



Perkasie Borough Authority

**Financial Statements
And
Supplementary Information**

**Years Ended
December 31, 2009 and 2008**

TABLE OF CONTENTS

Perkasie Borough Authority

December 31, 2009 and 2008

INTRODUCTORY SECTION:

	<i>PAGE</i>
Management Discussion & Analysis	1 - 10

FINANCIAL SECTION:

Organization	1
Independent Auditors' Report	2 - 3
Statements of Net Assets	4 - 5
Statements of Revenues, Expenses, and Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 20

SUPPLEMENTARY INFORMATION:

Statements of Operating Expenses	21
Schedule of Revenues and Expenses – Budget and Actual	22 - 24
Analysis of Pension Funding Progress	25

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, 2009. 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 increased slightly from \$17.389 million to \$18.201 million or \$812,000 (4.7%) as a result of this year's operations. This was due mainly to an increase in operating revenue caused by the increase in water and sewer rates and recognition of grant awards for various capital projects.
- Operating expenses increased by \$135,000, from \$1.653 million to 1.788 million (8.2%), due to general increases in the cost of providing sewer services and increases in general and administrative expenses.
- Operating revenues increased from by \$207,000, from \$2.729 million to \$2.936 million (7.6%), due to an increase in water and sewer rates.
- Current assets increased by 88.8% or \$569,000 from \$641,000 to \$1,210,000, due to a large grant receivable that was awarded in 2009, but not yet received.
- Restricted assets decreased by 6.5% or \$148,000 thousand from \$2.258 million to \$2.110 million, as the 2007 bond issue funds were drawn down for construction in progress.
- Capital assets increased slightly by \$729,000 or 2.75% from \$26.433 million to \$27.162 million due to capital additions to the water and sewer system and our ongoing facilities replacement program.
- Total liabilities increased from \$12,310,000 in 2008 to \$12,604,000. Principal payments on the Authority's Water and Sewer Revenue Bonds Series of 2002, 2003, and 2007 totaled \$735,000. 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. Principal payments on the Univest loan totaled \$58,694.

AUTHORITY HIGHLIGHTS

Like most areas of the country, the Northeast has been hit by a housing slow down and an overall weak 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 Authority, working with East Rockhill Township, Commonwealth of Pennsylvania's Department of Environmental Protection, United States Environmental Protection Agency, Bucks County Redevelopment Authority, and private interests have formed a team to extend public water into an area of East Rockhill Township where groundwater has been contaminated by volatile organic compounds such as TCE and PCE.

Approximately fifty (50) private homes were involved in which most had to use either filters or bottled drinking water for over thirty (30) years. The project was completed in 2009, and all homes and businesses were connected to public water and all existing wells were sealed; thereby helping to contain the contaminated groundwater plume.

Other Highlights Include:

- The Authority also entered into discussions with West Rockhill Township to be the water and sewer provider in the northwest corner of that township. It is expected that the agreement will be signed in mid 2010 and will guarantee the Authority at least 450 new customers.
- A Regional Source Water Protection Program in which PBA is the largest stake holder has been completed. The Authority was awarded a \$38,400 grant for partial funding of this project. The plan must now be adopted by the municipalities.
- The Authority has entered into a conservation easement with the East Rockhill Township essentially forgoing its development rights and creating a well head protection area on 168 acres of the Authority's well field property. In exchange for the easement, East Rockhill has made the Authority its exclusive water purveyor for a large portion of the Township. The agreement and ordinance insure the continued growth of the Authority for the next 25 years.
- Computer System Upgrade – During 2009 the Authority staff and Continental Utility Systems Incorporated worked diligently to transfer billing information into a new, windows based system. This system gives the Authority the ability to accept credit cards, ACH, and online payments.
- During the year, the Board authorized the investigation and ultimate design of 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. It is projected to bring the well back on line by the end of 2010.

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

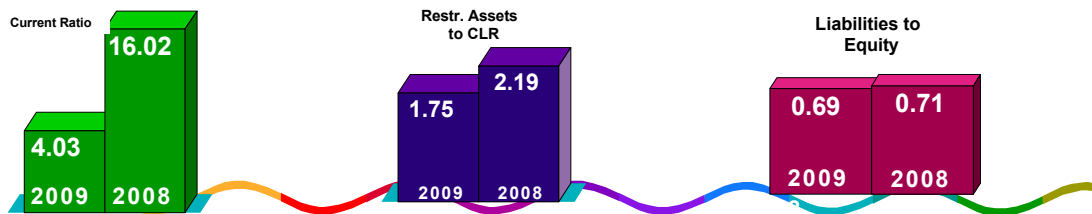
The Authority's net assets (the difference between assets and liabilities) are a measure of its financial position. Over time, increases or decreases in net assets are an indicator of whether the Authority's financial position has improved or declined. While this financial analysis is a strong indicator 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, 2009 and 2008. 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, 2009 of 4.03:1 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 1.75:1 as of December 31, 2009 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, 2009 was 0.69:1.

Statements of Net Assets

December 31

	2009	2008		2009	2008
Current Assets	\$1,209,673	\$640,570	Current Liabilities	\$300,350	\$39,988
Prop., Plant & Equip. - Net	\$27,161,762	\$26,432,712	Curr. Liab. (Payable from Restricted Funds) (CLR)	\$1,207,826	\$1,029,278
Restricted Assets	\$2,109,708	\$2,257,820	Total Liabilities	\$12,604,216	\$12,310,757
Other Assets	\$323,998	\$368,861	Net Assets	\$18,200,925	\$17,389,206
Total Assets	\$30,805,141	\$29,699,963	Total Liabilities & Net Assets	\$30,805,141	\$29,699,963



Analysis of Net Assets

PBA's total assets exceeded its liabilities by \$18.201 million at the end of 2009. Our net assets include an investment in the water and sewer infrastructure, buildings, trucks, property, etc. of \$15.801 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 (\$721,000) are subject to provisions under our bond indenture for future debt service requirements and on-going capital projects. The balance of \$1.680 million is unrestricted.

Analysis of Changes in Net Assets

The Authority's financial position remained stable for 2009. Our net assets increased from \$17.389 million in 2008 to \$18.201 million for an increase of \$812,000. Operating income of \$175,550 for 2009 was higher by \$14,800 (9.2%) compared to 2008 income of \$160,800. Tapping fees in 2008 totaled \$1,900 compared to \$41,600 in 2009. The Authority expects a significant increase in tapping fees in the near future due to three major developments that are expected to receive approval and start construction in the next two or three years. The Russell Tract is expected to generate \$600,000, 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 \$1.8 million.

Total Revenues

Total Authority revenues increased slightly for 2009, for a total of \$2.94 million as compared to \$2.73 million for 2008. There was slight growth in all income categories due to the increase in rates for 2009.

Detailed Analysis of Operating and Non-Operating Revenue Variances:

- Water and Sewer Service Charges - increased by about 6.3% - from \$2.634 million in 2008 to \$2.799 million in 2009.
- Water and Sewer Assessments - were \$122,400 for 2009. 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 2009 decreased \$33,600 from \$88,500 in 2008 to \$54,900 in 2008.
- 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 decreased from \$86,300 in 2008 to \$84,200 in 2009.

