



Perkasio Borough Authority

**Financial Statements
And
Supplementary Information**

**Years Ended
December 31, 2010 and 2009**

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Perkasie Borough Authority

December 31, 2010 and 2009

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Introductory Section

Management's Discussion and Analysis

This section of Perkasio Borough Authority's (PBA or Authority) annual financial report presents management's analysis of the Authority's financial performance during the fiscal year ending December 31, 2010. The Management Discussion and Analysis (MD&A) should be read in conjunction with the Authority's basic financial statements beginning on page 4 of the Financial Section.

HIGHLIGHTS

Financial Highlights

- The Authority's net assets remained virtually the same, with only a slight decrease from \$18.201 million to \$18.130 million or \$71,000 (0.04%) as a result of this year's operations.
- Operating expenses increased by \$27,000, from \$1.788 million to \$1.815 million (1.5%), due to general increases in the cost of providing water and sewer services.
- Operating revenues increased by \$259,000, from \$2.936 million to \$3.195 million (8.8%), due to an increase in water and sewer sales.
- Current assets decreased by 42% or \$511,500 from \$1,212,000 to \$700,500, due to the receipt of a large grant receivable that was awarded in 2009.
- Restricted assets increased by 7.6% or \$161,000 from \$2.110 million to \$2.271 million, due to proceeds received from increasing the Authority's loan to Univest.
- Capital assets increased slightly by \$257,000 from \$27.162 million to \$27.419 million due to capital additions to the water and sewer system and our ongoing facilities replacement program.
- Total liabilities slightly decreased from \$12,607,000 in 2009 to \$12,574,000. Principal payments on the Authority's Water and Sewer Revenue Bonds Series of 2002, 2003, and 2007 totaled \$760,000. The Authority did open a line of credit at Univest for \$1 million dollars in 2008 to cover costs on a remedial water line project. During 2009, the line converted to long term debt payable over four years and an additional \$800,000 was withdrawn in 2010. Principal payments on the Univest loan totaled \$154,658.

AUTHORITY HIGHLIGHTS

Like most areas of the country, the Northeast has continued to be affected by a housing slow down and an overall lackluster economy. Due to the lack of growth, the Authority had to increase rates for year 2010. On November 17, 2009, the Board passed a resolution to increase water and sewer rents by 10%, effective January 1 2010. The average single family home's quarterly bill increased from \$186.00 to \$205.75 based on 15,000 gallons of water and sewage usage.

The Philadelphia area was hit by record below normal rainfall from April 2010 through September 2010. As a result, several private wells lost their supply. The Authority installed public water service to an area of East Rockhill Township that was especially impacted. The extension did not garner many new connections. In all the extension only provided 10 new water connections and was the only extension to the system in 2010.

Other Highlights Include:

- The Authority formally entered into an agreement with West Rockhill Township to be the water and sewer provider in the northwest corner of that township. The agreement was signed in May of 2010 and will guarantee the Authority at least 450 new customers.
- Computer System Upgrade - During 2010 the Authority staff continued to work diligently to transfer billing information and general ledger information into a new, windows based system. The transformation of the billing information to a window based vendor program was completed as was the transition to QuickBooks for all of the Authority's accounting processes.
- Payroll preparation - The Authority also made the decision to out source its payroll functions beginning with the 2011 calendar year.
- Online options – With the completion of the computer upgrades the Authority is now totally online. Customers now have the options of viewing their bills, checking their accounts and making payments with various alternatives. The new system also allows for the issuance of e-bills although that option has not been readily pursued at this point.
- During the year, the Board awarded a contract to construct an arsenic removal system for Well #10. The reactivation of this well will aid in providing service to any new service areas while ensuring the Authority continues to meet DEP regulations for adequate source water supplies. We project the well to be back on line by the middle of 2011.

USING THIS ANNUAL REPORT

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

Required Financial Statements

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

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

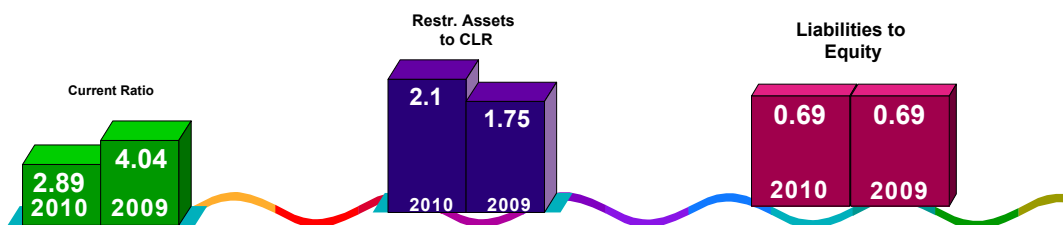
Financial Analysis of the Authority

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

The chart below titled "Statements of Net Assets" provides a snapshot view of the Authority's financial condition at December 31, 2010 and 2009. The current ratio, which represents the proportion of current assets to current liabilities, is a measure of financial liquidity. The Authority's current ratio at December 31, 2010 of 2.89:1 is an indicator of outstanding liquidity. The ratio of restricted assets to current liabilities payable from restricted assets represents the proportion of restricted assets to current liabilities from restricted assets. The ratio of 2.1:1 as of December 31, 2010 is also an indicator of strong liquidity. The ratio of liabilities to equity represents the proportion of total liabilities to net assets and is a financial leverage ratio which provides an indication of long-term solvency and measures the extent to which an entity's assets have been acquired using long-term debt. A liability to equity ratio of less than 1:1 is a positive indicator of long-term solvency. The Authority's liability to equity ratio at December 31, 2010 was 0.69:1.

Statements of Net Assets December 31

	2010	2009		2010	2009
Current Assets	\$700,523	\$1,212,014	Current Liabilities	\$242,166	\$300,350
Prop., Plant & Equip. - Net	\$27,419,231	\$27,161,762	Curr. Liab. (Payable from Restricted Funds) (CLR)	\$1,082,043	\$1,207,826
Restricted Assets	\$2,271,431	\$2,109,708	Total Liabilities	\$12,573,996	\$12,606,557
Other Assets	\$312,541	\$323,998	Net Assets	\$18,129,730	\$18,200,925
Total Assets	\$30,703,726	\$30,807,482	Total Liabilities & Net Assets	\$30,703,726	\$30,807,482



Analysis of Net Assets

PBA's total assets exceeded its liabilities by \$18.130 million at the end of 2010. Our net assets include an investment in the water and sewer infrastructure, buildings, trucks, property, etc. of \$16.816 million less the debt incurred to acquire these assets. These are the assets used by the Authority to provide service to our customers. While we report this number less the related debt, it must be realized that the resources to repay this debt must be obtained through other sources (i.e. rates) since these assets cannot be liquidated to retire the liability. The restricted portions of our net assets (\$274,000) are subject to provisions under our bond indenture for future debt service requirements and on-going capital projects. The balance of \$1.04 million is unrestricted.

Analysis of Changes in Net Assets

The Authority's financial position remained stable for 2010. Our net assets decreased from \$18.201 million in 2009 to \$18.130 million for a decrease of \$71,000. Operating income of \$310,300 for 2010 was higher by \$134,700 (76.7%) compared to 2009 income of \$175,600. Tapping fees in 2009 totaled \$41,600 compared to \$162,200 in 2010. The Authority expects a significant increase in tapping fees once the recovery materializes and housing starts increase. There are three major developments that have received different levels of approvals and are expected to start construction within the next two or three years. The Russell Tract is expected to generate \$300,000, the Nace Tract is expected to provide \$800,000 and the Zavisantos Tract is expected to contribute \$400,000 for an estimated total amount of \$1.5 million.

Total Revenues

Total Authority revenues increased slightly for 2010, for a total of \$3.20 million as compared to \$2.94 million for 2009. There was slight growth in both water and sewer sales categories due to the increase in rates for 2010, but a decrease in other revenues.

Detailed Analysis of Operating and Non-Operating Revenue Variances:

- Water and Sewer Service Charges - increased by about 10.2% - from \$2.800 million in 2009 to \$3.083 million in 2010.
- Water and Sewer Assessments - were \$30,500 for 2010. Assessments are received from the ratepayers as repayment of monies expended by the Authority for installation of water or sewer facilities serving a customer's property, thereby creating property improvement. This income varies from year to year, depending on the retirement of outstanding assessments or the levying of new ones.
- Other Revenues - are derived from fees and charges not directly related to metered water and sewer sales. These include payments for services provided to tenants of Authority rental properties, sale of excess equipment or property and fees for account certifications and delinquent notification fees.
- Interest Income - is non-operating revenue, generated by returns on the Authority's investments. The interest income for 2010 slightly decreased \$2,000 from \$54,900 in 2009 to \$52,900 in 2010.
- Rental Income - is non-operating revenue, which is generated from excess commercial, industrial and rental properties leased by the Authority. In addition, the Authority leases

space on its water tank to cell phone companies. Rental income slightly increased from \$84,200 in 2009 to \$85,400 in 2010.

