 which were being used for the Menlo Pool Project and the costs incurred to issue the note. The loan is payable in twenty annual installments due June 25 of each year. The interest rate applicable to the loan was variable monthly until November 1, 2021, at which time it was fixed at a rate of 1.258%. The average interest rate applicable to the loan during 2021, which includes amounts required to fund the payments for debt service on the bond issue, the net payments on interest rate swap agreements, and the administrative expenses to fund the DelVal Loan Program, was 0.831%. Interest is due monthly on the outstanding balance. A maturity schedule follows:

<u>June 25,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 200,000	\$ 18,694	\$ 218,694
2023	209,000	16,121	225,121
2024	218,000	13,435	231,435
2025	228,000	10,630	238,630
2026	238,000	7,699	245,699
2027-2028	<u>493,000</u>	<u>6,170</u>	<u>499,170</u>
	<u>\$ 1,586,000</u>	<u>\$ 72,749</u>	<u>\$ 1,658,749</u>

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 10 - Deferred Inflows of Resources:

The Borough's statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to future periods. Deferred inflows of resources are reported in the Borough's various statements of net position for the net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience applicable to the Borough's pension plans, and changes in assumptions made by PMRS in 2020. These deferred inflows of resources will be attributed to pension expense over a total of six years. Deferred inflows of resources are also recorded for revenues that are not considered available. Accordingly, unavailable revenues related to funding from the U.S. Department of the Treasury through the American Rescue Plan Local Fiscal Recovery Funds and liened sidewalk revenue are reported in the governmental funds balance sheet and the government-wide statement of net position.

Note 11 - Government-Wide and Proprietary Fund Net Position:

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consists of assets that are restricted by the Borough's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

Note 12 - Fund Balance:

In accordance with GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Borough classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The “not in spendable form” criterion includes items that are not expected to be converted to cash. The non-spendable fund balance includes the trash bag inventory and prepaid expenses.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 12 - Fund Balance (Continued):

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors or amounts constrained due to enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Borough through formal action of the Borough Council. Presently the Borough has no committed fund balances.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Borough Council.

Unassigned – includes positive fund balances within the General Fund which have not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

In the general fund, the Borough strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of actual expenditures.

Note 13 - Use of Restricted Resources:

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Borough's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Borough's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances if there are any before using unassigned fund balances.

Note 14 - Property Taxes:

Property taxes are levied in January. Liens are placed on uncollected taxes by January 15th of the following year. The Borough uses a tax collector to make collections throughout the year. Property tax revenue is recognized when collected. No allowance for uncollectible taxes is used. Eventually all taxes are collected and remitted to the Borough.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 15 - Interfund Activity:

Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliations to the government-wide financial statements.

As of December 31, 2021, interfund receivables and payables that resulted from various interfund transactions primarily relating to reimbursements due for expenses and receipts collected belonging to other funds were as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund.....	\$ 153,439	\$ 201,559
Capital Fund.....	58,827	99,750
Custodial Fund.....	197,426	
Special Revenue Fund		58,827
Electric Fund.....	<u>23,869</u>	<u>73,425</u>
	<u>\$ 433,561</u>	<u>\$ 433,561</u>

Individual fund operating transfers for the year ended December 31, 2021 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfer Out</u>
General Fund.....	\$ <u>2,136,640</u>	\$ <u>150,670</u>
Special Revenue Fund	_____	<u>288,283</u>
Capital Projects Fund.....	150,670	
	288,283	
	<u>921,128</u>	
Total Capital Projects Fund	<u>1,360,081</u>	<u>0</u>
Proprietary Fund - Electric Fund		2,136,640
		<u>921,128</u>
Total Proprietary Fund.....	<u>0</u>	<u>3,057,768</u>
TOTAL ALL FUNDS	<u>\$ 3,496,721</u>	<u>\$ 3,496,721</u>

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 15 - Interfund Activity (Continued):

Transfers from the proprietary fund to the general and capital projects fund were used for operations and to fund capital expenditures. Transfers from the general fund to the capital projects fund were used for debt service. Transfer from the special revenue fund to capital projects were used for road projects.

Note 16 - Net Working Capital - Proprietary Fund:

Current assets.....	\$ 2,363,454
Less current liabilities.....	<u>849,846</u>
Net Working Capital.....	<u>\$ 1,513,608</u>

Note 17 - Pension Plan - Non-uniformed:

Plan Description - The Perkasio Borough non-uniformed pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 619 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS) which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the PMRS website. A copy can be obtained by contacting the PMRS accounting office.

Benefits Provided – The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments are provided at the discretion of the plan trustee.