Stability of Operating Revenues

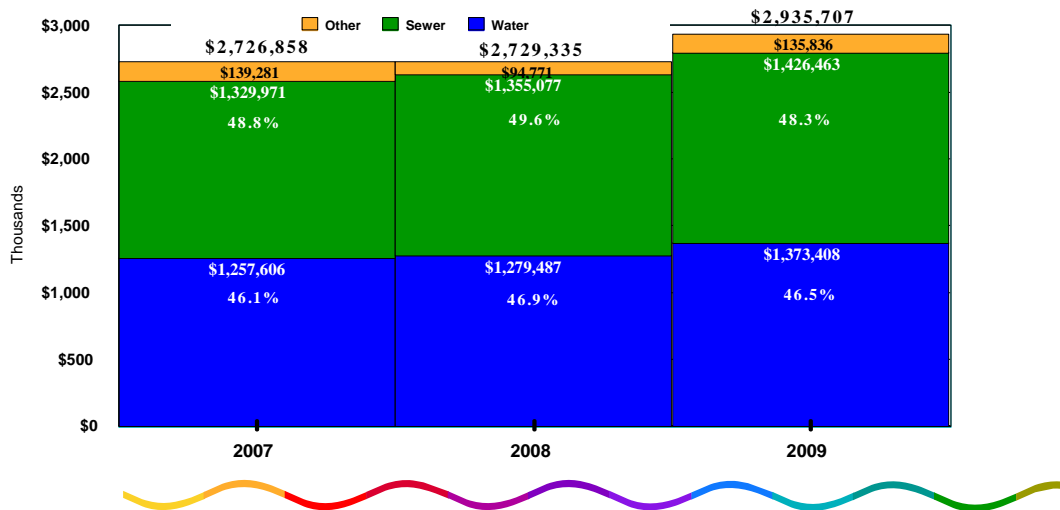
The Authority's rate base is mainly residential with a small amount of commercial and industrial users. The breakdown is as follows:

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.

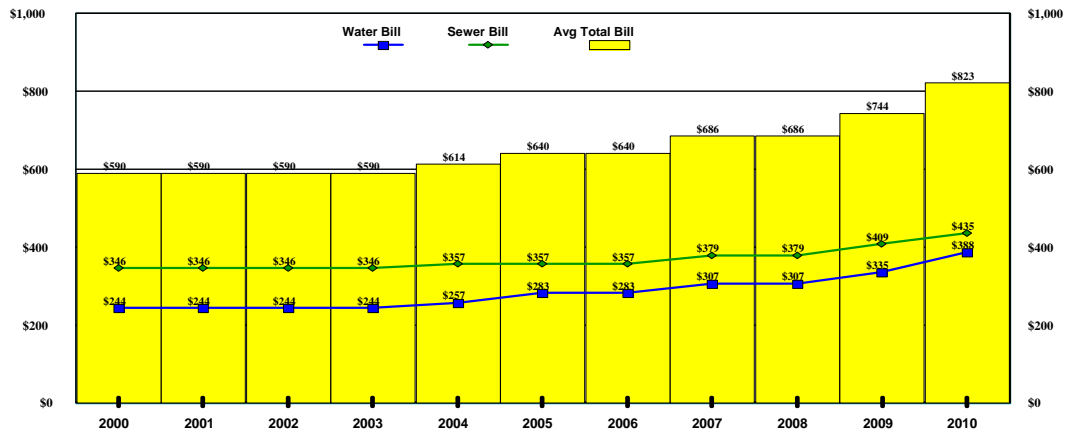
Trend Analysis - Operating Revenues



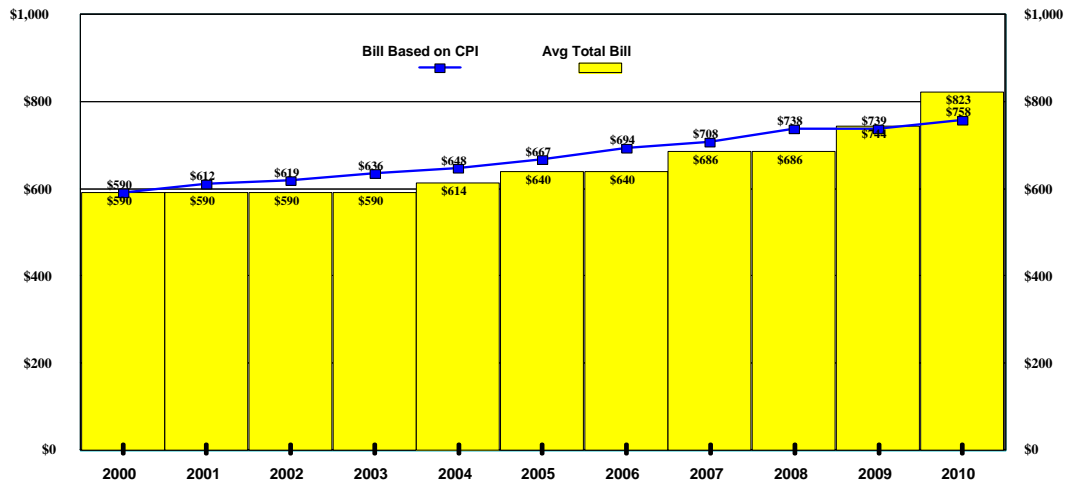
Rates

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 \$1.4 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 June 2008, the Authority opened a \$1 million line of credit with Univest National Bank and Trust Company. The line was opened to pay expenses and fund the Cedar View Avenue water project until grant payments and the final costs of the Hilltown Township/Hilltown Water and Sewer Authority/DEP appeals are received. During 2009, the line converted to a note which is payable over four years.
- During 2008, the Authority also 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 – All three bond issues are insured through Financial Security Holdings, Inc. (now a component of Assured Guaranty Municipal Corp.) and are rated AAA. In addition, Standard and Poor's has assigned the Authority an underlying rating of "A" with a stable outlook. Research by the Authority's investment banker at the time, Legg Mason, indicated that only 22 water authorities in the Commonwealth of Pennsylvania had underlying ratings assigned by either Standard and Poor's or Moody's Investor services. This places the Authority in the top 2-1/2% of all Authorities with outstanding bond issues in the Commonwealth. In December 2008, that rating was upgraded from an A to an A+.

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.