Stability of Operating Revenues

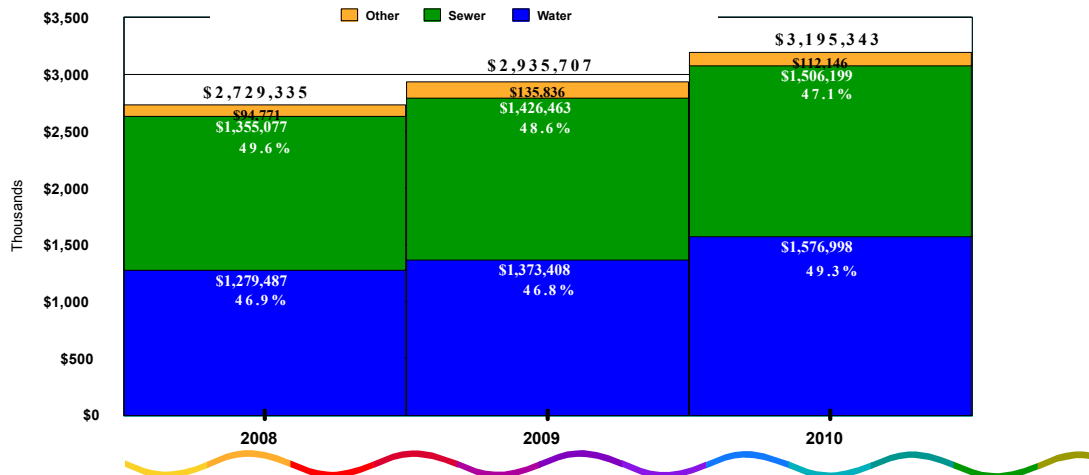
The Authority's rate base is mainly residential with a small amount of commercial and industrial users. The breakdown is as follows:

Residential, including multi-family	87.3%
Commercial, including mix uses	6.8%
Industrial	1.4%
Institutional (schools & churches)	3.5%
Public	1.0%

Accordingly, the user base is extremely stable which comprises 92% of the Authority's residential, institutional and public users. The primary growth in the Authority's service area is expected to be residential; however, if the agreement with West Rockhill is consummated as expected, there will be significant growth in both commercial and institutional uses as the new service area would include a significant area around Grandview Hospital.

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

Trend Analysis - Operating Revenues

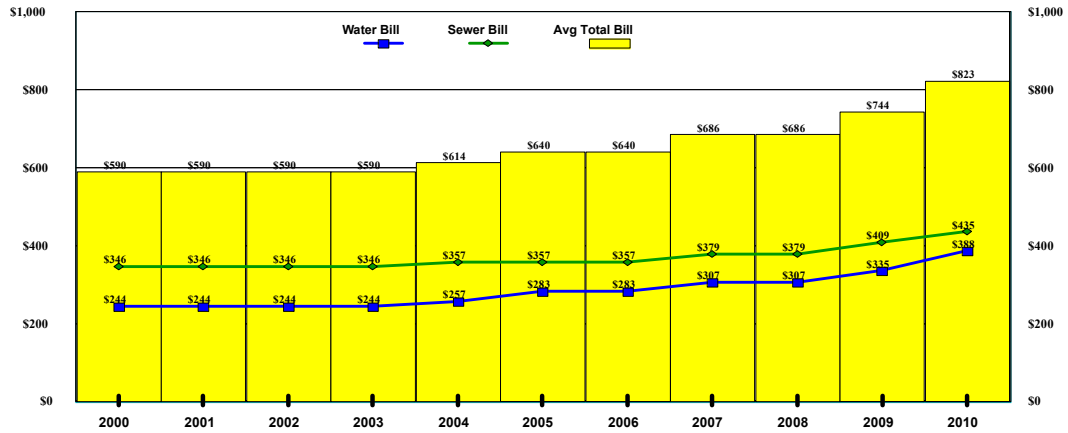


Rates

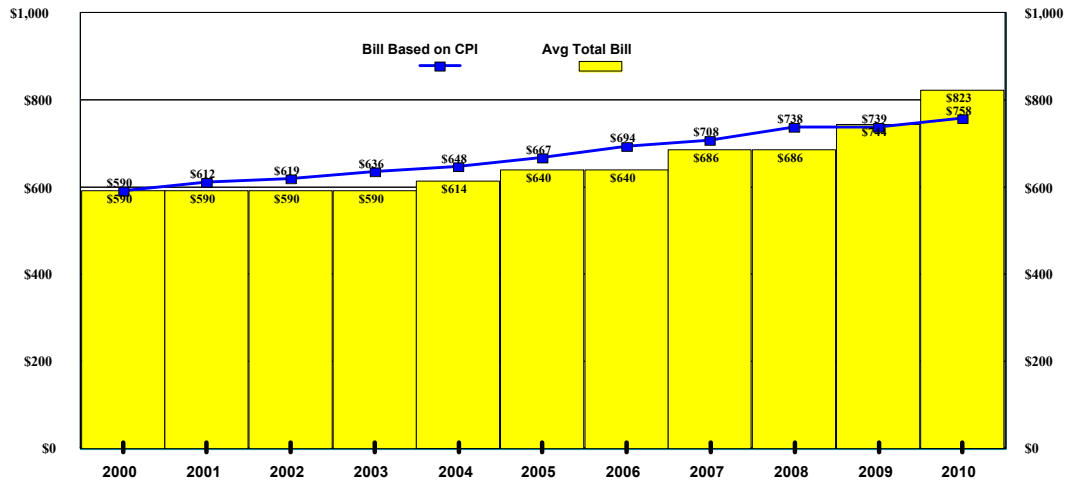
In November 2009, the Authority Board enacted a 10% rate increase for water and sewer rates. Like most of the United States the housing market in the Northeast has been affected by the recession. While the Authority has approximately \$1.5 million of tapping fees outstanding for approved developments, none of the projects are moving forward. While Well #7 has taken the place of Well #12, the Authority is still obligated to move forward with the treatment of Wells #10 and #14 for arsenic removal, as well as continue the infrastructure replacement program for both water and sewer facilities. Listed below are two charts, the first indicating the rate increases since 2000 and the

average water and sewer bills for residential customers using 15,000 gallons per quarter, and the second, compares the actual average total annual bill to the average annual bill adjusted for inflation using the Consumer Price Index.

**Trend Analysis -
Average Annual Bills**



**Trend Analysis -
Average Annual Bills**



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

Long-Term Authority Debt:

- In February of 2011 the Authority sold \$8,515,000 of Water and Sewer Revenue Bonds in anticipation of the expansion into West Rockhill and the construction of a new Authority office building and distribution center. A portion of the bond money also went to retire the Univest loan and a letter of credit that was issued to pay the costs of the arsenic removal project at Well #10.
- The Authority entered into a five year lease for a state of the art computer server to handle all of the additional on-line services the Authority wanted to provide its customers. The lease allows for a \$1.00 buy out at the end as well as different upgrading provisions during the lease period.
- During 2008, the Authority entered into a five year lease to purchase two new maintenance vehicles. It is expected to continue the option of leasing for the foreseeable future as a way to effectively manage the upkeep of its truck fleet.
- In January 2007, the Authority issued \$7,250,000 of Water and Sewer Revenue Bonds for the purpose of refunding the 2002 Bonds, funding additional arsenic removal costs, funding the Bond Reserve Fund, and to pay the costs of issuance.
- In 2005, the Authority Board authorized the issuance of \$2.725 million of Water and Sewer Revenue Bonds. The bonds were issued to fund the arsenic removal system for Well #11, the development of Well #7 and associated water mains, the continuance of the Authority's infrastructure replacement program, funding of the Bond Reserve Fund equal to the aggregate balance of the 2002, 2003 and 2005 maximum annual debt service and to pay the costs of issuance.
- In 2003, the Authority issued \$4.065 million of Water and Sewer Revenue Bonds. The purpose of the 2003 bonds was to refinance the 1998 Series of Water and Sewer Revenue Bonds, repay the Authority's \$700,000 line of credit and fund various water and sewer capital improvements.

Security – The 2003, 2005 and 2007 issues are insured through Financial Security Holdings, Inc. (now a component of Assured Guaranty Municipal Corp.) and are AAA rated. In addition, Standard and Poor's has assigned the Authority an underlying rating of "A+ with a stable outlook. The A+ rating was reaffirmed in January of 2011. The cost analysis of issuing the 2011 bonds with or without insurance indicated there was no cost benefit with the addition of insurance. Therefore the 2011 bonds are not insured.

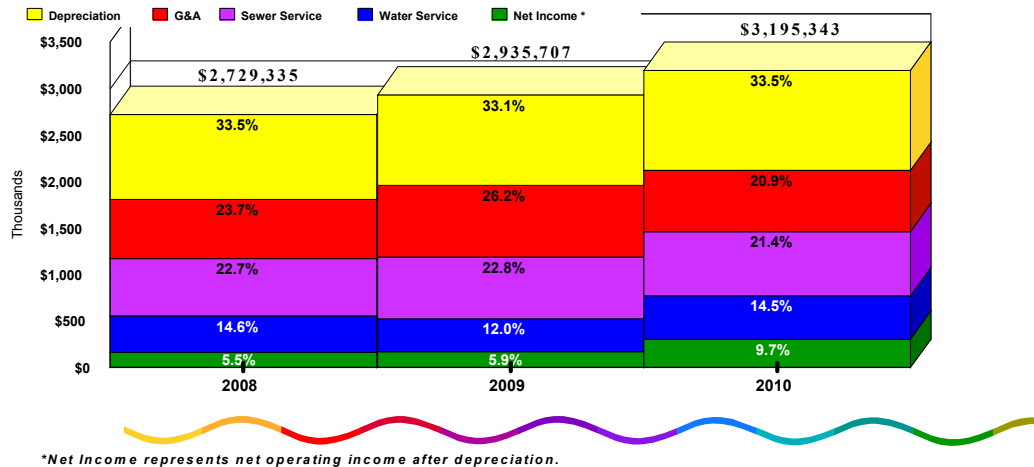
- The Authority also maintains a Bond Reserve Fund in the amount of the combined maximum annual debt service of the 2003, 2005 and 2007 bonds.
- None of the Authority's bond issues pledge the taxing power of the Commonwealth of Pennsylvania, nor any political subdivision. Therefore, the Authority is not a component unit of any entity (see Note 1, page 8 of the Financial Section).

EXPENSES

Overall Operating Expenses for 2010 increased by \$26,200 or 1.5% over 2009. The “operations” chart below shows a graphic history of the Authority’s operations over the last three (3) years.

Perkasie Borough Authority

Trend Analysis - Operations



Detailed Analysis of Operating Expenses

- **Water Service**

Costs of providing water service in 2010 increased to \$464,800 compared to \$346,500 in 2009. This was primarily due to the hiring of 2 new employees.