Employees Covered – At December 31, 2020, the following employees were covered by the benefit terms of the plan:

Active employees	22
Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	<u>4</u>
Total Participant Count	43

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 17 - Pension Plan - Non-uniformed (Continued):

Contributions – Act 205 requires that annual contributions be based upon the plan’s minimum municipal obligation (MMO). The MMO is based upon the plan’s biennial actuarial valuation. In accordance with the plan’s governing Ordinance, active employees are required to contribute 5.00 percent of their compensation to the plan. The plan may also be eligible to receive an allocation of state aid from the general municipal pension system state aid program which must be used for funding the Borough’s contribution obligations under the plan. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

Net Pension Liability:

The Borough’s non-uniform plan net pension liability is measured as the total pension liability reduced by the pension plan’s fiduciary net position. The net pension liability of the plan is measured as of December 31, 2020 using a biennial actuarial valuation as of January 1, 2021. A summary of the principal assumptions and methods used to determine the net pension liability is shown below:

Actuarial Assumptions – The total pension liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.2%
Salary increases:	Age related scale with merit and inflation component
Investment Return:	5.25%
Pre-Retirement Mortality:	Males: PUB-2010 General Employees male table Females: PUB-2010 General Employees female table
Post-Retirement Mortality:	Males: RP 2006 annuitant male table Females: RP 2006 annuitant female table

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 17 - Pension Plan - Non-uniformed (Continued):

Long-Term Expected Rate of Return on Plan Assets – The PMRS System’s long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future nominal rates of return (net of investment expenses) are developed for each asset class. These returns are combined to produce the System’s Long-Term Expected Real Rate of Return by calculating the weighted average return for each asset class using each respective target asset allocation percentage and multiplying by the expected future nominal rate of return, while also factoring in covariance across asset classes, then deducting expected inflation (2.25%). Best estimates of geometric real rates of return for each utilized asset class are included in the pension plan’s target asset allocation as of December 31, 2020 and summarized in the table below labeled “System Nominal Net and Real Rates of Return by Asset Class.”

System Nominal Net and Real Rates of Return by Asset Class

Asset Class	Target Asset Allocation	Nominal Net Rate of Return	Long-Term Expected Real Rate of Return
Domestic Equities (large capitalized firms)	25%	7.56%	5.31%
Domestic Equities (small capitalized firms)	15%	8.31%	6.06%
International Equities (international developed markets)	15%	7.78%	5.53%
International Equities (emerging markets)	10%	8.20%	5.95%
Real Estate	15%	7.50%	5.25%
Timber	5%	6.03%	3.78%
Fixed Income	15%	4.12%	1.87%
Total Portfolio	<u>100%</u>	<u>7.80%</u>	<u>5.55%</u>

Based on the aforementioned methodology, the Board established the System's Long-Term Expected Rate of Return at 7.80%.

In addition to determining the System's Long-Term Nominal Expected Rate of Return, the PMRS Board, under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), is obligated to develop and apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. The rationale for the difference between the System's Long-Term Nominal Expected Rate of Return and the individual participating municipalities' Regular Interest Rate is described in the following section "Discount Rate." As of December 31, 2020, this rate is equal to 5.25%.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 17 - Pension Plan - Non-uniformed (Continued):

The Board has determined the minimum acceptable confidence level for achieving the Regular Interest Rate to be 60%. The table below labeled "Confidence Levels for System Nominal Net and Real Rates of Return" identifies simulated portfolio returns at various confidence levels based on the most recent asset allocation study conducted by the Boards' investment consultant, Marquette Associates.

Confidence Levels for System Nominal Net and Real Rates of Return

Confidence Interval	Nominal Net Rate of Return	Long-Term Expected Real Rate of Return
95%	4.09%	1.84%
90%	5.02%	2.77%
85%	5.51%	3.26%
80%	6.05%	3.80%
75%	6.44%	4.19%
70%	6.85%	4.60%
60%	7.46%	5.21%

Discount Rate - While it is often common practice to establish an actuarial Discount Rate that is equal to the Long-Term Expected Nominal Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a Discount Rate equal to the Regular Interest Rate (Regular Interest Rate/Discount Rate). The PMRS Board establishes the Regular Interest Rate/Discount Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. As a starting point, the Board considers the following five quantitative factors in reviewing the Regular Interest Rate/Discount Rate:

- 1.) Retiree Plan liability as a percentage of total Plan liability,
- 2.) Active Plan participant liability as a percentage of total Plan liability,
- 3.) Smoothed annuity purchase rates (Pension Benefit Guarantee Corporation (PBGC) annuity rates have been used as a proxy for this),
- 4.) PMRS System Long Term Expected Nominal Rate of Return, and
- 5.) PMRS administrative expenses

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 17 - Pension Plan - Non-uniformed (Continued):

A formula using these factors is as follows:

Regular Interest Rate/Discount Rate = (Retiree Liability Percentage x Smoothed PBGC Annuity Rates) + (Active Employee Liability Percentage x System Long Term Expected Rate of Return) – (Investment Expenses as a percentage of assets)

The Board then considers the Regular Interest Rate/Discount Rate derived from the above formula against a variety of qualitative factors such as the desire to minimize Regular Interest Rate/Discount Rate volatility, probability of achieving the Regular Interest Rate, varying levels of asset allocation and liquidity, trending of annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The Regular Interest Rate/Discount Rate adopted by the Board and used to measure the individual participating municipalities' total pension liability was 5.25% as of December 31, 2020.