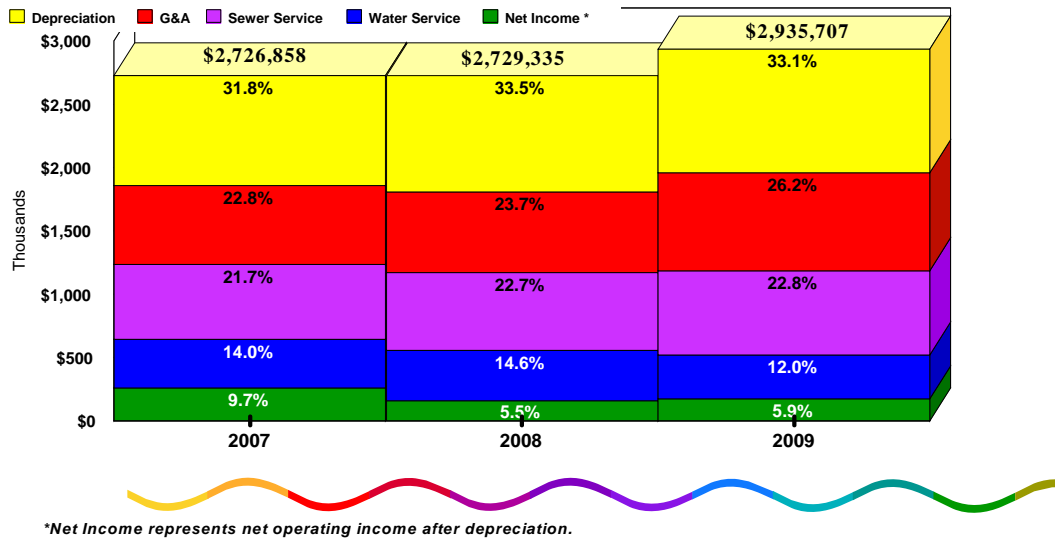
None of the Authority's bond issues pledge the taxing power of the Commonwealth of Pennsylvania, nor any political subdivision. Therefore, the Authority is not a component unit of any entity (see Note 1, page 8 of the Financial Section).

EXPENSES

Overall Operating Expenses for 2009 increased by \$135,000 or 8.2% over 2008. 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 2009 decreased to \$346,500 compared to \$396,800 in 2008. This was primarily due to a loss of an employee who was not replaced.

- **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 \$479,400 in 2008 to \$531,800 in 2009. The second portion is the Authority's pro-rated share of capital improvements to the plant. Those costs increased from \$32,738 in 2008 to \$40,178 in 2009.

The Authority is responsible for the repairs and maintenance of its own sewage collection system. Sewage collection costs increased 13% between 2008 and 2009 which is directly attributable to increases in salaries.

- **Professional Fees**

Total professional fees amounted to \$148,600 which represents a 66% increase over 2008. The fees for Hydrogeology increased slightly from \$16,000 in 2008 to \$20,800 in 2009, or 29.6%. Legal fees totaled \$26,580 of which about \$13,000 is due to the Authority's final cost for breach of contract claim against Hilltown Township and the Hilltown Township Water and Sewer Authority and an Appeal to the Environmental Hearing Board of the DEP which challenged a decision made by the Department allowing both the Township and The Authority to send sewage to a sewer plant other than the Pennridge Regional Wastewater Treatment Authority Plant.

The outcome of the claim was settled in the Authority's favor. The balance of \$13,580 was for normal Authority operations. The Consulting Engineer fees increased substantially from \$25,430 in 2008 to \$79,256 in 2009, or 211.7%. This was due in large part to the ongoing discussions regarding expansion into West Rockhill, Sellersville, and the Grandview Hospital as well as costs associated with the preparation of all grant documents.

- **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 increased \$72,300 or 13.1% from last year, resulting from an increase in employee health insurance. The Authority entered into a severance agreement with a long time employee in which the Authority agreed to pay the former employee's health insurance for the next several years.

- **Depreciation and Amortization**

This cost increased \$56,300 over last year. This is in direct proportion with our increase in net capital assets. Total costs for 2009 were \$971,700, up from \$915,400 in 2008.

- **Bond Interest**

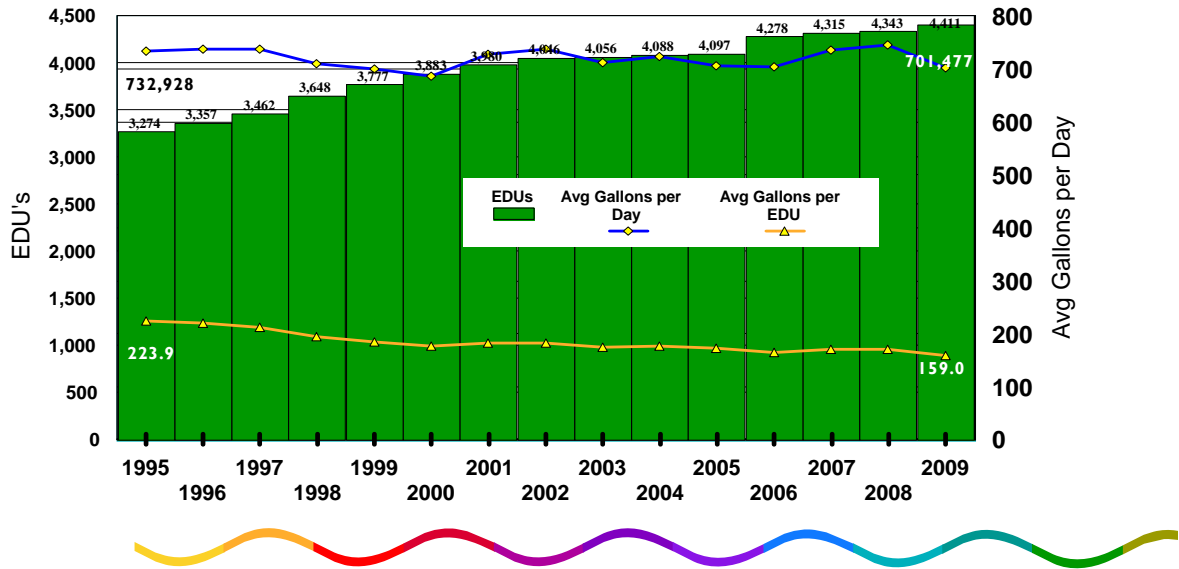
Interest expense on the Authority's 2003, 2005 and 2007 bond issues was \$467,500 down \$23,000 from the 2008 cost of \$490,500.

- **Water Production**

The Authority's water production has remained relatively stable although the number of units served has increased. During the last twelve years, while production has remained the same, the average per equivalent dwelling unit has decreased from 221 gallons per day to 171 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 2009, usage dropped to 159 gallons per day. Above average rainfall in the summer of 2009 reduced production by an overall 6% as outside water use (car washing and pool filling) was virtually non-existent.

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 is nearing the end of negotiations to secure a service area in West Rockhill Township that will ensure another four hundred and fifty (450) connections/edus. At the end of 2008 and throughout 2009, the Authority has continued to discuss the regionalization of two smaller systems. If the regionalization takes place, it will double the size of the existing customer base.

The Authority has continued to apply for grants from the Commonwealth of Pennsylvania, the Department of Environmental Protection and the 2009 Stimulus packages to obtain funding to help offset projected construction costs, minimize additional borrowing and stabilize rates as much as possible.