- **Sewer Service**

The Authority contracts with the Pennridge Wastewater Treatment Authority for treatment of all its sewage wastes. Our costs for sewage treatment are broken down into two categories; the first is actual treatment costs, which increased 7.8% from \$531,800 in 2009 to \$570,000 in 2010. The second portion is the Authority’s pro-rated share of capital improvements to the plant. Those costs increased from \$40,178 in 2009 to \$42,308 in 2010.

The Authority is responsible for the repairs and maintenance of its own sewage collection system. Sewage collection costs decreased 13.8% between 2009 and 2010 which is directly attributable to a reduction in salaries and payroll taxes.

- **Professional Fees**

Total professional fees amounted to \$85,700 which represents a 42.3% decrease over 2009. The fees for Hydrogeology decreased slightly from \$20,800 in 2009 to \$19,100 in 2010, or 8.2%. Legal fees totaled \$21,700 for 2010 which is about 18.5% or \$5,000 less than 2009. The Consulting Engineer fees decreased substantially from \$79,250 in 2009 to \$18,700 in 2010, or 76.4%. This was due in large part to the ongoing discussions in 2009 regarding expansion into West Rockhill, Sellersville, and the Grandview

Hospital as wells as costs associated with the preparation of all grant documents. Theses expenses were, then in turn, not incurred during 2010, therefore lowering the Consulting Engineer fees.

- **General and Administrative**

These costs represent administration employee compensation and benefits including medical benefits, billing supplies, communication, education, trustee’s fees and insurance. Overall administrative costs decreased \$48,350 or 7.8% from last year, resulting from a decrease in property insurance as well as employee health insurance. The Authority decided to modify the employee health insurance coverage benefit, and in turn, was able to save roughly 31.6% or \$66,400 over 2009.

- **Depreciation and Amortization**

This cost increased \$98,700 over last year. This is in direct proportion with our increase in net capital assets. Total costs for 2010 were \$1,070,400, up from \$971,700 in 2009.

- **Bond Interest**

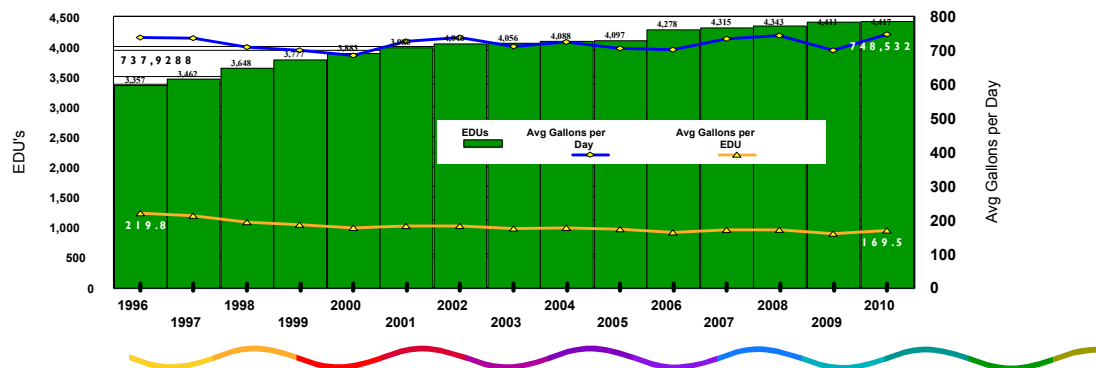
Interest expense on the Authority’s 2003, 2005 and 2007 bond issues was \$485,400 up \$17,900 from the 2009 cost of \$467,500.

- **Water Production**

The Authority’s water production has remained relatively stable although the number of units served has increased. During the last fourteen years, while production has remained the same, the average per equivalent dwelling unit has decreased from 221 gallons per day to 169 gallons per day.

The following graph shows the results of the Authority’s infrastructure replacement program as well as its meter replacement and meter reading upgrades which were completed in 2004. In 2010, usage increased to 169 gallons per day, up from 159 gallons per day in 2009. Below average rainfall in the summer of 2010, along with warm temperatures increased production by an overall 6.4% as outside water use (car washing and pool filling) increased as well.

**Trend Analysis -
Average Daily Well Production by Year**



Future Plans

The Authority realizes that in order to remain viable and keep rates stable it must grow and add to its customer base. To that end, the Board has entered into an agreement with East Rockhill Township to expand the Authority's service area in that Township; thereby, guaranteeing the addition of a minimum of two hundred (200) additional connections/edu's in the Township. In addition, the Authority secured a service area in West Rockhill Township that will ensure another four hundred and fifty (450) connections/edu's. Throughout 2009 and 2010, the Authority continued to pursue the regionalization of two smaller systems. Unfortunately the Borough of Sellersville decided to sell their water system to the North Penn Water Authority. PBA is continuing discussions with both Sellersville and North Penn regarding acquiring a small section of the Sellersville system that will eventually be surrounded by the PBA system. If the Authority is successful in that endeavor, we would then reopen talks with Grandview Hospital regarding the purchase of their system.

For a number of reasons the Authority Board has decided to construct a new office building and distribution center for its operations. In November of 2010 the Authority entered into an agreement of sale to purchase 4.3 acres of land in West Rockhill to construct a facility. The plans are currently going through the Township review and approval process. The current schedule is to receive approval in July of 2011, finalize design by October 2011, accept bids in January 2012, begin construction in the spring of 2012 and occupy the building in the spring of 2013. The estimated cost is \$5,000,000.

Contacting the Authority

We have prepared the MD&A in a manner we hope you find useful. Keep in mind, this entire report is a financial overview designed to give our customers and creditors a general understanding of how the Authority conducts business and accounts for the money it receives. Should you have questions regarding these statements, please contact our office by phone at (215) 257-3654 or e-mail us at www.perkasieauthority.org or by writing Perkasie Borough Authority, 306 N. 5th Street, P.O. Box 159, Perkasie, PA 18944-0159.

Financial Section

ORGANIZATION

Perkasie Borough Authority

MEMBERS OF THE BOARD

Lawrence Gular Chairperson
Benjamin Rainear Vice Chairperson
Robert Wasson Secretary
Thomas Horn Treasurer
David Watt Assistant Secretary/Treasurer

CONSULTING ENGINEER

Peter C. Andersen, P.E.
Andersen Engineering Associates, Inc.
Perkasie, Pennsylvania

SOLICITOR

John N. Schaeffer, III, Esq.
Eastburn and Gray, P.C.
Doylestown, Pennsylvania

BOND COUNSEL

Pepper, Hamilton LLP
Philadelphia, Pennsylvania

UNDERWRITER

PNC Bank
Philadelphia, Pennsylvania

TRUSTEE

Univest National Bank
Souderton, Pennsylvania

INDEPENDENT AUDITORS' REPORT

**Members of the Board
Perkasie Borough Authority
Perkasie, Pennsylvania**

We have audited the accompanying financial statements of the Perkasie Borough Authority, Perkasie, Pennsylvania, as of and for the years ended December 31, 2010 and 2009 as listed in the foregoing index. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Perkasie Borough Authority, Perkasie, Pennsylvania as of December 31, 2010 and 2009 and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 1 through 10 of the Introductory Section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the foregoing index is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Perkasie Borough Authority. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In connection with our audits of the financial statements, nothing came to our attention that caused us to believe that the Authority failed to comply with the terms, covenants, provisions, or conditions of the 1994 Bond Trust Indenture, and with the Supplemental Trust Indenture dated December 15, 1998, securing the Water and Sewer Revenue Bonds, Series of 1998, the Second Supplemental Trust Indenture dated June 1, 2002, securing the Water and Sewer Revenue Bonds, Series of 2002, the Third Supplemental Trust Indenture dated November 15, 2003,

Members of the Board
Perkasie Borough Authority

securing the Water and Sewer Revenue Bonds, Series of 2003, the Fourth Supplemental Trust Indenture dated March 2, 2005, securing the Water and Sewer Revenue Bonds, Series of 2005, and the Fifth Supplemental Trust Indenture dated January 1, 2007, securing the Water and Sewer Revenue Bonds, Series of 2007, insofar as they relate to accounting matters noncompliance with which could have a material effect on the financial statements of the Authority. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As described in Note 9 to the financial statements, the Authority satisfied the rate covenant requirement set forth in Section 6.02 of the 1994 Bond Trust Indenture.

Hanna, McGlone & Co. P.C.

Hanna, McGlone & Co. P.C.

April 26, 2011

STATEMENTS OF NET ASSETS

		<i>December 31</i>	
<i>ASSETS</i>		<i>2010</i>	<i>2009</i>
CURRENT ASSETS	Cash and Cash Equivalents (Notes 1 and 2)	\$ 49,889	\$ 17,505
	Accounts Receivable (Note 1)	67,873	55,370
	Grant Receivable (Note 13)	0	542,776
	Assessments Receivable - Current Portion (Note 3)	19,431	40,287
	Estimated Unbilled Revenue Receivable (Note 1)	472,700	478,350
	Prepaid Expenses	4,222	0
	Inventory (Note 1)	62,122	59,717
	Due from Pennridge Wastewater Treatment Authority (Note 5)	24,286	18,009
Total Current Assets		700,523	1,212,014
CAPITAL ASSETS (Notes 1, 4 and 5)	Property, Plant & Equipment	38,695,780	36,972,352
	Construction in Progress	1,114,186	1,545,498
	Purchased Wastewater Treatment Capacity	2,712,234	2,676,457
		42,522,200	41,194,307
	Less: Accumulated Depreciation	15,102,969	14,032,545
Total Capital Assets - Net		27,419,231	27,161,762
RESTRICTED ASSETS (Note 1)	Cash and Cash Equivalents (Notes 1 and 2)	1,526,931	1,370,736
	Investments (Note 2)	744,500	732,000
	Accrued Interest Receivable	0	6,972
Total Restricted Assets		2,271,431	2,109,708
OTHER NON-CURRENT ASSETS	Bond Discount and Issuance Costs, net of Accumulated Amortization of \$151,812 and \$123,959, respectively (Note 1)	238,820	256,822
	Assessments Receivable - Non-Current Portion (Note 3)	73,721	67,176
	Total Other Non-Current Assets		312,541
TOTAL ASSETS		\$ 30,703,726	\$ 30,807,482