The Regular Interest Rate/Discount Rate will likely be less than the System Long-Term Expected Rate of Return. Should the System experience a prolonged period of investment returns in excess of the Regular Interest Rate/Discount Rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies in the form of Excess Interest as provided for in the law.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the Regular Interest Rate/Discount Rate was required ("depletion testing"), used the following assumptions: 1.) member contributions will be made at the current contribution rate, 2.) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3.) the System's Long Term Expected Rate of Return will be used in the depletion testing of projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 17 - Pension Plan - Non-uniformed (Continued):

Changes in the Net Pension Liability

Changes in the reported Net Pension Liability for the year ending December 31, 2021 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at December 31, 2020	\$ 9,341,523	\$ 9,711,016	\$ (369,493)
Changes in the year:			
Service cost	175,370		175,370
Interest on the total pension liability	490,105		490,105
Changes of benefits			
Difference between actual and expected experience.....	348,768		348,768
Changes in assumptions	277,027		277,027
Contribution – employer		130,875	(130,875)
Contribution – PMRS assessment		880	(880)
Contribution – employee		82,942	(82,942)
PMRS investment income		473,164	(473,164)
Market value investment income		1,002,592	(1,002,592)
Transfers			
PMRS administrative expense.....		(880)	880
Additional administrative expense		(20,615)	20,615
Benefit payments, including refunds of employee contributions	(367,806)	(367,806)	
Net Changes	<u>923,464</u>	<u>1,301,152</u>	<u>(377,688)</u>
Balance at December 31, 2021	<u>\$ 10,264,987</u>	<u>\$ 11,012,168</u>	<u>\$ (747,181)</u>

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 17 - Pension Plan - Non-uniformed (Continued):

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Borough for the Plan, calculated using the discount rate for the Plan, as well as what the Borough’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Sensitivity of Net Pension Liability to Changes in Discount Rate

	1% Decrease 4.25%	Discount Rate 5.25%	1% Increase 6.25%
Total Pension Liability	\$ 11,732,505	\$ 10,264,987	\$ 9,044,905
Plan Fiduciary Net Position.....	<u>11,012,168</u>	<u>11,012,168</u>	<u>11,012,168</u>
Net Pension Liability.....	<u>\$ 720,337</u>	<u>\$ (747,181)</u>	<u>\$ (1,967,263)</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.86%	107.28%	121.75%

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended December 31, 2021, the Borough recognized pension expense of \$(239,505). At December 31, 2021, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Pension contributions subsequent to measurement date	\$	\$ 119,484
Differences between actual and expected experience	53,578	310,859
Changes in assumptions	16,726	309,967
Net differences between projected and actual earnings on plan investments.....	<u>1,390,922</u>	
Total.....	<u>\$ 1,461,226</u>	<u>\$ 740,310</u>

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 17 - Pension Plan - Non-uniformed (Continued):

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended December 31,</u>	
2022	\$(207,296)
2023	(157,652)
2024	(353,353)
2025	(106,915)
2026	104,300
Thereafter	0

Allocation Between Governmental and Business-Type Activities

Allocation of the net pension liability balance as of December 31, 2021 and pension expense for the year ending December 31, 2021 between the Borough's governmental and business-type activities was based upon the percentage of 2021 wage expenses attributable to the respective activities. The following schedule summarizes the Borough's ending net pension liability balances as reported in the statement of net position and the pension expense as reported in the statement of activities.

	<u>Net Pension Asset as of December 31, 2021</u>	<u>Pension Expense for the year ending December 31, 2021</u>
Governmental Activities	\$ 463,252	\$(148,493)
Business-Type Activities	\$ 283,929	\$ (91,012)

Note 18 - Pension Plan - Police:

Plan Description - The Perkasio Borough Police pension plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 523 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS) which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the PMRS website. A copy can be obtained by contacting the PMRS accounting office.

Benefits Provided - The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments are provided at the discretion of the plan trustee.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 18 - Pension Plan - Police (Continued):

Long-Term Expected Rate of Return on Plan Assets – The PMRS System’s long term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future nominal rates of return (net of investment expenses) are developed for each asset class. These returns are combined to produce the System’s Long-Term Expected Real Rate of Return by calculating the weighted average return for each asset class using each respective target asset allocation percentage and multiplying by the expected future nominal rate of return, while also factoring in covariance across asset classes, then deducting expected inflation (2.25%). Best estimates of geometric real rates of return for each utilized asset class are included in the pension plan’s target asset allocation as of December 31, 2020 and summarized in the table below labeled “System Nominal Net and Real Rates of Return by Asset Class.”

System Nominal Net and Real Rates of Return by Asset Class

Asset Class	Target Asset Allocation	Nominal Net Rate of Return	Long-Term Expected Real Rate of Return
Domestic Equities (large capitalized firms)	25%	7.56%	5.31%
Domestic Equities (small capitalized firms)	15%	8.31%	6.06%
International Equities (international developed markets)	15%	7.78%	5.53%
International Equities (emerging markets)	10%	8.20%	5.95%
Real Estate	15%	7.50%	5.25%
Timber	5%	6.03%	3.78%
Fixed Income	15%	4.12%	1.87%
Total Portfolio	<u>100%</u>	<u>7.80%</u>	<u>5.55%</u>

Based on the aforementioned methodology, the Board established the System's Long-Term Expected Rate of Return at 7.80%.