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

CONSULTING ENGINEER	<i>Peter C. Andersen, P.E.</i> Andersen Engineering Associates, Inc. Perkasie, Pennsylvania
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SOLICITOR	<i>John N. Schaeffer, III, Esq.</i> Eastburn and Gray, P.C. Doylestown, Pennsylvania
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BOND COUNSEL	Pepper, Hamilton LLP Philadelphia, Pennsylvania
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UNDERWRITER	PNC Bank Philadelphia, Pennsylvania
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TRUSTEE	Univest National Bank Souderton, Pennsylvania
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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, 2009 and 2008 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, 2009 and 2008 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 12, 2010

STATEMENTS OF NET ASSETS

		<i>December 31</i>	
<i>ASSETS</i>		<i>2009</i>	<i>2008</i>
CURRENT ASSETS	Cash and Cash Equivalents (Notes 1 and 2)	\$ 15,164	\$ 20,871
	Accounts Receivable (Note 1)	55,370	54,207
	Grant Receivable (Note 13)	542,776	0
	Assessment Receivable - Current Portion (Note 3)	40,287	46,832
	Estimated Unbilled Revenue Receivable (Note 1)	478,350	422,243
	Inventory (Note 1)	59,717	67,472
	Due from Pennridge Wastewater Treatment Authority (Note 5)	18,009	28,945
<i>Total Current Assets</i>		1,209,673	640,570
CAPITAL ASSETS (Notes 1, 4 and 5)	Property, Plant & Equipment	36,972,352	35,385,586
	Construction in Progress	1,545,498	1,471,712
	Purchased Wastewater Treatment Capacity	2,676,457	2,636,279
		41,194,307	39,493,577
	Less: Accumulated Depreciation	14,032,545	13,060,865
<i>Total Capital Assets - Net</i>		27,161,762	26,432,712
RESTRICTED ASSETS (Note 1)	Cash and Cash Equivalents (Notes 1 and 2)	1,370,736	1,084,530
	Investments (Note 2)	732,000	1,168,000
	Accrued Interest Receivable	6,972	5,290
<i>Total Restricted Assets</i>		2,109,708	2,257,820
OTHER NON-CURRENT ASSETS	Bond Discount and Issuance Costs, net of Accumulated Amortization of \$123,959 and \$96,434, respectively (Note 1)	256,822	284,346
	Assessments Receivable - Non-Current Portion (Note 3)	67,176	84,515
	<i>Total Other Non-Current Assets</i>		323,998
TOTAL ASSETS		\$ 30,805,141	\$ 29,699,963

STATEMENTS OF NET ASSETS (Continued)

		<i>December 31</i>	
<i>LIABILITIES & NET ASSETS</i>		<i>2009</i>	<i>2008</i>
CURRENT LIABILITIES	Accounts Payable	\$ 14,598	\$ 26,920
	Accrued Payroll & Withholding	5,544	2,631
	Accrued Severance (Note 12)	31,485	0
	Note Payable (Note 7)	237,752	0
	Capital Lease Obligations (Note 8)	10,971	10,437
Total Current Liabilities		300,350	39,988
CURRENT LIABILITIES (Payable from Restricted Assets) (Notes 1 and 6)	Water and Sewer Revenue Bonds - Current Maturities	760,000	735,000
	Contract Retainage & Payable	268,585	105,346
	Accrued Interest	179,241	188,932
	Total Current Liabilities (Payable from Restricted Assets)	1,207,826	1,029,278
LONG-TERM LIABILITIES (Payable from Restricted Assets) (Notes 1 and 6)	Water and Sewer Revenue Bonds - Less Current Maturities	10,560,000	11,320,000
	Deferred Amounts from Refunding, Net of Amortization of \$248,084 and \$212,702, respectively	(263,495)	(298,877)
	Total Long-Term Liabilities (Payable from Restricted Assets)	10,296,505	11,021,123
OTHER LONG-TERM LIABILITIES	Accrued Severance (Note 12)	66,034	0
	Note Payable (Note 7)	703,554	179,450
	Capital Lease Obligations (Note 8)	29,947	40,918
TOTAL LIABILITIES		12,604,216	12,310,757
NET ASSETS (Note 1) (Page 6)	Invested in Capital Assets, Net of Related Debt	15,800,844	14,326,357
	Restricted for Debt Service	1,920,091	2,036,786
	Restricted for Capital Projects	(1,199,515)	(252,694)
	Unrestricted	1,679,505	1,278,757
TOTAL NET ASSETS		18,200,925	17,389,206
TOTAL LIABILITIES & NET ASSETS		\$ 30,805,141	\$ 29,699,963

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

<i>Years Ended December 31</i>		2009	%	2008	%	Increase (Decrease)	%
OPERATING REVENUES	Sewer Service Charges	\$ 1,426,463	48.6	\$ 1,355,077	49.6	\$ 71,386	5.3
	Water Sales	1,373,408	46.8	1,279,487	46.9	93,921	7.3
	Other Revenue	135,836	4.6	94,771	3.5	41,065	43.3
	Total Operating Revenues	2,935,707	100.0	2,729,335	100.0	206,372	7.6
OPERATING EXPENSES (Page 21)	Sewer Service	669,686	22.8	615,551	22.7	54,135	8.8
	Water Service	346,526	12.0	396,859	14.6	(50,333)	(12.7)
	Professional Fees	148,599	5.0	89,439	3.3	59,160	66.1
	General & Administrative	623,662	21.2	551,346	20.4	72,316	13.1
Total Operating Expenses	1,788,473	61.0	1,653,195	61.0	135,278	8.2	
OPERATING INCOME BEFORE DEPRECIATION		1,147,234	39.0	1,076,140	39.0	71,094	6.6
Depreciation (Notes 1 and 4)		971,680	33.1	915,367	33.5	56,313	6.2
OPERATING INCOME		175,554	5.9	160,773	5.5	14,781	9.2
NON-OPERATING INCOME (EXPENSE)	Investment Earnings	54,905	2.0	88,582	3.0	(33,677)	(38.0)
	Rental Income	84,157	3.0	86,284	3.0	(2,127)	(2.5)
	Tapping Fees	41,558	1.0	1,932	0.0	39,626	2,051.0
	Water and Sewer Assessments	122,360	4.0	142,723	5.0	(20,363)	(14.3)
	Amortization of Bond Issuance Costs	(27,525)	(1.0)	(27,525)	(1.0)	0	0.0
	Interest Expense						
	- 2003, 2005, and 2007 Bond Issues	(432,117)	(15.0)	(455,189)	(17.0)	23,072	5.1
	- Amortization of Deferral on Refunding of Bonds	(35,382)	(1.0)	(35,382)	(1.0)	0	0.0
	- Capital Lease Obligations	(2,331)	0.0	(1,357)	0.0	(974)	(71.8)
	- Note Payable	0	0.0	(675)	0.0	675	100.0
	Gain on Disposal of Fixed Assets	0	0.0	1,400	0.0	(1,400)	100.0
Hilltown Legal Expenses (Note 12)	(77,694)	(3.0)	(196,370)	(7.0)	118,676	60.4	
Total Non-Operating Expense - Net	(272,069)	(10.0)	(395,577)	(15.0)	123,508	(31.2)	
Decrease in Net Assets Before Capital Contributions & Transfers		(96,515)	(4.1)	(234,804)	(9.5)	138,289	(58.9)
Grant Awards (Note 13)		908,234	30.9	0	0.0	908,234	N/A
INCREASE (DECREASE) IN NET ASSETS		\$ 811,719	26.8	\$ (234,804)	(9.5)	\$ 1,046,523	(445.7)
NET ASSETS AT BEGINNING OF YEAR		17,389,206		17,624,010			
NET ASSETS AT END OF YEAR		\$ 18,200,925		\$ 17,389,206			