STATEMENTS OF NET ASSETS (Continued)

		<i>December 31</i>	
<i>LIABILITIES & NET ASSETS</i>		<i>2010</i>	<i>2009</i>
CURRENT LIABILITIES	Accounts Payable	\$ 136,707	\$ 14,598
	Accrued Payroll & Withholding	4,729	5,544
	Accrued Severance (Note 12)	17,059	31,485
	Note Payable (Note 7)	70,168	237,752
	Capital Lease Obligations (Note 8)	13,503	10,971
	Total Current Liabilities	242,166	300,350
CURRENT LIABILITIES (Payable from Restricted Assets) (Notes 1 and 6)	Water and Sewer Revenue Bonds - Current Maturities	785,000	760,000
	Contract Retainage & Payable	128,252	268,585
	Accrued Interest	168,791	179,241
	Total Current Liabilities (Payable from Restricted Assets)	1,082,043	1,207,826
LONG-TERM LIABILITIES (Payable from Restricted Assets) (Notes 1 and 6)	Water and Sewer Revenue Bonds - Less Current Maturities	9,775,000	10,560,000
	Deferred Amounts from Refunding, Net of Amortization of \$283,466 and \$248,084, respectively	(228,113)	(263,495)
	Total Long-Term Liabilities (Payable from Restricted Assets)	9,546,887	10,296,505
OTHER LONG-TERM LIABILITIES	Accrued Severance (Note 12)	40,234	66,034
	Escrow Liabilities	2,341	2,341
	Note Payable (Note 7)	1,630,150	703,554
	Capital Lease Obligations (Note 8)	30,175	29,947
TOTAL LIABILITIES		12,573,996	12,606,557
NET ASSETS (Note 1) (Page 6)	Invested in Capital Assets, Net of Related Debt Restricted for Debt Service	16,815,553	15,800,844
	Restricted for Capital Projects	2,098,745	1,920,091
	Unrestricted	(1,824,675)	(1,199,515)
		1,040,107	1,679,505
TOTAL NET ASSETS		18,129,730	18,200,925
TOTAL LIABILITIES & NET ASSETS		\$ 30,703,726	\$ 30,807,482

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended December 31		2010	%	2009	%	Increase (Decrease)	%
OPERATING REVENUES	Sewer Service Charges	\$ 1,506,199	47.1	\$ 1,426,463	48.6	\$ 79,736	5.6
	Water Sales	1,576,998	49.4	1,373,408	46.8	203,590	14.8
	Other Revenue	112,146	3.5	135,836	4.6	(23,690)	(17.4)
	Total Operating Revenues	3,195,343	100.0	2,935,707	100.0	259,636	8.8
OPERATING EXPENSES (Page 20)	Sewer Service	688,895	21.4	669,686	22.8	19,209	2.9
	Water Service	464,763	14.5	346,526	12.0	118,237	34.1
	Professional Fees	85,681	2.7	148,599	5.0	(62,918)	(42.3)
	General & Administrative	575,313	18.2	623,662	21.2	(48,349)	(7.8)
Total Operating Expenses	1,814,652	56.8	1,788,473	61.0	26,179	1.5	
OPERATING INCOME BEFORE DEPRECIATION		1,380,691	43.2	1,147,234	39.0	233,457	20.3
	Depreciation (Notes 1 and 4)	1,070,424	33.5	971,680	33.1	98,744	10.2
OPERATING INCOME		310,267	9.7	175,554	5.9	134,713	76.7
NON-OPERATING INCOME (EXPENSE)	Investment Earnings	52,946	2.0	54,905	2.0	(1,959)	(3.6)
	Rental Income	85,382	3.0	84,157	3.0	1,225	1.5
	Tapping Fees	162,229	5.0	41,558	1.0	120,671	290.4
	Water and Sewer Assessments	30,480	1.0	122,360	4.0	(91,880)	(75.1)
	Amortization of Bond Issuance Costs	(27,853)	(1.0)	(27,525)	(1.0)	(328)	(1.2)
	Interest Expense						
	- 2003, 2005, and 2007 Bond Issues	(450,078)	(14.0)	(432,117)	(15.0)	(17,961)	(4.2)
	- Amortization of Deferral on Refunding of Bonds	(35,382)	(1.0)	(35,382)	(1.0)	0	0.0
	- Capital Lease Obligations	(3,420)	0.0	(2,331)	0.0	(1,089)	(46.7)
	Sellersville Exploratory Acquisition Costs	(194,114)	(6.0)	0	0.0	(194,114)	N/A
Hilltown Legal Expenses (Note 12)	(1,652)	0.0	(77,694)	(3.0)	76,042	97.9	
Total Non-Operating Expense - Net	(381,462)	(11.0)	(272,069)	(10.0)	(109,393)	40.2	
Decrease in Net Assets Before							
Capital Contributions & Transfers		(71,195)	(1.3)	(96,515)	(4.1)	25,320	(26.2)
	Grant Awards (Note 13)	0	0.0	908,234	30.9	(908,234)	100.0
INCREASE (DECREASE) IN NET ASSETS		\$ (71,195)	(1.3)	\$ 811,719	26.8	\$ (882,914)	(108.8)
NET ASSETS AT BEGINNING OF YEAR		18,200,925		17,389,206			
NET ASSETS AT END OF YEAR		\$ 18,129,730		\$ 18,200,925			

STATEMENTS OF CASH FLOWS

		<i>Years Ended December 31</i>	
<i>Cash Flows From:</i>		<i>2010</i>	<i>2009</i>
OPERATING ACTIVITIES	Cash Receipts from Customers	\$ 3,149,435	\$ 2,814,456
	Other Operating Cash Receipts	57,065	92,931
	Cash Payments to Employees for Services	(796,002)	(667,545)
	Cash Payments to Vendors for Goods and Services	(961,964)	(1,040,735)
	Net Cash Provided By Operating Activities	1,448,534	1,199,107
CAPITAL AND RELATED FINANCING ACTIVITIES	Tapping Fee Income	182,511	149,582
	Collection on Water and Sewer Assessments	24,509	41,648
	Legal Proceedings & Acquisition Costs	(113,132)	(77,694)
	Proceeds on Note Payable	910,852	820,550
	Debt Issuance Costs	(9,852)	0
	Payments on Note Payable	(154,658)	(58,694)
	Principal Payments on Capital Lease Obligations	(12,444)	(10,437)
	Additions to Property, Plant and Equipment	(1,542,188)	(1,519,372)
	Bond Redemptions	(760,000)	(735,000)
	Interest Paid - Bonds / Notes / Capital Leases	(461,129)	(465,688)
Net Cash Used By Capital And Related Financing Activities	(1,392,755)	(1,489,647)	
INVESTING ACTIVITIES	Change in Investments	808,000	797,000
	Investment Purchases	(1,552,500)	(1,529,000)
	Proceeds from Investment Sales/Maturities	732,000	1,168,000
	Investment Earnings	59,918	53,223
	Proceeds from Rental Income	85,382	84,157
Net Cash Provided by Investing Activities	132,800	573,380	
Net Increase in Cash and Cash Equivalents		188,579	282,840
Cash and Cash Equivalents - Beginning		1,388,241	1,105,401
Cash and Cash Equivalents - Ending		\$ 1,576,820	\$ 1,388,241
Reconciliation of Cash and Cash Equivalents:			
Cash - Unrestricted		\$ 49,889	\$ 17,505
Cash - Restricted		1,526,931	1,370,736
		\$ 1,576,820	\$ 1,388,241
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income		\$ 310,267	\$ 175,554
Adjustment for Noncash Charges to Operations:			
Depreciation and Amortization		1,070,424	971,680
Changes in Assets and Liabilities:			
Increase in Accounts Receivable		(12,503)	(1,162)
(Increase) Decrease in Unbilled Revenue		5,650	(56,107)
Decrease in Other Current assets		(3,967)	10,936
(Increase) Decrease in Inventory		(2,405)	7,755
Increase in Accounts Payable & Accrued Payroll		81,068	90,451
Net Cash Provided by Operating Activities		\$ 1,448,534	\$ 1,199,107
SUPPLEMENTARY DISCLOSURE OF NON-CASH ITEMS			
Property Purchased via Capital Lease Obligations		\$ 15,202	\$ 0

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2010 and 2009

1. Summary of Significant Accounting Policies and Description of Operations

Description of Operations - The Perkasie Borough Authority (the "Authority") is a body, politic and corporate, created under the Pennsylvania Municipality Authorities Act 53 Pa.C.S. §§ 5601-5622, as amended (the "Act") pursuant to an ordinance enacted by the Council of the Borough of Perkasie, Bucks County, Pennsylvania (the "Borough"), for the purpose of owning, operating, and maintaining water and sewer systems within the Borough and surrounding areas for which it is authorized to serve. The certificate of incorporation of the Authority was issued by the Secretary of the Commonwealth of Pennsylvania on April 28, 1955. During 2008, the Authority passed a resolution to extend its existence for an additional fifty (50) years to July 2058.

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

Reporting Entity - Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity* establishes standards for defining and reporting on the financial reporting entity. The financial reporting entity consists of the primary government and organizations for which it is financially accountable. In determining financial accountability, consideration is given to financial interdependency, selection of governing body, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Based on the foregoing criteria, the Authority is not a component unit of any primary government. In addition, there are no component units to be included in the Authority's financial statements.

Significant Accounting Policies - The financial statements of the Authority 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 Authority's significant accounting policies are described below.

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

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they are earned, including unbilled water and sewer services which are accrued. Expenses are recorded at the time liabilities are incurred. Water and sewer revenues and related charges are recorded as operating income and the related water production costs and treatment expense along with maintenance and administrative charges are recorded as operating expenses. Investment income and debt service payments are treated as nonoperating income and expense and included under capital and related financing and investing activities in the Statement of Cash Flows.