In addition to determining the System's Long-Term Nominal Expected Rate of Return, the PMRS Board, under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), is obligated to develop and apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. The rationale for the difference between the System's Long-Term Nominal Expected Rate of Return and the individual participating municipalities' Regular Interest Rate is described in the following section "Discount Rate." As of December 31, 2020, this rate is equal to 5.25%.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 18 - Pension Plan - Police (Continued):

The Board has determined the minimum acceptable confidence level for achieving the Regular Interest Rate to be 60%. The table below labeled "Confidence Levels for System Nominal Net and Real Rates of Return" identifies simulated portfolio returns at various confidence levels based on the most recent asset allocation study conducted by the Boards' investment consultant, Marquette Associates.

Confidence Levels for System Nominal Net and Real Rates of Return

Confidence Interval	Nominal Net Rate of Return	Long-Term Expected Real Rate of Return
95%	4.09%	1.84%
90%	5.02%	2.77%
85%	5.51%	3.26%
80%	6.05%	3.80%
75%	6.44%	4.19%
70%	6.85%	4.60%
60%	7.46%	5.21%

Discount Rate - While it is often common practice to establish an actuarial Discount Rate that is equal to the Long-Term Expected Nominal Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a Discount Rate equal to the Regular Interest Rate (Regular Interest Rate/Discount Rate). The PMRS Board establishes the Regular Interest Rate/Discount Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. As a starting point, the Board considers the following five quantitative factors in reviewing the Regular Interest Rate/Discount Rate:

- 1.) Retiree Plan liability as a percentage of total Plan liability,
- 2.) Active Plan participant liability as a percentage of total Plan liability,
- 3.) Smoothed annuity purchase rates (Pension Benefit Guarantee Corporation (PBGC) annuity rates have been used as a proxy for this),
- 4.) PMRS System Long Term Expected Nominal Rate of Return, and
- 5.) PMRS administrative expenses

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 18 - Pension Plan - Police (Continued):

A formula using these factors is as follows:

Regular Interest Rate/Discount Rate = (Retiree Liability Percentage x Smoothed PBGC Annuity Rates) + (Active Employee Liability Percentage x System Long Term Expected Rate of Return) – (Investment Expenses as a percentage of assets)

The Board then considers the Regular Interest Rate/Discount Rate derived from the above formula against a variety of qualitative factors such as the desire to minimize Regular Interest Rate/Discount Rate volatility, probability of achieving the Regular Interest Rate, varying levels of asset allocation and liquidity, trending of annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System’s investment and actuarial consultants. The Regular Interest Rate/Discount Rate adopted by the Board and used to measure the individual participating municipalities’ total pension liability was 5.25% as of December 31, 2020.

The Regular Interest Rate/Discount Rate will likely be less than the System Long-Term Expected Rate of Return. Should the System experience a prolonged period of investment returns in excess of the Regular Interest Rate/Discount Rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies in the form of Excess Interest as provided for in the law.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the Regular Interest Rate/Discount Rate was required (“depletion testing”), used the following assumptions: 1.) member contributions will be made at the current contribution rate, 2.) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3.) the System’s Long Term Expected Rate of Return will be used in the depletion testing of projected cash flows. Based on those assumptions, the PMRS pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 18 - Pension Plan - Police (Continued):

Changes in the Net Pension Liability

Changes in the reported Net Pension Liability for the year ending December 31, 2021 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at December 31, 2020	\$ 13,245,085	\$ 12,798,589	\$ 446,496
Changes in the year:			
Service cost	359,955		359,955
Interest on the total pension liability.....	701,554		701,554
Differences between actual and expected experience	(278,766)		(278,766)
Changes in assumptions.....	403,309		403,309
Contribution – employer.....		343,238	(343,238)
Contribution – PMRS assessment.....		580	(580)
Contribution – employee		107,704	(107,704)
PMRS investment income		610,364	(610,364)
Market value investment income.....		651,755	(651,755)
PMRS administrative expense.....		(580)	580
Additional administrative expense.....		(26,593)	26,593
Benefit payments, including refunds of employee contributions.....	(490,477)	(490,477)	
Net Changes	<u>695,575</u>	<u>1,195,991</u>	<u>(500,416)</u>
Balance at December 31, 2021	\$ <u>13,940,660</u>	\$ <u>13,994,580</u>	\$ <u>(53,920)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Borough for the Plan, calculated using the discount rate for the Plan, as well as what the Borough’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 18 - Pension Plan - Police (Continued):

Sensitivity of Net Pension Liability to Changes in Discount Rate

	1% Decrease <u>4.25%</u>	Discount Rate <u>5.25%</u>	1% Increase <u>6.25%</u>
Total Pension Liability.....	\$ 15,961,385	\$ 13,940,660	\$ 12,278,971
Plan Fiduciary Net Position	<u>13,994,580</u>	<u>13,994,580</u>	<u>13,994,580</u>
Net Pension Liability	\$ <u>1,966,805</u>	\$ <u>(53,920)</u>	\$ <u>(1,715,609)</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 87.68%	 100.39%	 113.97%

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended December 31, 2021, the Borough recognized pension expense of \$85,136. At December 31, 2021, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Pension contributions subsequent to measurement date.....	\$	\$ 414,535
Differences between actual and expected experience.....	232,305	380,564
Changes in assumptions.....		443,575
Net differences between projected and actual earnings on plan investments	<u>1,309,962</u>	
Total	\$ <u>1,542,267</u>	\$ <u>1,238,674</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended December 31,</u>	
2022	\$ 173,643
2023	(49,592)
2024	(338,808)
2025	(109,594)
2026	20,758
Thereafter	0

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 19 - Deferred Compensation Plans:

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by an independent plan administrator. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

Per an employment contract, the Borough offers a 401(a) defined contribution plan to the Borough Manager.