STATEMENTS OF CASH FLOWS

		<i>Years Ended December 31</i>	
<i>Cash Flows From:</i>		<i>2009</i>	<i>2008</i>
OPERATING ACTIVITIES	Cash Receipts from Customers	\$ 2,814,456	\$ 2,674,090
	Other Operating Cash Receipts	92,931	85,569
	Cash Payments to Employees for Services	(667,545)	(721,180)
	Cash Payments to Vendors for Goods and Services	(1,043,076)	(983,499)
	Net Cash Provided By Operating Activities	1,196,766	1,054,980
CAPITAL AND RELATED FINANCING ACTIVITIES	Tapping Fee Income	149,582	120,138
	Collection on Water and Sewer Assessments	41,648	41,473
	Legal Expenses for Hilltown Lawsuit	(77,694)	(197,822)
	Proceeds on Note Payable	820,550	179,450
	Payments on Note Payable	(58,694)	0
	Principal Payments on Capital Lease Obligations	(10,437)	(5,026)
	Additions to Property, Plant and Equipment	(1,519,372)	(1,101,357)
	Proceeds from Sale of Property, Plant and Equipment	0	1,400
	Bond Redemptions	(735,000)	(710,000)
	Proceeds from Grant Awards	365,458	0
Interest Paid - Bonds / Notes / Capital Leases	(465,688)	(465,984)	
Net Cash Used By Capital And Related Financing Activities	(1,489,647)	(2,137,728)	
INVESTING ACTIVITIES	Change in Investments	797,000	(2,757)
	Investment Purchases	(1,529,000)	(1,168,000)
	Proceeds from Investment Sales/Maturities	1,168,000	1,053,000
	Investment Earnings	53,223	95,825
	Proceeds from Rental Income	84,157	86,284
Net Cash Provided by Investing Activities	573,380	64,352	
Net Increase (Decrease) in Cash and Cash Equivalents		280,499	(1,018,396)
Cash and Cash Equivalents - Beginning		1,105,401	2,123,797
Cash and Cash Equivalents - Ending		\$ 1,385,900	\$ 1,105,401
Reconciliation of Cash and Cash Equivalents:			
Cash - Unrestricted		\$ 15,164	\$ 20,871
Cash - Restricted		1,370,736	1,084,530
		\$ 1,385,900	\$ 1,105,401
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income		\$ 175,554	\$ 160,773
Adjustment for Noncash Charges to Operations:			
Depreciation and Amortization		971,680	915,367
Changes in Assets and Liabilities:			
Increase in Accounts Receivable		(1,162)	(15,943)
Increase in Unbilled Revenue		(56,107)	(13,168)
Decrease in Due from PWTA		10,936	30,488
(Increase) Decrease in Inventory		7,755	(1,112)
Increase (Decrease) in Accounts Payable & Accrued Payroll		88,110	(13,916)
Decrease in Escrow Deposits		0	(7,509)
Net Cash Provided by Operating Activities		\$ 1,196,766	\$ 1,054,980
SUPPLEMENTARY DISCLOSURE OF NON-CASH ITEMS			
Non-Cash Capital and Related Financing Activities:			
Property Purchased via Capital Lease Obligations		\$ 0	\$ 56,381

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2009 and 2008

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.

Continued on next page.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2009 and 2008

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 - Billings are provided to customers on a staggered quarterly basis by bills dated on 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. The Authority also recognizes as operating revenue water and sewer assessments intended to recover the cost of connecting new customers to the system. 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, 2009 and 2008

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.

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.

Comparative Data - Comparative totals for the prior year have been presented in the accompanying financial statements to facilitate an understanding and comparison of changes in financial position and results of operations. Percentage totals may differ from component totals due to rounding.

Continued on next page.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2009 and 2008

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, 2009, the carrying amount and the bank balance of deposits with financial institutions were \$15,164 and \$27,747, respectively, all of which was 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, 2009 and 2008, follows:

	2009	2008
Federal Home Loan Bank Discount Notes	\$ 797,000	\$ 816,000
Certificates of Deposit	732,000	352,000
Money Market Mutual Funds	573,736	1,084,530
Total	\$ 2,102,736	\$ 2,252,530

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, 2009, the maturity for the Authority's investment in Federal Home Loan Bank discount notes was less than ninety days.

Credit Risk - The Authority's investment in Federal Home Loan Bank discount notes have 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 - 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.

3. Assessments Receivable

Amounts due from property owners for water and sewer assessments totaled, \$107,463 and \$131,347 as of December 31, 2009 and 2008, 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.

Continued on next page.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2009 and 2008

**3. Assessments
Receivable
(Continued)**

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, 2009, the principal portion of the assessment receivable is as follows:

Year	Amount
2010	\$ 40,287
2011	\$ 10,320
2012	\$ 8,079
2013	\$ 4,099
2014	\$ 44,678
Total	\$ 107,463

4. Capital Assets

Property, plant, equipment and infrastructure assets at December 31, 2009 and 2008 and related depreciation expense for the years then ended follow:

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

2008

	Beginning	Increases	Decreases	Transfers	Ending	Depreciation
Land	\$ 240,850	\$ 0	\$ 0	\$ 0	\$ 240,850	\$ 0
Water System	\$ 18,503,016	\$ 188,128	\$ (19,008)	\$ 1,293,279	\$ 19,965,415	\$ 485,827
Sewer System	\$ 14,822,195	\$ 11,949	\$ (24,977)	\$ 7,171	\$ 14,816,338	\$ 344,184
Furniture and Equipment	\$ 287,674	\$ 4,806	\$ (112,110)	\$ 0	\$ 180,370	\$ 14,229
Vehicles	\$ 176,825	\$ 56,381	\$ (50,593)	\$ 0	\$ 182,613	\$ 5,658
Purchased Wastewater Treatment Capacity	\$ 2,603,541	\$ 32,738	\$ 0	\$ 0	\$ 2,636,279	\$ 65,469
Construction in Progress	\$ 2,131,857	\$ 640,305	\$ 0	\$ (1,300,450)	\$ 1,471,712	\$ 0
Total	\$ 38,765,958	\$ 934,307	\$ (206,688)	\$ 0	\$ 39,493,577	\$ 915,367

**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 ("EDU's").

Continued on next page.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2009 and 2008

5. Sewage Treatment Services (Continued) PWTA's charges to the Authority for treatment operating costs are expensed as incurred and totaled \$531,804 and \$493,391 for the years ended December 31, 2009 and 2008, respectively.