The Authority follows all applicable Government Accounting Standards Board ("GASB") pronouncements and Financial Accounting Standard Board ("FASB") pronouncements issued before December 1, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

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

Continued on next page.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2010 and 2009

1. Summary of Significant Accounting Policies and Description of Operations (Continued)

Cash and Cash Equivalents - The Authority considers money market funds, Treasury bills and all highly liquid investments with an original maturity date of ninety days or less to be cash equivalents unless they are included as a component of an investment account. Cash equivalents are stated at cost, which approximates market.

Trust Indenture and Restricted Assets - The Authority entered into a Trust Indenture, dated as of April 1, 1994 (the "Original Indenture"), as supplemented by a Supplemental Trust Indenture dated as of December 15, 1998 (the "1998 Supplemental Indenture"), by a Second Supplemental Trust Indenture dated as of June 1, 2002 (the "Second Supplemental Indenture"), by a Third Supplemental Trust Indenture dated as of November 15, 2003 (the "Third Supplemental Indenture"), by a Fourth Supplemental Trust Indenture dated as of February 15, 2005 (the "Fourth Supplemental Indenture"), and as further supplemented by a Fifth Supplemental Trust Indenture dated as of January 1, 2007 (the "Fifth Supplemental Indenture", and collectively with the Original Indenture, the 1998 Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture, the "Trust Indenture") with Univest National Bank as Trustee in connection with the issuance of its Water and Sewer Revenue Bonds, Series of 2003, 2005 and 2007 which are currently outstanding. The aforementioned Trust Indenture provided for the creation of the following funds:

- **Revenue Fund** for deposit of all revenues and receipts arising from the operation of the water and sewer system and any income derived from the investment of moneys in any other Fund under the Indenture with the exception of the Construction Fund;
- **Bond Fund** into which revenues are to be transferred from the Revenue Fund for payment of interest and principal on the bonds as they become due;
- **Bond Reserve Fund** in an amount equal to the maximum annual aggregate debt service of the 2003 Bonds, 2005 Bonds, and 2007 Bonds for the purpose of funding deficiencies which may occur in the Bond Fund;
- **Construction Fund** for the payment of costs of each project involving construction for which bonds are issued;
- **Bond Redemption and Improvement Fund** for funding (1) any deficiencies which may occur in the Bond or Bond Reserve Funds, (2) capital repairs, additions or contributions, and (3) bond redemptions.

The above-captioned funds are reported in the Statement of Net Assets under the caption Restricted Assets.

Accounts Receivable - The Authority's policy is to file a lien against any uncollectible account which results in the collection of all accounts receivable.

Estimated Unbilled Revenue Receivable - Customers are billed on a staggered quarterly basis with bills dated the 1st day of each month for the quarterly calendar period immediately preceding the date of the bill. As a result, revenues earned for services provided, but not billed, encompassing the period from October 1 through December 31, are accrued on a pro rata basis at the end of the calendar year.

Operating Revenues and Expenses - Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations which is the sale of water and treatment of wastewater for its customers. Operating expenses include the cost of services, professional and administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting the aforementioned criteria are reported as nonoperating revenues and expenses.

Continued on next page.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2010 and 2009

**1. Summary of
Significant
Accounting Policies
and Description of
Operations
(Continued)**

Capital Assets - Property, plant and equipment are carried at historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of constructed assets. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The Authority does not maintain a monetary threshold for capital assets.

Expenditures for maintenance, repairs, and minor replacements are expensed as incurred. Replacements and betterments which increase the service capacity or prolong the service life beyond that originally contemplated are capitalized. Upon retirement or disposal, the cost of the asset and the related allowance for depreciation are removed from the respective accounts, and any gain or loss is included in the statement of revenues, expenses, and changes in net assets.

Construction in Progress represents costs incurred by the Authority for in-process activities designed to expand, replace or extend useful lives of existing property and equipment.

Retainage payable represents amounts billed to the Authority by contractors for which payment is not due pursuant to retained percentage provisions in construction contracts until substantial completion of performance by the contractor and acceptance by the Authority.

Inventory - Inventory is stated at the lower of cost or market and consists of operation and maintenance parts and supplies.

Investments - Investments are recorded at fair value, which approximates cost at the balance sheet date.

Bond Discount and Issuance Costs - Bond discounts and issuance costs are amortized over the life of the respective bond issue using the straight-line method.

Deferred Amount on Refunding of Water and Sewer Bonds - Deferred amounts on refunding of water and sewer bonds incurred on advance or current refunding of such bonds relates to the difference between the reacquisition price and the net carrying amount of the refunded bonds. The amount deferred is included as a reduction to bonds payable and is amortized on a straight-line basis over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter.

Net Assets - Net assets represent the difference between the Authority's assets and liabilities. Net Assets Invested in Capital Assets, Net of Related Debt represent capital assets, reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets. Net Assets Restricted for Debt Service are comprised of certain funds restricted under the Trust Indenture to payment of debt service on bonds. Net Assets Restricted for Capital Projects represent moneys in the Construction Funds under the Trust Indenture earmarked for future capital projects. Unrestricted Net Assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Vacations and Sick Leave - Employee benefits offered by the Authority are useable or payable in each calendar year; therefore, there is no liability for compensated absences or other benefits.

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

Reclassifications - Certain reclassifications of prior-year financial information presented herein for comparative purposes have been introduced to conform with current-year presentation.

Continued on next page.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2010 and 2009

1. Summary of Significant Accounting Policies and Description of Operations (Continued)

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

2. Deposits and Investments

Deposits - State law requires that all public deposits in financial institutions in excess of federal insurance limits be fully collateralized by obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Pennsylvania Act 72 of 1971, as amended, permits banking institutions to satisfy this collateralization requirement by pooling securities pledged as collateral for public funds on deposit. At December 31, 2010, the carrying amount and the bank balance of deposits with financial institutions were \$49,889 and \$55,295, respectively, all of which were covered by federal depository insurance.

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

Fair market value of investments at December 31, 2010 and 2009, follows:

	2010	2009
Federal Home Loan Bank Discount Notes	\$ 808,000	\$ 797,000
Certificates of Deposit	744,500	732,000
Money Market Mutual Funds	718,931	573,736
Total	\$ 2,271,431	\$ 2,102,736

The Authority does not have a formal investment policy that addresses interest rate and credit risk of debt securities.

Interest Rate Risk - At December 31, 2010, the maturity for the Authority's investment in Federal Home Loan Bank discount notes was less than ninety days. The Authority does not have a formal policy on interest rate risk.

Credit Risk - The Authority's investment in Federal Home Loan Bank discount notes has a credit quality rating of A-1+ issued by Standard & Poor's, the highest category on short-term obligations which indicates that the obligor's capacity to meet its financial commitment is extremely strong. The money market mutual funds in which the Authority invests are unrated.

Custodial Credit Risk - Deposit custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. Investment custodial credit is the risk that the counterparty to an investment transaction will fail and the Authority will not recover the value of the investment or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank discount notes are held by the Depository Trust Company, a member of the U.S. Federal Reserve System, a limited-purpose trust company under New York State banking law and a registered clearing agency with the Securities and Exchange Commission. The investment is not held in the name of the Authority. Amounts invested in Money Market Mutual Funds are not subject to custodial credit risk categorization since they are not evidenced by securities that exist in physical or book entry form. The Authority does not have a formal policy on custodial credit risk.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2010 and 2009

3. Assessments Receivable

Amounts due from property owners for water and sewer assessments totaled, \$93,152 and \$107,463 as of December 31, 2010 and 2009, respectively. The Authority currently pays one-third of the project cost of extending water and sewer systems to furnish service to customers and assesses the remaining balance to the property owners.

The assessments are payable over five years, with a 20% down payment in year one, and 20% due in each of the next four years plus an interest rate of 5% per annum on the outstanding balance. At December 31, 2010, the principal portion of the assessment receivable is as follows:

Year	Amount
2011	\$ 19,431
2012	\$ 10,789
2013	\$ 6,950
2014	\$ 5,670
2015 & Thereafter	\$ 50,312
Total	\$ 93,152

4. Capital Assets

Property, plant, equipment and infrastructure assets at December 31, 2010 and 2009 and related depreciation expense for the years then ended follow:

2010

	Beginning	Increases	Decreases	Transfers	Ending	Depreciation
Land	\$ 240,850	\$ 0	\$ 0	\$ 0	\$ 240,850	\$ 0
Water System	\$ 21,355,804	\$ 282,764	\$ 0	\$ 1,310,932	\$ 22,949,500	\$ 605,353
Sewer System	\$ 14,943,177	\$ 15,483	\$ 0	\$ 8,374	\$ 14,967,034	\$ 347,893
Furniture and Equipment	\$ 249,908	\$ 47,375	\$ 0	\$ 0	\$ 297,283	\$ 32,722
Vehicles	\$ 182,613	\$ 58,500	\$ 0	\$ 0	\$ 241,113	\$ 17,126
Purchased Wastewater Treatment Capacity	\$ 2,676,457	\$ 35,777	\$ 0	\$ 0	\$ 2,712,234	\$ 67,330
Construction in Progress	\$ 1,545,498	\$ 944,762	\$ (56,768)	\$ (1,319,306)	\$ 1,114,186	\$ 0
Total	\$ 41,194,307	\$ 1,384,661	\$ (56,768)	\$ 0	\$ 42,522,200	\$ 1,070,424