Note 20 - Flexible Benefits Program:

On January 1, 1995 the Borough adopted a flexible benefits program which allows employees to purchase certain benefits offered by the Borough on a pretax basis. The flexible benefits plan is intended to qualify as a cafeteria plan under the Internal Revenue Code. The benefits offered through the program are medical option, medical spending account plan and dependent care assistance plan.

Note 21 - Participation Delaware Valley Insurance Trust:

Insurance:

1. Nature of Pool Participation:

The Borough of Perkasio is a member municipality in the Delaware Valley Insurance Trust (DVIT), a risk retention pool formed under the authority granted by the Commonwealth of Pennsylvania. DVIT is not a commercial insurance company.

The rights and responsibilities of each member are more fully explained in the Trust Agreement, which is on file with the Borough and the Trust.

2. Insurance Coverage Summary:

All members of the pool are collectively assuming a portion of each loss. During coverage year 2020 (January 1 to December 31) the Trust retained the first \$1,000,000 of each loss for the following liability lines of coverage: General, Public Officials, Automobile and Law Enforcement. The Trust purchased reinsurance coverage for losses in excess of the \$1,000,000 retention up to the trust coverage limits of \$11,000,000. The \$10,000,000 excess coverage is provided by Government Entities Mutual (GEM).

DVIT assumed the first \$100,000 of each first party property loss on behalf of the membership. Excess property coverage is provided by the Public Entity Property Insurance Program (PEPIP). The Trust also provides crime coverage and boiler and machinery coverage to its membership. Coverage details are available from the Trust Coverage Document on file with the Borough. The Blanket Policy Number for the Borough of Perkasio is 3848-2113.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 21 - Participation Delaware Valley Insurance Trust (Continued):

3. Premium Payments:

Perkasie Borough paid \$101,355 in annual contributions for coverage year 2021. No additional contributions are anticipated or now due, although DVPLT is an assessable pool. Additional information on assessments may be found in Section VII of the Trust Agreement.

4. Refunds/Deductibles

The Trust declared a dividend in 2021. The Perkasie Borough's share of the dividend distribution was \$12,460.

The likelihood of future dividends depends upon the overall performance of the Trust. The amount of the dividend earned by each municipal member is contingent upon the Member's total years of participation, the Member's total incurred losses, and the Member's proportionate share of the Trust's total contributions.

5. Significant Coverage Changes:

There are no significant coverage changes for 2021.

6. Claims:

A copy of the loss report on the claims filed by the Borough of Perkasie as of December 31, 2021 is on file with the Borough or is available upon request from the Trust.

Workers' Compensation Insurance:

1. Nature of Pool Participation:

The Borough of Perkasie is a member municipality in the Delaware Valley Workers' Compensation Trust (DVWCT), a risk retention pool formed under the authority granted by the Commonwealth of Pennsylvania, Department of Labor and Industry, Bureau of Workers' Compensation. DVWCT is not a commercial insurance company

The rights and responsibilities of each member are more fully explained in the Trust Agreement, which is on file with the Borough.

2. Insurance Coverage Summary:

All members of the pool collectively transfer risk to the DVWCT. The Trust assumes the first \$750,000 of each loss on behalf of the membership. Losses in excess of \$750,000 per occurrence are covered by Midwest Employers Casualty who provides excess coverage up to limits required by the Pennsylvania workers' compensation statutes and supporting regulations. The Trust's excess insurer is the Midwest Employers Casualty of Chesterfield, MO. The group fund insurance exemption number issued by the Bureau of Workers' Compensation to the Trust is 5503.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 21 - Participation Delaware Valley Insurance Trust (Continued):

3. Premium Payments:

Perkasie Borough paid \$168,848 in annual contributions to DVWCT for coverage year 2021. No additional contribution is anticipated or now due, although DVWCT is an assessable pool. An audit of the reported 2021 payroll will be performed during the first quarter of 2022.

4. Refunds/Dividends:

The Trust declared a dividend in 2021. The mid-year dividend was distributed by check in September, 2021. Perkasie Borough's share of the dividend was \$13,996. As a result of the 2020 Payroll Audit, Perkasie received a refund of \$4,504.

The likelihood of future dividends depends upon the overall performance of the Trust. The amount of the dividend earned by each municipal member is contingent upon the Member's total years of participation, the Member's total incurred losses and the Member's proportionate share of the Trust's total contributions.

5. Significant Coverage Changes:

There were no significant coverage changes in 2021.

6. Claims:

A copy of the loss report on the claims filed by Perkasie Borough as of December 31, 2021, is available from the Borough or the Trust upon request.

Health Insurance:

1. Premium Payments:

Perkasie Borough paid \$1,179,487 for medical and dental coverage for coverage period January 2021 through December 2021.

2. Refunds:

There was no dividend distribution by the Delaware Valley Health Trust for coverage year 2021.