Capital construction and plant upgrade costs are assessed based upon the percentages of plant capacity attributed to each member. The Authority's payments to PWTA for capital construction and plant upgrades, as summarized in Note 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 \$18,009 and \$28,945 at December 31, 2009 and 2008, respectively.

An ongoing dispute between the Authority and PWTA regarding allocation of treatment capacity was settled during 2008 pursuant to which the Authority received an additional 747 EDUs (equivalent dwelling units, i.e., sewage connections); 339 EDUs attributable to restoration of purchased capacity which had been previously suspended and 408 EDUs resulting from allocations due to unit flow reduction calculations. When combined with the 83 unused EDUs available prior to settlement, the Authority has unused capacity totaling 830 EDUs which amount to \$3.3 million in tapping fees.

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, 2009 and 2008 and a summary of activity for the year ended December 31, 2009 follow:

Continued on next page.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2009 and 2008

6. Long-Term Debt – Water & Sewer Revenue Bonds <i>(Continued)</i>	December 31, 2008		Additions	Reductions	December 31, 2009		Amounts Due Within One Year
Series of 2003	\$	2,600,000	\$ 0	\$ (310,000)	\$	2,290,000	\$ 310,000
Series of 2005		2,550,000	0	(55,000)		2,495,000	70,000
Series of 2007		6,905,000	0	(370,000)		6,535,000	380,000
	\$	12,055,000	\$ 0	\$ (735,000)	\$	11,320,000	<u>\$ 760,000</u>
Less: Unamortized Deferred Amount on Refunding of Bonds		(298,877)		35,382		(263,495)	
Less: Current Portion		(735,000)	(760,000)	735,000		(760,000)	
Bonds Payable - Net of Current Portion	\$	11,021,123	\$ (760,000)	\$ 35,382	\$	10,296,505	

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
2010	\$ 310,000	3.0	\$ 70,000	3.0	\$ 380,000	3.6
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
2015-2019	\$ 0	N/A	\$ 730,000	3.6 - 4.0	\$ 4,200,000	3.75 - 4.0
2020-2022	\$ 0	N/A	\$ 1,435,000	4.125	\$ 1,155,000	4.125
Total	\$ 2,290,000		\$ 2,495,000		\$ 6,535,000	

- (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.

Continued on next page.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2009 and 2008

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

Scheduled future principal and interest maturities with respect to the 2003, 2005 and 2007 Series Bonds from debt service accounts at December 31, 2009, follow:

Year	Principal	Interest	Total Debt Service Requirement
2010	\$ 760,000	\$ 417,639	\$ 1,177,639
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
2015-2019	\$ 4,930,000	\$ 984,014	\$ 5,914,014
2020-2022	\$ 2,590,000	\$ 107,182	\$ 2,697,182
Total	\$ 11,320,000	\$ 2,903,374	\$ 14,223,374

7. Note Payable

On August 2, 2008, Univest National Bank and Trust Company issued a general obligation note in the amount of \$1,000,000, bearing interest at 4%, for the purpose of funding a remedial water line project. The commitment has a five year term in which the Authority is allowed to draw down on the commitment until August 20, 2009, at which time the balance due will convert to a term loan payable in forty-eight (48) monthly installments of principal and interest which will be determined based on the principal balance on the date of conversion. During the draw down period, the Authority is only required to make monthly interest payments. The balance of the note on August 20, 2009 amounted to \$1 million, which requires monthly payments of principal and interest totaling \$22,590. As of December 31, 2009 and 2008, the balance on the loan totaled \$941,306 and 179,450, respectively.

Schedule of future principal maturities with respect to the Univest National Bank Note Payable is as follows:

Year	Amount
2010	\$ 237,752
2011	247,439
2012	257,520
2013	198,595
Total	\$ 941,306

**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, 2009, vehicles owned by way of a capital lease and included within the balance sheet caption "Property, Plant & Equipment" are accounted for as follows:

	2009
Capitalized Cost	\$ 56,381
Less: Accumulated Amortization	\$ 10,437
Capitalized Cost, Net	\$ 45,944
Lease Amortization Included in Depreciation Expense	\$ 11,276

Continued on next page.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2009 and 2008

8. Capital Lease Obligations (Continued) 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
2010	\$ 12,768
2011	12,768
2012	12,768
2013	6,384
Total Minimum Lease Payments	\$ 44,688
Less: Amount Representing Interest	3,770
Present Value of Future Minimum Rental	40,918
Less: Current Portion	10,971
Total Noncurrent	\$ 29,947

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:

	2009	2008
Total Pledged Revenues	\$ 3,238,687	\$ 3,048,856
Total Operating Expenses (Net of Depreciation)	1,788,478	1,653,191
Amount Available for Debt Service	1,450,209	1,395,665
Average Annual Debt Service @ 110%	1,210,014	1,215,436
Excess Over Required Funding	\$ 240,195	\$ 180,229

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 21, 2006 and on November 18, 2008, the Authority passed Resolution 2006-03 and Resolution 2008-05, respectively, which increased water and sewer rates. A schedule of the water and sewer rates is summarized below:

	2009		2008	
	Sewer	Water	Sewer	Water
Service Charge	\$ 45.00	\$ 20.00	\$ 42.00	\$ 18.00
*Base				
0 - 5,000	\$ 3.60	\$ 3.25	\$ 3.30	\$ 3.00
6,000 - 10,000	\$ 3.90	\$ 4.65	\$ 3.60	\$ 4.30
11,000 - 15,000	\$ 3.95	\$ 4.85	\$ 3.65	\$ 4.45
16,000 - 20,000	\$ 4.00	\$ 5.00	\$ 3.70	\$ 4.60
21,000 - 25,000	\$ 4.05	\$ 5.15	\$ 3.75	\$ 4.75
26,000 and over	\$ 4.10	\$ 5.30	\$ 3.80	\$ 4.90

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

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, 2009, the Authority's total payroll and covered payroll for all employees was \$535,760. Covered payroll refers to all compensation paid by the Authority to active employees covered by PERS 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.

Continued on next page.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2009 and 2008

11. Retirement Plan (Continued) **Annual Pension Cost** - For the years ended December 31, 2009 and 2008, the Authority's annual pension cost of \$21,323 and \$23,995, respectively, was equal to the Authority's required and actual contributions. The required contributions were determined as part of the January 1, 2007 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, 2007 valuation.

Five Year Trend Information -

Year Ending December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 10,272	100%	0
2006	\$ 10,534	100%	0
2007	\$ 18,354	100%	0
2008	\$ 23,995	100%	0
2009	\$ 21,323	100%	0

12. Risk Management and Commitments **Litigation** - 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 \$77,694 and \$196,370 during the years ended December 31, 2009 and 2008, 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, 2009 and 2008.