2009

	Beginning	Increases	Decreases	Transfers	Ending	Depreciation
Land	\$ 240,850	\$ 0	\$ 0	\$ 0	\$ 240,850	\$ 0
Water System	\$ 19,965,415	\$ 225,157	\$ 0	\$ 1,165,232	\$ 21,355,804	\$ 527,392
Sewer System	\$ 14,816,338	\$ 21,151	\$ 0	\$ 105,688	\$ 14,943,177	\$ 346,008
Furniture and Equipment	\$ 180,370	\$ 54,388	\$ 0	\$ 15,150	\$ 249,908	\$ 20,623
Vehicles	\$ 182,613	\$ 0	\$ 0	\$ 0	\$ 182,613	\$ 11,276
Purchased Wastewater Treatment Capacity	\$ 2,636,279	\$ 40,178	\$ 0	\$ 0	\$ 2,676,457	\$ 66,381
Construction in Progress	\$ 1,471,712	\$ 1,359,856	\$ 0	\$ (1,286,070)	\$ 1,545,498	\$ 0
Total	\$ 39,493,577	\$ 1,700,730	\$ 0	\$ 0	\$ 41,194,307	\$ 971,680

5. Sewage Treatment Services

The Authority joined with several other municipalities in 1973 to form the Pennridge Wastewater Treatment Authority (PWTA). PWTA provides sewage treatment services to all or portions of the member municipalities and the area served by the Authority. PWTA's normal operating costs are assessed among the participants based upon their proportionate share of equivalent dwelling units ("EDUs"). PWTA's charges to the Authority for treatment operating costs are expensed as incurred and totaled \$570,017 and \$531,804 for the years ended December 31, 2010 and 2009, respectively.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2010 and 2009

5. Sewage Treatment Services (Continued) Capital construction and plant upgrade costs are assessed based upon the percentages of plant capacity attributed to each member. The Authority’s payments to PWTA for capital construction and plant upgrades, as summarized in Note 4, are capitalized as purchased wastewater treatment capacity and depreciated over a period of 40 years.

Amounts due from PWTA for amounts advanced in excess of actual expenses totaled \$24,286 and \$18,009 at December 31, 2010 and 2009, respectively.

6. Long-Term Debt – Water & Sewer Revenue Bonds

A summary of the Authority’s outstanding Water and Sewer Bonds follows:

Series 2003 - On December 11, 2003, the Authority issued \$4,065,000 of Water and Sewer Revenue Bonds, Series of 2003, to provide for:

1. Current refunding of the outstanding Series of 1998 Bonds,
2. Repayment of the Authority’s 2003 Bond Anticipation Note,
3. Funding of certain water and sewer capital improvements, and
4. Payment of costs of insuring and issuing the Bonds.

Series 2005 - On March 2, 2005, the Authority issued \$2,725,000 of Water and Sewer Revenue Bonds, Series of 2005, to provide for:

1. Funding of various water main and sanitary sewer capital improvements,
2. Funding the requisite deposit to the Bond Reserve Fund to bring the balance equal to the maximum annual aggregate debt service on the Series of 2002, 2003 and 2005 Bonds, and
3. Payment of costs of insuring and issuing the Bonds.

Series 2007 - On January 10, 2007, the Authority issued \$7,250,000 of Water and Sewer Revenue Bonds, Series of 2007, for the purpose of :

1. Currently refunding all outstanding Water and Sewer Revenue Bonds, Series 2002,
2. Funding additional costs on the Arsenic Removal Project on Well #11,
3. Funding a deposit to the Bond Reserve Fund, and
4. Payment of costs of issuance and bond insurance.

Water & Sewer Revenue Bonds outstanding at December 31, 2010 and 2009 and a summary of activity for the year ended December 31, 2010 follow:

	December 31, 2009		Additions	Reductions	December 31, 2010		Amounts Due Within One Year
Series of 2003	\$	2,290,000	\$ 0	\$ (310,000)	\$	1,980,000	\$ 325,000
Series of 2005		2,495,000	0	(70,000)		2,425,000	65,000
Series of 2007		6,535,000	0	(380,000)		6,155,000	395,000
	\$	11,320,000	\$ 0	\$ (760,000)	\$	10,560,000	\$ 785,000
Less: Unamortized Deferred Amount on Refunding of Bonds		(263,495)		35,382		(228,113)	
Less: Current Portion		(760,000)	(785,000)	760,000		(785,000)	
Bonds Payable - Net of Current Portion	\$	10,296,505	\$ (785,000)	\$ 35,382	\$	9,546,887	

Continued on next page.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2010 and 2009

6. Long-Term Debt – Water & Sewer Revenue Bonds (Continued) **Debt Service Requirements –**

Payments on bond principal are made annually on February 1st. Interest is paid semiannually on February 1st and August 1st of each year. A summary of the annual debt service requirements on outstanding Water and Sewer Revenue Bonds follows:

Year	Series of 2003 ⁽¹⁾		Series of 2005 ⁽²⁾		Series of 2007 ⁽³⁾	
	Principal	Interest Rate	Principal	Interest Rate	Principal	Interest Rate
2011	\$ 325,000	3.3	\$ 65,000	3.1	\$ 395,000	3.6
2012	\$ 330,000	3.5	\$ 70,000	3.3	\$ 405,000	3.5
2013	\$ 650,000	3.6	\$ 60,000	3.45	\$ 0	N/A
2014	\$ 675,000	3.7	\$ 65,000	3.55	\$ 0	N/A
2015	\$ 0	N/A	\$ 175,000	3.60	\$ 990,000	3.75
2016-2020	\$ 0	N/A	\$ 970,000	4-4.10	\$ 4,100,000	3.80-4.0
2021-2022	\$ 0	N/A	\$ 1,020,000	4.125	\$ 265,000	4.125
Total	\$ 1,980,000		\$ 2,425,000		\$ 6,155,000	

- (1) 2003 Series Bonds maturing on or after February 1, 2010, are subject to early redemption in whole or in part on or after February 1, 2009, at the discretion of the Authority.
- (2) 2005 Series Bonds maturing on or after February 1, 2011, are subject to early redemption in whole or in part on or after February 1, 2010, at the discretion of the Authority. 2005 Bonds maturing on February 1 of the years 2018 and 2020 are subject to mandatory sinking fund redemption prior to maturity as specified in the Trust Indenture.
- (3) 2007 Series Bonds maturing on or after February 1, 2013, are subject to early redemption in whole or in part on or after February 1, 2012, at the discretion of the Authority. 2007 Bonds maturing on February 1 of the years 2013, 2014, 2015, 2021, and 2022 are subject to mandatory sinking fund redemption prior to maturity as specified in the Trust Indenture.

Scheduled future principal and interest maturities with respect to the 2003, 2005 and 2007 Series Bonds from debt service accounts at December 31, 2010, follow:

Year	Principal	Interest	Total Debt Service Requirement
2011	\$ 785,000	\$ 391,619	\$ 1,176,619
2012	\$ 805,000	\$ 364,121	\$ 1,169,121
2013	\$ 710,000	\$ 335,025	\$ 1,045,025
2014	\$ 740,000	\$ 303,774	\$ 1,043,774
2015	\$ 1,165,000	\$ 270,764	\$ 1,435,764
2016-2020	\$ 5,070,000	\$ 788,361	\$ 5,858,361
2021-2022	\$ 1,285,000	\$ 32,072	\$ 1,317,072
Total	\$ 10,560,000	\$ 2,485,736	\$ 13,045,736

On February 17, 2011, the Authority issued \$8,515,000 of Water and Sewer Revenue Bonds, Series of 2011, for the purpose of various capital improvement projects, current refunding of the Authority’s outstanding General Obligation Note issued to Univest National Bank (See Note 7), the funding of a deposit to the bond reserve fund, and the payment of the costs and expenses for issuance of the bonds.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2010 and 2009

7. Note Payable

In August 2008, Univest National Bank and Trust Company (“Univest”) issued a \$1 million general obligation note, requiring interest only payments at the rate of 4%, for the purpose of funding a remedial water line project. Beginning August 2009, the term of the note was fixed to four years and required monthly payments of \$22,590 consisting of principal and interest. As of December 31, 2009, the balance of the loan amounted to \$941,306.

In March 2010, Univest extended a commitment to the Authority for up to \$1,863,183 to fund capital improvements for Wells #5, 6, 9, and 10 and to consolidate the outstanding balance on the August 2009 term loan which totaled \$846,382 at the time of consolidation. Repayment terms call for two hundred forty (240) monthly payments at a fixed interest rate of 4% for the first sixty (60) months and resets every sixty months thereafter. Monthly principal and interest payments for the first sixty (60) months amount to \$11,348. The remaining 180 monthly payments of principal and interest will be based upon the remaining amortization period and prevailing interest rate. The note payable balance as of December 31, 2010 amounted to \$1,700,318. On February 16, 2011, the Authority paid off the loan with the proceeds from its 2011 bond issue (See Note 6). A schedule of the future annual debt service for the 2011 Water and Sewer Revenue Bonds follows:

Year	Principal	Interest	Total Debt Service Requirement
2011	\$ 0	\$ 174,691	\$ 174,691
2012	\$ 35,000	\$ 383,228	\$ 418,228
2013	\$ 30,000	\$ 382,781	\$ 412,781
2014	\$ 25,000	\$ 382,231	\$ 407,231
2015	\$ 30,000	\$ 381,475	\$ 411,475
2016-2020	\$ 180,000	\$ 1,888,550	\$ 2,068,550
2021-2025	\$ 5,185,000	\$ 1,430,614	\$ 6,615,614
2026-2027	\$ 3,030,000	\$ 145,469	\$ 3,175,469
Total	\$ 8,515,000	\$ 5,169,039	\$ 13,684,039

8. Capital Lease Obligations

A capital lease transfers substantially all of the benefits and risks of ownership of leased property to the lessee. As of December 31, 2010, vehicles owned by way of a capital lease and included within the balance sheet caption “Property, Plant & Equipment” are accounted for as follows:

	2010
Capitalized Cost	\$ 71,584
Less: Accumulated Amortization	\$ 29,205
Capitalized Cost, Net	\$ 42,379
Lease Amortization Included in Depreciation Expense	\$ 12,290