3. Policy Year:

The policy began January 1, 2021 and ran through December 31, 2021.

**BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 22 – Derivative Financial Instruments:

The Borough is obligated to the Delaware Valley Regional Finance Authority (DVRFA) under its General Obligation Notes, Series 2002, 2006, and 2007 as described in Note 9. In order to provide funding for these notes, DVRFA issued Local Government Revenue Bonds, Series of 1998 and 2002 (DVRFA Bonds). DVRFA has entered into interest rate swap agreements in connection with the DVRFA Bonds to provide variable and fixed rates on loans, thereby reducing the costs of the participants in their loan program and enhancing the participants' ability to manage their interest rate risks.

The following is a summary of the fair values associated with the respective DVRFA interest rate swaps as of December 31, 2021:

<u>General Obligation Note</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance at December 31, 2021</u>	<u>Gain (Loss) of Market Value of Interest Rate Swap at December 31, 2021</u>
Series 2002 - Fixed Rate	\$ 102,000	\$ 102,000	\$ 0
Series 2006 - Fixed Rate	650,000	646,000	0
- Fixed Rate	650,000	203,000	(318)
Series 2007 - Fixed Rate	1,600,000	1,586,000	0

If the Borough defaults on all or a portion of its General Obligation Notes to DVRFA or prepays or converts any of the fixed rate obligations, it would be liable to DVRFA for the costs associated with the liquidation or termination of the associated interest rate swap. The cost of terminating an individual swap equals any loss of market value associated with the swap as of the date of termination.

As the Borough is not a direct party to DVRFA's swap agreements, it is not subject to the reporting and disclosure requirements associated with GASB 53, (*Accounting and Financial Reporting for Derivative Instruments*). Accordingly, the carrying amount of the related interest rate swap on the Borough's government-wide and fund financial statements as of December 31, 2021 is not recorded.

SUPPLEMENTARY INFORMATION

**BOROUGH OF PERKASIE
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED DECEMBER 31, 2021**

	Budget Original and Final	Actual Amounts (Budgetary Basis) (See Note 1)	Variance Positive (Negative)
<u>Revenues:</u>			
Taxes, penalties and interest.....	\$ 2,056,870	\$ 2,419,772	\$ 362,902
Franchise taxes	198,900	164,755	(34,145)
Permits, fines and assessments.....	104,750	145,942	41,192
Interest and rents	93,545	92,814	(731)
Intergovernmental revenues	333,322	338,241	4,919
Charges for services	2,563,425	2,689,018	125,593
Miscellaneous revenues.....	<u>3,500</u>	<u>79,945</u>	<u>76,445</u>
Total Revenues.....	<u>5,354,312</u>	<u>5,930,487</u>	<u>576,175</u>
<u>Expenditures:</u>			
General government	886,235	887,551	(1,316)
Public safety	3,218,881	3,368,701	(149,820)
Refuse collection	743,404	593,479	149,925
Public works.....	553,979	570,466	(16,487)
Recreation and conservation	748,205	770,551	(22,346)
Capital outlays.....	2,500	68,730	(66,230)
Employee benefits	1,559,748	1,482,514	77,234
Insurance and other expenses.....	<u>86,600</u>	<u>142,101</u>	<u>(55,501)</u>
Total Expenditures	<u>7,799,552</u>	<u>7,884,093</u>	<u>(84,541)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,445,240)</u>	<u>(1,953,606)</u>	<u>491,634</u>
<u>Other Financing Sources (Uses):</u>			
Operating transfers in	2,330,080	2,136,640	(193,440)
Operating transfers out	<u> </u>	<u>(150,670)</u>	<u>(150,670)</u>
Total Other Financing Sources (Uses)	<u>2,330,080</u>	<u>1,985,970</u>	<u>(344,110)</u>
Net Change in Fund Balance	(115,160)	32,364	147,524
FUND BALANCE - BEGINNING	<u>1,926,908</u>	<u>1,926,908</u>	<u>0</u>
FUND BALANCE - ENDING	<u>\$ 1,811,748</u>	<u>\$ 1,959,272</u>	<u>\$ 147,524</u>

(See accompanying note to budgetary comparison schedule.)

**BOROUGH OF PERKASIE
NOTE TO BUDGETARY COMPARISON SCHEDULE
DECEMBER 31, 2021**

Note 1 – Budget To Actual Reconciliation:

Budgetary Comparison Schedule is presented for the General Fund of the Borough. It is prepared on the modified accrual basis of accounting.

BOROUGH OF PERKASIE
Schedule of Changes in Net Pension Liability – Non-uniform Plan