Commitments - 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. Upon the initial inspection of the water tank, Southern Corrosion, Inc. provided the following timetable with respect to its capital and routine maintenance agreement:

Year	Description
2009	Visual Inspection and repair based on prior year inspection.
2010	Clean, wash, repair and paint interior of water tank.
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.

Continued on next page.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2009 and 2008

12. Risk Management and Commitments (Continued) Total costs incurred under this maintenance agreement amounted to \$98,155 for the years ended December 31, 2009 and 2008. Future minimum payments under the maintenance agreement and operating leases follow:

Year	Amount
2010	\$ 100,472
2011	13,077
2012	13,292
2013	13,512
2014	12,577
Thereafter	113,611

Future minimum payments for years 2015 – 2023 increase each year by the Consumer Price Index as well as additional costs incurred for the refurbishing of both the interior and exterior of the water tank.

Severance Agreement – On December 21, 2009, the Authority entered into a severance agreement with one of its long time employees. The agreement calls for two lump sum payments for years of service to the Authority and for accrued vacation both of which will be 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 were indexed for inflation at 6% per year and all future severance amounts were discounted to present value at the rate of 4% (the Authority’s current borrowing rate). The total and discounted cost of the severance payments amounted to \$102,185 and \$97,519, respectively. A summary of the severance payments follows:

Year	Lump Sum Payment	Health Insurance	Total
2010	\$ 12,710	\$ 18,775	\$ 31,485
2011	0	19,901	19,901
2012	0	21,096	21,096
2013	0	10,915	10,915
2014	0	10,467	10,467
2015	0	8,321	8,321
Total	\$ 12,710	\$ 89,475	102,185
Less: Discount			(4,666)
Discounted Total			\$ 97,519

13. Grant Awards In January 2009, the Commonwealth of Pennsylvania, Department of Environmental Protection awarded East Rockhill Township a grant in the amount of \$625,000 in which the Authority is the sub-grantee. The grant proceeds are to be used for the Lenape Manufacturing HSCA Site which contains contaminated groundwater.

In June 2009, East Rockhill Township was awarded \$80,000 of Brownsfield Cleanup Revolving Loan Funds from the U.S. Environmental Protection Agency. The Authority is the sub-grantee and the proceeds are to be used for the Lenape Manufacturing HSCA Site which contains contaminated groundwater.

During 2009, the Pennsylvania Department of Community and Economic Development awarded the Authority a grant in the amount of \$175,896 to be used for the Lenape Manufacturing HSCA Site which contains contaminated groundwater.

Continued on next page.

NOTES TO THE FINANCIAL STATEMENTS

Perkasie Borough Authority

December 31, 2009 and 2008

13. Grant Awards A summary schedule of the grant awards follows:
(Continued)

Source	Total Grant Award	Proceeds Received	Grant Receivable
PA Department of Environmental Protection	\$ 625,000	\$ 338,120	\$ 286,880
US Environmental Protection Agency	\$ 80,000	\$ 0	\$ 80,000
Area Source Water Protection Study Grant	\$ 27,338	\$ 27,338	\$ 0
PA Department of Community and Economic Development	\$ 175,896	\$ 0	\$ 175,896
Total	\$ 908,234	\$ 365,458	\$ 542,776

Supplementary Information

STATEMENTS OF OPERATING EXPENSES

	2009		2008		Variance Increase (Decrease)	
	\$	%	\$	%	\$	%
SEWER SERVICE						
Salaries	\$ 112,951	3.8	\$ 92,625	3.4	\$ 20,326	21.9
Payroll Taxes	7,668	0.3	7,086	0.3	582	8.2
Materials and Supplies	2,115	0.1	1,966	0.1	149	7.6
Electric	131	0.0	131	0.0	0	0.0
Maintenance and Repairs	11,933	0.4	11,371	0.4	562	4.9
Vehicle	2,304	0.1	7,605	0.3	(5,301)	(69.7)
Uniforms	780	0.0	1,376	0.1	(596)	(43.3)
Treatment Fees - Operating	531,804	18.1	493,391	18.1	38,413	7.8
Total Sewer Service	669,686	22.8	615,551	22.7	54,135	8.8
WATER SERVICE						
Salaries	155,379	5.3	193,226	7.1	(37,847)	(19.6)
Payroll Taxes	11,886	0.4	14,782	0.5	(2,896)	(19.6)
Materials and Supplies	20,329	0.7	18,992	0.7	1,337	7.0
Electric	81,933	2.8	68,426	2.5	13,507	19.7
Maintenance and Repairs	51,467	1.8	52,449	1.9	(982)	(1.9)
Vehicle	10,433	0.4	15,900	0.6	(5,467)	(34.4)
Uniforms	1,801	0.1	2,422	0.1	(621)	(25.6)
Telemetry	0	0.0	4,884	0.2	(4,884)	(100.0)
Buildings	3,569	0.1	7,664	0.3	(4,095)	(53.4)
Testing	7,533	0.3	7,128	0.3	405	5.7
Meters	2,196	0.1	10,986	0.4	(8,790)	(80.0)
Total Water Service	346,526	12.0	396,859	14.6	(50,333)	(12.7)
PROFESSIONAL FEES						
Consulting Engineer	79,256	2.7	25,430	0.9	53,826	211.7
Auditor	22,000	0.7	18,383	0.7	3,617	19.7
Legal	26,580	0.9	29,599	1.1	(3,019)	(10.2)
Hydrogeologist	20,763	0.7	16,027	0.6	4,736	29.6
Total Professional Fees	148,599	5.0	89,439	3.3	59,160	66.2
GENERAL & ADMINISTRATIVE						
Office Payroll	229,885	7.8	219,756	8.1	10,129	4.6
Employee Insurance	210,198	7.2	145,139	5.3	65,059	44.8
Payroll Taxes	18,973	0.6	19,807	0.7	(834)	(4.2)
Pension	21,037	0.7	23,995	0.9	(2,958)	(12.3)
Office Equipment	19,820	0.7	25,644	0.9	(5,824)	(22.7)
General Business Insurance:						
- General Liability	12,300	0.4	12,365	0.5	(65)	(0.5)
- Workers Compensation	10,099	0.3	10,895	0.4	(796)	(7.3)
- Commercial Automobile	6,047	0.2	6,170	0.2	(123)	(2.0)
- Public Official	1,618	0.1	1,776	0.1	(158)	(8.9)
- Umbrella	2,221	0.1	1,492	0.1	729	48.9
- Boiler & Machinery	6,385	0.2	3,628	0.1	2,757	76.0
- Inland Marine Equipment	1,928	0.1	1,454	0.1	474	32.6
Communications	11,309	0.4	10,857	0.4	452	4.2
Real Estate Taxes	9,905	0.3	9,706	0.4	199	2.1
Postage	5,882	0.2	8,301	0.3	(2,419)	(29.1)
Education	5,636	0.2	6,853	0.3	(1,217)	(17.8)
Utilities	8,634	0.3	6,064	0.2	2,570	42.4
Maintenance and Repairs - Office	10,478	0.4	5,959	0.2	4,519	75.8
Office Supplies	4,160	0.1	5,356	0.2	(1,196)	(22.3)
Trustee Fees	5,100	0.2	5,100	0.2	0	0.0
Dues and Subscriptions	6,602	0.2	4,838	0.2	1,764	36.5
Newsletter	3,152	0.1	3,921	0.1	(769)	(19.6)
Miscellaneous	3,990	0.1	5,526	0.2	(1,536)	(27.8)
Legal Advertising	490	0.0	2,294	0.1	(1,804)	(78.6)
Vehicles	861	0.0	2,230	0.1	(1,369)	(61.4)
Billing	2,338	0.1	1,515	0.1	823	54.3
Website	4,614	0.2	705	0.0	3,909	554.5
Total General & Administrative Expenses	\$ 623,662	21.2	\$ 551,346	20.4	\$ 72,316	13.1