Future minimum payments under the capital lease together with the present value, calculated based upon the Authority’s incremental borrowing rate at the date of inception of the lease follow:

Years Ending December 31	Total
2011	\$ 15,565
2012	16,927
2013	10,543
2014	4,159
2015	2,428
Total Minimum Lease Payments	\$ 49,622
Less: Amount Representing Interest	5,944
Present Value of Future Minimum Rental	43,678
Less: Current Portion	13,503
Total Noncurrent	\$ 30,175

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2010 and 2009

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

A calculation of the Authority’s compliance with the requirement is as follows:

	2010	2009
Total Pledged Revenues	\$ 3,526,379	\$ 3,238,687
Total Operating Expenses (Net of Depreciation)	1,814,654	1,788,478
Amount Available for Debt Service	1,711,725	1,450,209
Average Annual Debt Service @ 110%	1,203,516	1,210,014
Excess Over Required Funding	\$ 508,209	\$ 240,195

10. Water and Sewer Rates On January 26, 1996 the Authority adopted a revised form of Authority Resolution 82-7 which established rules, regulations and rates for water and sewer service and repealing all resolutions inconsistent therein. Using a tiered structure, customers receive quarterly water and sewer bills based on actual water consumption. The Authority periodically evaluates its water and sewer rates to insure compliance with the Rate Covenant requirements of the Trust Indenture (See Note 9). On November 17, 2009, the Authority passed Resolution 2009-05, which increased water and sewer rates for year 2010. A schedule of the water and sewer rates is summarized below:

	2010		2009	
	Sewer	Water	Sewer	Water
Service Charge	\$ 51.50	\$ 25.00	Service Charge \$ 45.00	\$ 20.00
*Base			*Base	
0 - 5,000	\$ 3.60	\$ 3.80	0 - 5,000	\$ 3.60 \$ 3.25
6,000 - 10,000	\$ 3.90	\$ 5.20	6,000 - 10,000	\$ 3.90 \$ 4.65
11,000 - 15,000	\$ 3.95	\$ 5.40	11,000 - 15,000	\$ 3.95 \$ 4.85
16,000 - 20,000	\$ 4.00	\$ 5.55	16,000 - 20,000	\$ 4.00 \$ 5.00
21,000 - 25,000	\$ 4.05	\$ 5.70	21,000 - 25,000	\$ 4.05 \$ 5.15
26,000 and over	\$ 4.10	\$ 5.85	26,000 and over	\$ 4.10 \$ 5.30

*Rates are based per 1,000 gallons

11. Retirement Plan **Plan Description** - The Authority maintains a single-employer defined benefit pension plan and participates in the Pennsylvania Municipal Retirement System ("PMRS"), an agent multiple-employer public employees' retirement system created by the Pennsylvania General Assembly in 1974 and administered by the Pennsylvania Municipal Retirement Board. PMRS acts as a common investment and administrative agent for participating municipal pension plans. The agent maintains each municipality’s accounts separately with that municipality’s contributions and related employees’ contributions. The assets may only be used for payment of benefits to members of the plan. The following is a summary of the plan's coverage and benefit provisions and significant actuarial assumptions:

Coverage and Benefit Provisions	
Covered employees	All active full-time employees are required to participate.
Benefit vesting	100% after 5 years of service.
Normal retirement date	Employee is eligible upon attaining age 60.
Early retirement provision	Involuntary termination and 8 years of credited service, or voluntary termination and 20 years of credited service.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2010 and 2009

**11. Retirement Plan
(Continued)**

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

PMRS issues a separate publicly available Comprehensive Annual Financial Report which can be obtained by contacting the PMRS accounting office.

For the year ended December 31, 2010, the Authority's total payroll and covered payroll for all employees was \$520,704. Covered payroll refers to all compensation paid by the Authority to active employees covered by PMRS on which contributions to the pension plan are based.

Contributions, Funding Policy and Status

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

Employer 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. Any funding requirements established by the MMO in excess of required employee contributions must be paid by the municipality in accordance with Act 205.

Annual Pension Cost - For the years ended December 31, 2010 and 2009, the Authority's annual pension cost of \$18,198 and \$21,323, respectively, was equal to the Authority's required and actual contributions. The required contributions were determined as part of the January 1, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 6.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.2%. The plan was actuarially overfunded as of the January 1, 2009 valuation.

Five Year Trend Information -

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 10,534	100%	\$ 0
2007	\$ 18,354	100%	\$ 0
2008	\$ 23,995	100%	\$ 0
2009	\$ 21,323	100%	\$ 0
2010	\$ 18,198	100%	\$ 0

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2010 and 2009

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

The Authority and the Pennridge Wastewater Treatment Authority had filed suit against the Hilltown Township Water & Sewer Authority to prevent the construction of the proposed Highland Park Wastewater Treatment Plant in Hilltown Township. The litigation was settled during 2008 in favor of the Authority. Legal expenses relating to the lawsuit amounted to \$1,652 and \$77,694 during the years ended December 31, 2010 and 2009, respectively. The magnitude of the Authority’s future treatment and capital improvement cost savings resulting from Hilltown’s requirement to continue to send its sewage to the joint authority has not been quantified.

Risk Management - The Authority is subject to various risks of losses arising from torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the Authority purchases commercial insurance. No settlements have exceeded coverage during the years ended December 31, 2010 and 2009.

Commitments - The Authority owns several properties that are leased to individuals and businesses. The following table provides details of each lease.

Location	Date of Last Renewal	Lease Term	Automatic Renewal Provision	Monthly Rent
308 N. 5th Street	7/1/1996	Month to Month	Yes - Monthly	\$ 1,000
306 N. 5th Street - 2nd Floor	7/1/2010	60 Months	Yes - 5 Years	\$ 1,546
306 N. 5th Street	7/1/2010	60 Months	No	\$ 967
1503 Park Avenue East - Water Tank	9/16/2007	60 Months	Yes - 5 Years	\$ 500
1503 Park Avenue East - Water Tank	6/5/2009	60 Months	Yes - 5 Years	\$ 2,076

On July 28, 2009 the Authority entered into a four year copier lease arrangement requiring annual payments of \$2,317. On August 13, 2008, the Authority entered into a fifteen (15) year contract with Southern Corrosion, Inc. for the inspection, painting, and maintenance of the Authority’s water tank.

The following is the expected timetable with respect to its future capital and routine maintenance agreement:

Year	Description
2011 - 2014	Visual Inspection and repair based on inspection.
2015	Clean, wash, and repair interior & exterior of water tank. Paint exterior.
2016 - 2019	Visual Inspection and repair based on inspection.
2020	Clean, wash, and repair interior & exterior of water tank.
2021 - 2023	Visual Inspection and repair based on inspection.

Payments for years 2015 – 2023 increase annually by the Consumer Price Index as well as additional costs incurred for the refurbishing of both the interior and exterior of the water tank. Total costs incurred under this maintenance agreement amounted to \$98,155 for the years ended December 31, 2010 and 2009.

Continued on next page.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2010 and 2009

12. Risk Management and Commitments Future minimum payments under the maintenance agreement and operating leases follow:
(Continued)

Year	Maintenance	Copier	Total
2011	\$ 10,760	\$ 2,317	\$ 13,077
2012	10,975	2,317	13,292
2013	11,195	2,317	13,512
2014	11,419	1,158	12,577
2015	11,647	0	11,647
Thereafter	101,965	0	101,965
Total	\$ 157,961	\$ 8,109	\$ 166,071

Severance Agreement – On December 21, 2009, the Authority entered into a severance agreement with a long time employee. The agreement calls for two lump sum payments for years of service to the Authority and for accrued vacation both of which were paid in January 2010. Additionally, the agreement calls for continuation of health and dental insurance payments until the former employee and his spouse reach age 65. Insurance payments are indexed for inflation at 6% per year and all future severance amounts are discounted to present value at the rate of 4% (the Authority’s current borrowing rate). The total and discounted cost of the severance package amounted to \$102,185 and \$97,519, respectively. A summary of future severance payments for health insurance follows:

Year	Amount
2011	\$ 17,059
2012	18,083
2013	9,368
2014	8,986
2015	7,144
Total	60,640
Less: Discount	(3,347)
Discounted Total	\$ 57,293

13. Grant Awards During 2009, the Authority was awarded four grants, totaling \$908,234, for two projects. As of December 31, 2009, the Authority was due \$542,776 from its grant awards, all of which was received in 2010.