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost (beginning of year).....	\$ 175,370	\$ 176,486	\$ 190,453	\$ 190,633	\$ 172,289	\$ 190,716	\$ 186,688
Interest (includes interest on service cost).....	490,105	485,763	481,109	462,069	451,428	437,183	410,898
Changes of benefit terms.....	0	0	44,678	0	0	0	0
Differences between expected and actual experience.....	348,768	0	(74,840)	0	(37,846)	0	161,759
Changes of assumptions.....	277,027	0	0	0	276,886	(66,916)	0
Transfers.....	0	0	(10,289)	10,235	0	0	0
Benefit payments, including refunds of employee contributions.....	<u>(367,806)</u>	<u>(783,720)</u>	<u>(289,734)</u>	<u>(295,479)</u>	<u>(284,358)</u>	<u>(282,795)</u>	<u>(288,078)</u>
Net change in total pension liability	\$ 923,464	\$ (121,471)	\$ 341,377	\$ 367,458	\$ 578,399	\$ 278,188	\$ 471,267
Total pension liability – beginning	<u>9,341,523</u>	<u>9,462,994</u>	<u>9,121,617</u>	<u>8,754,159</u>	<u>8,175,760</u>	<u>7,897,572</u>	<u>7,426,305</u>
Total pension liability – ending	<u>\$10,264,987</u>	<u>\$9,341,523</u>	<u>\$9,462,994</u>	<u>\$9,121,617</u>	<u>\$8,754,159</u>	<u>\$8,175,760</u>	<u>\$7,897,572</u>
Plan Fiduciary Net Position							
Contributions – employer.....	\$ 130,875	\$ 142,482	\$ 122,477	\$ 129,260	\$ 181,756	\$ 172,041	\$ 114,416
Contributions – PMRS assessment.....	880	900	900	940	0	0	0
Contributions – employee.....	82,942	83,470	89,673	85,736	0	0	0
PMRS investment income.....	473,164	454,829	450,956	427,818	426,431	420,447	396,390
Market value investment income.....	1,002,592	1,232,219	(849,559)	946,704	217,953	(582,838)	12,291
Transfers.....	0	0	(10,289)	10,235	0	0	39
Benefit payments, including refunds of employee contributions.....	<u>(367,806)</u>	<u>(783,720)</u>	<u>(289,734)</u>	<u>(295,479)</u>	<u>(284,358)</u>	<u>(282,795)</u>	<u>(288,078)</u>
PMRS administrative expense.....	(880)	(900)	(880)	(900)	(900)	(920)	(940)
Additional administrative expense.....	<u>(20,615)</u>	<u>(15,722)</u>	<u>(20,124)</u>	<u>(19,675)</u>	<u>(20,891)</u>	<u>(17,528)</u>	<u>(15,202)</u>
Net change in plan fiduciary net position	\$ 1,301,152	\$ 1,113,558	\$ (506,580)	\$ 1,284,639	\$ 519,991	\$ (291,593)	\$ 218,916
Plan fiduciary net position – beginning	<u>9,711,016</u>	<u>8,597,458</u>	<u>9,104,038</u>	<u>7,819,399</u>	<u>7,299,408</u>	<u>7,591,001</u>	<u>7,372,085</u>
Plan fiduciary net position – ending	<u>\$11,012,168</u>	<u>\$9,711,016</u>	<u>\$8,597,458</u>	<u>\$9,104,038</u>	<u>\$7,819,399</u>	<u>\$7,299,408</u>	<u>\$7,591,001</u>
Net pension liability – ending	<u>\$ (747,181)</u>	<u>\$ (369,493)</u>	<u>\$ 865,536</u>	<u>\$ 17,579</u>	<u>\$ 934,760</u>	<u>\$ 876,352</u>	<u>\$ 306,571</u>
Plan fiduciary net position as a percentage of total pension liability	107.28%	103.96%	90.85%	99.81%	89.32%	89.28%	96.12%
Covered employee payroll	\$1,658,836	\$1,669,391	\$1,793,468	\$1,745,369	\$1,712,739	\$1,615,813	\$1,584,147
Net pension liability as a percentage of covered employee payroll	(45.04)%	(22.13)%	48.26%	1.01%	54.58%	54.24%	19.35%