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

Year Ended December 31, 2009	ACTUAL	BUDGET	ACTUAL OVER (UNDER) BUDGET
OPERATING REVENUES			
Sewer Revenues:			
Single Family	\$ 1,016,716	\$ 1,034,000	\$ (17,284)
Multi-Family	209,568	216,200	(6,632)
Commercial	72,043	71,200	843
Industrial	22,946	25,100	(2,154)
School	37,184	32,000	5,184
Church	5,657	6,400	(743)
Public	16,183	15,000	1,183
Mixed	18,109	21,000	(2,891)
Assessments	16,770	20,000	(3,230)
Reimbursement from PWTA	28,945	35,000	(6,055)
Miscellaneous	28,058	30,000	(1,942)
Total Sewer Revenues	\$ 1,472,179	\$ 1,505,900	\$ (33,721)
Water Sales:			
Single Family	\$ 1,016,917	\$ 1,038,000	\$ (21,083)
Multi-Family	153,716	128,500	25,216
Commercial	82,034	67,500	14,534
Industrial	13,957	15,300	(1,343)
School	43,739	30,800	12,939
Church	5,980	7,400	(1,420)
Public	13,262	14,000	(738)
Mixed	12,020	14,500	(2,480)
Assessments	105,590	10,000	95,590
Miscellaneous	31,782	28,400	3,382
Total Water Revenues	\$ 1,478,997	\$ 1,354,400	\$ 124,597
Other Revenue:			
Fire Charges	\$ 71,855	\$ 74,700	\$ (2,845)
Other	63,981	11,830	52,151
Total Other Revenue	\$ 135,836	\$ 86,530	\$ 49,306
Total Operating Revenues	\$ 3,087,012	\$ 2,946,830	\$ 140,182

Continued on next page.

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

Year Ended December 31, 2009	ACTUAL	BUDGET	ACTUAL OVER (UNDER) BUDGET
OPERATING EXPENSES			
Sewer Service:			
Salaries	\$ 112,951	\$ 97,085	\$ 15,866
Materials and Supplies	2,115	3,000	(885)
Electric	131	200	(69)
Maintenance and Repairs	11,933	10,000	1,933
Vehicle	2,304	10,000	(7,696)
Uniforms	780	800	(20)
Treatment Fees	549,813	590,000	(40,187)
Total Sewer Service	\$ 680,027	\$ 711,085	\$ (31,058)
Water Service:			
Salaries	\$ 155,379	\$ 147,770	\$ 7,609
Materials and Supplies	20,329	23,500	(3,171)
Electric	81,933	86,400	(4,467)
Maintenance and Repairs	149,622	164,800	(15,178)
Vehicle	10,433	11,200	(767)
Uniforms	1,801	2,800	(999)
Testing	7,533	9,750	(2,217)
Meters	2,196	7,000	(4,804)
Buildings	3,569	7,000	(3,431)
Total Water Service	\$ 432,795	\$ 460,220	\$ (27,425)
Professional Fees:			
Legal	\$ 26,580	\$ 50,000	\$ (23,420)
Hydrogeologist	20,763	20,000	763
Auditor	22,000	20,000	2,000
Consulting Engineer	79,256	25,000	54,256
Total Professional Fees	\$ 148,599	\$ 115,000	\$ 33,599
General and Administrative:			
Salaries	\$ 229,885	\$ 222,550	\$ 7,335
Employee Benefits	269,762	187,725	82,037
Materials and Supplies	27,768	39,600	(11,832)
Utilities	8,634	8,000	634
Communications	15,923	21,200	(5,277)
Maintenance and Repairs - Office	19,820	31,200	(11,380)
Vehicles	861	1,100	(239)
Maintenance and Repairs - Building	20,382	16,500	3,882
Trustee Fees	5,100	5,100	0
Insurance	40,598	40,450	148
Legal Advertising	490	3,500	(3,010)
Miscellaneous	3,997	2,500	1,497
Total General and Administrative	\$ 643,220	\$ 579,425	\$ 63,795
Total Operating Expenses	1,904,641	1,865,730	38,911
Operating Income	\$ 1,182,371	\$ 1,081,100	\$ 101,271

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

Year Ended December 31, 2009	ACTUAL	BUDGET	ACTUAL OVER (UNDER) BUDGET
<i>Operating Income</i>	\$ 1,182,371	\$ 1,081,100	\$ 101,271
Nonoperating Revenues (Expenses):			
Investment Income	54,905	105,000	(50,095)
Rental Income	84,157	89,100	(4,943)
Interest Expense	(467,499)	(430,200)	(37,299)
Principal Payments on Bonds	(735,000)	(760,000)	25,000
Interest - Line of Credit	0	(40,000)	40,000
Lease of Vehicles	(12,768)	(24,000)	11,232
Transfer for Debt Coverage	0	(21,000)	21,000
Total Nonoperating Revenues (Expenses) - Net	\$ (1,076,205)	\$ (1,081,100)	\$ 4,895
Excess of Revenues Over Expenses	\$ 106,166	\$ 0	\$ 106,166
Reconciliation of Budget Reporting to Financial Statements:			
Add:			
Principal Payments on Bonds	\$ 735,000		
Property Dedications	908,234		
Reimbursement from PWTA - Current Year	18,009		
Tapping Fees	41,558		
Principal Payments on Capital Lease	10,441		
Capitalization of Water Tower Expenses	98,155		
Deduct:			
Depreciation and Amortization	(999,205)		
Hilltown Legal Expenses	(77,694)		
Reimbursement from PWTA - Prior Year	(28,945)		
Decrease in Net Assets per Statement of Revenues, Expenses, and Changes in Net Assets (Page 6)	\$ 811,719		

Perkasie Borough Authority

ANALYSIS OF PENSION FUNDING PROGRESS

	(1)	(2)	(3)	(4)	(5)	(6)
		Actuarial		(2)-(1)	Projected	(4)/(5)
Valuation Date	Actuarial Value	Accrued	(1)/(2)	Unfunded	Annual	Unfunded
January 1,	of Assets	Liability (AAL)	Funded Ratio	(Overfunded)	Covered	(Overfunded)
				(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%