Supplementary Information

Perkasie Borough Authority

STATEMENTS OF OPERATING EXPENSES

	2010	%	2009	%	Variance Increase (Decrease)	
					\$	%
SEWER SERVICE						
Salaries	\$ 84,406	2.6	\$ 112,951	3.8	\$ (28,545)	(25.3)
Payroll Taxes	6,457	0.2	7,668	0.3	(1,211)	(15.8)
Materials and Supplies	2,989	0.1	2,115	0.1	874	41.3
Electric	151	0.0	131	0.0	20	15.3
Maintenance and Repairs	17,004	0.5	11,933	0.4	5,071	42.5
Vehicle	6,325	0.2	2,304	0.1	4,021	174.5
Uniforms	1,546	0.0	780	0.0	766	98.2
Treatment Fees - Operating	570,017	17.8	531,804	18.1	38,213	7.2
Total Sewer Service	688,895	21.4	669,686	22.8	19,209	2.9
WATER SERVICE						
Salaries	222,562	7.0	155,379	5.3	67,183	43.2
Payroll Taxes	17,026	0.5	11,886	0.4	5,140	43.2
Materials and Supplies	29,672	0.9	20,329	0.7	9,343	46.0
Electric	93,157	2.9	81,933	2.8	11,224	13.7
Maintenance and Repairs	66,125	2.1	51,467	1.8	14,658	28.5
Vehicle	16,010	0.5	10,433	0.4	5,577	53.5
Uniforms	2,433	0.1	1,801	0.1	632	35.1
Buildings	4,085	0.1	3,569	0.1	516	14.5
Testing	9,635	0.3	7,533	0.3	2,102	27.9
Meters	4,058	0.1	2,196	0.1	1,862	84.8
Total Water Service	464,763	14.5	346,526	12.0	118,237	34.1
PROFESSIONAL FEES						
Consulting Engineer	18,699	0.6	79,256	2.7	(60,557)	(76.4)
Auditor	26,250	0.8	22,000	0.7	4,250	19.3
Legal	21,661	0.7	26,580	0.9	(4,919)	(18.5)
Hydrogeologist	19,071	0.6	20,763	0.7	(1,692)	(8.2)
Total Professional Fees	85,681	2.7	148,599	5.0	(62,918)	(42.3)
GENERAL & ADMINISTRATIVE						
Office Payroll	239,865	7.5	229,885	7.8	9,980	4.3
Employee Insurance	143,842	4.5	210,198	7.2	(66,356)	(31.6)
Payroll Taxes	22,605	0.7	18,973	0.6	3,632	19.1
Pension	18,198	0.6	21,037	0.7	(2,839)	(13.5)
Office Equipment	27,964	0.9	19,820	0.7	8,144	41.1
General Business Insurance:						
- General Liability	12,029	0.4	12,300	0.4	(271)	(2.2)
- Workers Compensation	11,728	0.4	10,099	0.3	1,629	16.1
- Commercial Automobile	6,309	0.2	6,047	0.2	262	4.3
- Public Official	1,670	0.1	1,618	0.1	52	3.2
- Umbrella	2,278	0.1	2,221	0.1	57	2.6
- Boiler & Machinery	0	0.0	6,385	0.2	(6,385)	(100.0)
- Inland Marine Equipment	1,394	0.0	1,928	0.1	(534)	(27.7)
Communications	12,829	0.4	11,309	0.4	1,520	13.4
Real Estate Taxes	10,138	0.3	9,905	0.3	233	2.4
Postage	8,696	0.3	5,882	0.2	2,814	47.8
Education	7,521	0.2	5,636	0.2	1,885	33.5
Utilities	10,241	0.3	8,634	0.3	1,607	18.6
Maintenance and Repairs - Office	6,190	0.2	10,478	0.4	(4,288)	(40.9)
Office Supplies	3,742	0.1	4,160	0.1	(418)	(10.1)
Trustee Fees	5,100	0.2	5,100	0.2	0	0.0
Dues and Subscriptions	5,361	0.2	6,602	0.2	(1,241)	(18.8)
Newsletter	5,931	0.2	3,152	0.1	2,779	88.2
Miscellaneous	3,735	0.1	3,990	0.1	(255)	(6.4)
Legal Advertising	2,337	0.1	490	0.0	1,847	376.9
Vehicles	1,274	0.0	861	0.0	413	48.0
Billing	2,186	0.1	2,338	0.1	(152)	(6.5)
Website	2,150	0.1	4,614	0.2	(2,464)	(53.4)
Total General & Administrative Expenses	\$ 575,313	18.2	\$ 623,662	21.2	\$ (48,349)	(7.8)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

Year Ended December 31, 2010	ACTUAL	BUDGET	ACTUAL OVER (UNDER) BUDGET
OPERATING REVENUES			
Sewer Revenues:			
Single Family	\$ 1,066,546	\$ 1,065,000	\$ 1,546
Multi-Family	228,000	233,500	(5,500)
Commercial	73,458	78,100	(4,642)
Industrial	26,018	24,000	2,018
School	37,980	43,000	(5,020)
Church	5,739	5,500	239
Public	18,537	15,500	3,037
Mixed	19,021	19,500	(479)
Assessments	6,600	11,000	(4,400)
Reimbursement from PWTA	18,009	5,000	13,009
Miscellaneous	30,899	28,500	2,399
Total Sewer Revenues	\$ 1,530,807	\$ 1,528,600	\$ 2,207
Water Sales:			
Single Family	\$ 1,169,877	\$ 1,152,000	\$ 17,877
Multi-Family	173,924	178,000	(4,076)
Commercial	87,900	93,000	(5,100)
Industrial	15,772	15,100	672
School	52,223	53,100	(877)
Church	9,110	7,500	1,610
Public	16,644	16,500	144
Mixed	13,591	14,700	(1,109)
Assessments	23,880	10,000	13,880
Miscellaneous	37,959	28,500	9,459
Total Water Revenues	\$ 1,600,880	\$ 1,568,400	\$ 32,480
Other Revenue:			
Fire Charges	\$ 73,090	\$ 74,500	\$ (1,410)
Other	39,056	10,500	28,556
Total Other Revenue	\$ 112,146	\$ 85,000	\$ 27,146
Total Operating Revenues	\$ 3,243,833	\$ 3,182,000	\$ 61,833

Continued on next page.

Perkasie Borough Authority

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (continued)

Year Ended December 31, 2010	ACTUAL	BUDGET	ACTUAL OVER (UNDER) BUDGET
OPERATING EXPENSES			
Sewer Service:			
Salaries	\$ 84,406	\$ 93,900	\$ (9,494)
Materials and Supplies	2,989	3,000	(11)
Electric	151	200	(49)
Maintenance and Repairs	17,004	10,000	7,004
Vehicle	6,325	12,500	(6,175)
Uniforms	1,546	1,300	246
Treatment Fees	587,771	631,000	(43,229)
Total Sewer Service	\$ 700,192	\$ 751,900	\$ (51,708)
Water Service:			
Salaries	\$ 222,562	\$ 190,000	\$ 32,562
Materials and Supplies	29,672	27,500	2,172
Electric	93,157	93,650	(493)
Maintenance and Repairs	164,280	163,300	980
Vehicle	16,010	16,200	(190)
Uniforms	2,433	4,100	(1,667)
Testing	9,635	7,750	1,885
Meters	4,058	5,000	(942)
Buildings	4,085	7,000	(2,915)
Total Water Service	\$ 545,892	\$ 514,500	\$ 31,392
Professional Fees:			
Legal	\$ 21,661	\$ 25,000	\$ (3,339)
Hydrogeologist	19,071	20,000	(929)
Auditor	26,250	25,000	1,250
Consulting Engineer	18,699	20,000	(1,301)
Total Professional Fees	\$ 85,681	\$ 90,000	\$ (4,319)
General and Administrative:			
Salaries	\$ 239,865	\$ 230,000	\$ 9,865
Employee Benefits	208,128	245,700	(37,572)
Materials and Supplies	33,438	42,000	(8,562)
Utilities	10,241	8,000	2,241
Communications	14,978	19,200	(4,222)
Maintenance and Repairs - Office	27,964	32,800	(4,836)
Vehicles	1,274	1,300	(26)
Maintenance and Repairs - Building	16,327	17,000	(673)
Trustee Fees	5,100	5,100	0
Insurance	35,407	39,500	(4,093)
Legal Advertising	2,337	3,000	(663)
Miscellaneous	3,738	2,500	1,238
Total General and Administrative	\$ 598,797	\$ 646,100	\$ (47,303)
Total Operating Expenses	1,930,562	2,002,500	(71,938)
Operating Income	\$ 1,313,271	\$ 1,179,500	\$ 133,771

Perkasie Borough Authority

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (continued)

Year Ended December 31, 2010	ACTUAL	BUDGET	ACTUAL OVER (UNDER) BUDGET
Operating Income	\$ 1,313,271	\$ 1,179,500	\$ 133,771
Nonoperating Revenues (Expenses):			
Investment Income	52,946	67,700	(14,754)
Rental Income	85,382	93,000	(7,618)
Interest Expense	(442,571)	(417,720)	(24,851)
Principal Payments on Bonds	(760,000)	(790,000)	30,000
Interest - Line of Credit	(42,890)	(50,000)	7,110
Lease of Vehicles & Computer Equipment	(15,863)	(33,000)	17,137
Transfer for Debt Coverage	0	(49,480)	49,480
Total Nonoperating Revenues (Expenses) - Net	\$ (1,122,996)	\$ (1,179,500)	\$ 56,504
Excess of Revenues Over Expenses	\$ 190,275	\$ 0	\$ 190,275
Reconciliation of Budget Reporting to Financial Statements:			
Add:			
Principal Payments on Bonds	\$ 760,000		
Reimbursement from PWTA - Current Year	17,754		
Tapping Fees	162,229		
Principal Payments on Capital Leases	12,444		
Capitalization of Water Tower Expenses	98,155		
Deduct:			
Depreciation and Amortization	(1,098,277)		
Legal Proceedings & Acquisition Costs	(195,766)		
Reimbursement from PWTA - Prior Year	(18,009)		
Decrease in Net Assets per Statement of Revenues, Expenses, and Changes in Net Assets (Page 6)	\$ (71,195)		

Perkasie Borough Authority

ANALYSIS OF PENSION FUNDING PROGRESS

	(1)	(2)	(3)	(4)	(5)	(6)
				(2)-(1)	Projected	(4)/(5)
Valuation Date	Actuarial Value	Actuarial	(1)/(2)	Unfunded	Annual	Unfunded
January 1,	of Assets	Accrued	Funded Ratio	(Overfunded)	Covered	(Overfunded)
		Liability (AAL)		(AAL)	Payroll	AAL as a % of
						Projected
						Covered Payroll
1999	\$ 997,392	\$ 1,024,382	97.37%	\$ 26,990	\$ 334,056	8.08%
2001	\$ 1,367,166	\$ 1,092,670	125.12%	\$ (274,496)	\$ 310,352	-88.45%
2003	\$ 1,569,223	\$ 1,213,095	129.36%	\$ (356,128)	\$ 321,727	-110.69%
2005	\$ 1,737,975	\$ 1,454,460	119.49%	\$ (283,515)	\$ 463,038	-61.23%
2007	\$ 1,912,765	\$ 1,619,808	118.09%	\$ (292,957)	\$ 512,157	-57.20%
2009	\$ 1,986,309	\$ 1,738,658	114.24%	\$ (247,651)	\$ 535,760	-46.22%