BOROUGH OF PERKASIE
Schedule of Changes in Net Pension Liability – Police Plan

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost (beginning of year).....	\$ 359,955	\$ 342,734	\$ 339,613	\$ 334,112	\$ 266,269	\$ 323,317	\$ 323,097
Interest (includes interest on service cost).....	701,554	670,311	610,722	582,863	546,196	515,326	472,170
Changes of benefit terms.....	0	1,292	0	0	0	0	0
Differences between expected and actual experience.....	(278,766)	0	549,715	0	267,812	0	233,498
Changes of assumptions.....	403,309	0	0	0	356,969	21,989	0
Benefit payments, including refunds of employee contributions.....	(490,477)	(383,773)	(352,912)	(429,773)	(240,039)	(244,504)	(244,170)
Net change in total pension liability.....	\$ 695,575	\$ 630,564	\$ 1,147,138	\$ 487,202	\$ 1,197,207	\$ 616,128	\$ 784,595
Total pension liability – beginning.....	13,245,085	12,614,521	11,467,383	10,980,181	9,782,984	9,166,856	8,382,261
Total pension liability – ending.....	\$ 13,940,660	\$ 13,245,085	\$ 12,614,521	\$ 11,467,383	\$ 10,980,191	\$ 9,782,984	\$ 9,166,856
Plan Fiduciary Net Position							
Contributions – employer.....	\$ 343,238	\$ 330,720	\$ 253,716	\$ 243,179	\$ 195,271	\$ 204,552	\$ 156,704
Contributions – PMRS assessment.....	580	560	520	540	20	0	0
Contributions – employee.....	107,704	125,781	117,410	96,105	86,191	86,836	86,667
PMRS investment income.....	610,364	604,232	541,155	506,670	511,922	468,401	457,878
Market value investment income.....	651,755	1,604,162	(986,088)	1,102,462	222,926	(493,039)	(2,204)
Transfers.....	0	0	0	0	0	0	39
Benefit payments, including refunds of employee contributions.....	(490,477)	(383,773)	(352,912)	(429,773)	(240,039)	(244,504)	(244,170)
PMRS administrative expense.....	(580)	(560)	(520)	(500)	(520)	(500)	(540)
Additional administrative expense.....	(26,593)	(20,886)	(24,149)	(23,301)	(25,080)	(19,527)	(17,560)
Net change in plan fiduciary net position.....	\$ 1,195,991	\$ 2,260,236	\$ (450,868)	\$ 1,495,382	\$ 750,691	\$ 2,219	\$ 436,814
Plan fiduciary net position – beginning.....	12,798,589	10,538,353	10,989,221	9,493,839	8,743,148	8,740,929	8,304,154
Plan fiduciary net position – ending.....	\$ 13,994,580	\$ 12,798,589	\$ 10,538,353	\$ 10,989,221	\$ 9,493,839	\$ 8,743,148	\$ 8,740,968
Net pension liability – ending.....	\$ (53,920)	\$ 446,496	\$ 2,076,168	\$ 478,162	\$ 1,486,352	\$ 1,039,836	\$ 425,888
Plan fiduciary net position as a percentage of total pension liability.....	100.39%	96.63%	83.54%	95.83%	86.46%	89.37%	95.35%
Covered employee payroll.....	\$ 2,154,087	\$ 2,051,027	\$ 2,032,523	\$ 1,999,600	\$ 1,723,828	\$ 1,740,255	\$ 1,747,282
Net pension liability as a percentage of covered employee payroll.....	(2.50)%	21.77%	102.15%	23.91%	86.22%	59.75%	24.38%

BOROUGH OF PERKASIE
Schedule of Employer Contributions – Non-Uniform Plan

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 131,755	\$ 143,382	\$ 123,357	\$ 130,160	\$ 181,756	\$ 172,041	\$ 112,749
Contributions in Relation to the Actuarially Determined Contribution* ..	<u>131,755</u>	<u>143,382</u>	<u>123,377</u>	<u>130,200</u>	<u>181,756</u>	<u>172,041</u>	<u>114,416</u>
Contribution Deficiency/(Excess).....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (20)</u>	<u>\$ (40)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,667)</u>
Covered-Employee Payroll	\$1,658,836	\$1,669,391	\$1,793,468	\$1,745,369	\$1,712,739	\$1,615,813	\$1,584,147
Contributions as a Percentage of Covered-Employee Payroll	7.94%	8.59%	6.88%	7.46%	10.61%	10.65%	7.22%

Notes to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the Actuarially Determined Contribution for calendar year 2020 is based upon the January 1, 2017 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2020 contribution rates:

- Actuarial Cost Method: Entry Age
- Amortization Period: Level dollar based upon the amortization periods in Act 205
- Asset Valuation Method: Based upon the municipal reserves
- Discount Rate: 5.25%
- Inflation: 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 - 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.
- Post-Retirement Mortality: Males - RP 2000 Annuitant Male table projected 5 years with Scale AA. Females - RP 2000 Annuitant Female table projected 10 years with Scale AA.

For a complete listing of all assumptions and methods, please refer to the PMRS January 1, 2017 actuarial valuation report.

Plan Changes: Please refer to Appendix A for current year plan changes and to the Plan's Act 205 filings and/or GASB 68 reports for prior year plan changes.

BOROUGH OF PERKASIE
Schedule of Employer Contributions – Police Plan

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 343,798	\$ 331,280	\$ 254,236	\$ 243,679	\$ 195,271	\$ 204,552	\$ 152,533
Contributions in Relation to the Actuarially Determined Contribution* ..	<u>343,818</u>	<u>331,280</u>	<u>254,236</u>	<u>243,719</u>	<u>195,291</u>	<u>204,552</u>	<u>156,704</u>
Contribution Deficiency/(Excess).....	<u>\$ (20)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (40)</u>	<u>\$ (20)</u>	<u>\$ 0</u>	<u>\$ (4,171)</u>
Covered-Employee Payroll.....	\$2,154,087	\$2,051,027	\$2,032,523	\$1,999,600	\$1,723,828	\$1,740,255	\$1,747,282
Contributions as a Percentage of Covered-Employee Payroll.....	15.96%	16.15%	12.51%	12.19%	11.33%	11.75%	8.97%

Notes to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the Actuarially Determined Contribution for calendar year 2020 is based upon the January 1, 2017 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2020 contribution rates:

- Actuarial Cost Method: Entry Age
- Amortization Period: Level dollar based upon the amortization periods in Act 205
- Asset Valuation Method: Based upon the municipal reserves
- Discount Rate: 5.25%
- Inflation: 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 - 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.
- Post-Retirement Mortality: Males - RP 2000 Annuitant Male table projected 5 years with Scale AA. Females - RP 2000 Annuitant Female table projected 10 years with Scale AA.

For a complete listing of all assumptions and methods, please refer to the PMRS January 1, 2017 actuarial valuation report.

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