



**BOROUGH OF PERKASIE
PERKASIE, PENNSYLVANIA**

FINANCIAL STATEMENTS

**YEAR ENDED
DECEMBER 31, 2025**

BOROUGH OF PERKASIE

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 5 |
| BASIC FINANCIAL STATEMENTS | |
| Government-wide Financial Statements: | |
| - Statement of Net Position | 15 |
| - Statement of Activities | 16 |
| Fund Financial Statements: | |
| - Balance Sheet - Governmental Funds | 17 |
| - Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position | 18 |
| - Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 19 |
| - Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities | 20 |
| - Statements of Net Position - Proprietary Fund | 21 |
| - Statements of Revenues, Expenses, and Changes in Net Position - Proprietary Fund | 22 |
| - Statements of Cash Flows - Proprietary Fund | 23 |
| - Statements of Net Position - Fiduciary Fund | 24 |
| - Statements of Changes in Net Position - Fiduciary Fund | 25 |
| - Notes to Financial Statements | 26 |

BOROUGH OF PERKASIE

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedule - General Fund | 60 |
| Schedule of Changes in the Borough's Net Pension Liability (Asset), Related Ratios, and Investment Returns - Police Pension Plan | 61 |
| Schedules of Employer Contributions - Police Pension Plan | 62 |
| Schedule of Changes in the Borough's Net Pension Liability (Asset), Related Ratios, and Investment Returns - Non-Uniformed Pension Plan | 63 |
| Schedules of Employer Contributions - Non-Uniformed Pension Plan | 64 |
| SUPPLEMENTARY INFORMATION | |
| Combining Balance Sheet - Nonmajor Governmental Funds | 65 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds | 66 |
| OTHER REPORT | |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 67 |



INDEPENDENT AUDITOR'S REPORT

May 21, 2026

Borough Council
Borough of Perkasio
Perkasie, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Perkasio ("the Borough"), Perkasio, Pennsylvania, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Perkasio, Perkasio, Pennsylvania, as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Borough Council
Borough of Perkasio

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, and the budgetary comparison schedule - general fund, schedules of changes in the Borough's net pension liability (asset), related ratios, and investment returns - pension plans, and schedules of employer contributions - pension plans on pages 60 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borough's basic financial statements. The combining nonmajor fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

The financial statements of Borough of Perkasio as of and for the year ended December 31, 2024, were audited by other auditors whose report, dated June 3, 2025, expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Borough Council
Borough of Perkasié

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2026, on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

BOROUGH OF PERKASIE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
DECEMBER 31, 2025



As management of the Borough of Perkasio ("the Borough"), we offer readers of the Borough's financial statements this narrative overview and analysis of the financial activities of the Borough for the fiscal year ended December 31, 2025. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis ("MD&A") found in pages 5 through 14. The MD&A is to be read in conjunction with the Borough's financial statements on the remaining pages.

FINANCIAL HIGHLIGHTS

- As of December 31, 2025, the Borough's government-wide assets exceeded its liabilities by \$22,543,330 (net position). Of this amount, \$3,730,039 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. Total cash decreased by \$376,731.
- The Borough's government-wide net position increased from 2024 by \$7,905 (page 16).
- As of December 31, 2025, the Borough's total Governmental Funds reported an ending fund balance of \$1,895,543. Of this amount, \$1,579,422 (unassigned fund balance - page 17) is available for spending at the government's discretion. The unassigned general fund balance is 16.4% of total General Fund expenditures.
- As of December 31, 2025, the Borough's Proprietary Fund reported an ending net position of \$3,655,680. Of this amount, \$1,869,159 (unrestricted net position - page 21), is available for spending at the government's discretion. The unrestricted net position is 24.1% of the Proprietary Fund total operating expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Borough's annual financial report consists of several sections. The MD&A is intended to serve as a synopsis of the Borough's financial performance for the year. The Borough's year-end Financial Statements, beginning on page 15, are comprised of six components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, 3) Notes to the Financial Statements, 4) Budgetary Comparison Schedule-General Fund, 5) Pension Plan Liability and Contribution Schedules, and 6) Combining Fund Statements.

Government-Wide Financial Statements

The Government-Wide Financial Statements (pages 15-16) are designed to provide readers with a broad overview of the Borough's finances, in a manner similar to a private-sector business that utilizes full accrual accounting.

BOROUGH OF PERKASIE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2025

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

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

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

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

Fund Financial Statements

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

Governmental Fund Financial Statements

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements (pages 17-19) focus on near-term inflows and outflows of spendable resources, as well as the balance of spendable resources available at the end of the fiscal year (modified accrual accounting). Such information may be useful in evaluating a government's near-term financing requirements.

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

BOROUGH OF PERKASIE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2025

revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Borough maintains 8 individual governmental funds (General Fund, Capital Fund, Liquid Fuels Fund, Fire Protection Fund, Dedicated Road Fund, Menlo Aquatics Fund, Refuse Fund and American Recovery Plan Fund). The Governmental Fund Balance Sheet (page 17) and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances (page 19) contain three columns and a total column. The General Fund column includes the General Fund, the Menlo Aquatics Fund, the Refuse Fund and the American Recovery Plan Fund. The Capital Fund column is self-explanatory. The Other Governmental Funds column includes the Fire Protection Fund, the Dedicated Road Fund and the Liquid Fuels Fund. Only the General Fund and Capital Projects Funds are to be considered major governmental funds.

The Reconciliation (page 20) details the difference between the net change in fund balances of the Statement of Revenues, Expenditures and Changes in Fund Balances (page 19) and the Statement of Activities (page 16).

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

Proprietary Fund

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

Proprietary fund statements (pages 21-23) provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the Electric Fund which is also considered a major fund of the Borough.

Fiduciary Fund

The Borough maintains one type of proprietary fund; a custodial fund. Custodial funds are used to report funds held on behalf of others. The fiduciary fund statements (pages 24-25) provide information on the Developer Escrow Fund, the Borough's custodial fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide, governmental funds, proprietary fund, and fiduciary financial statements. The notes to the financial statements can be found on pages 26 through 59 of this report.

In 2022, The Borough implemented GASBS No. 87, *Leases*. The reporting of lease receivables is presented in Note 4 of the financial statements.

**BOROUGH OF PERKASIE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2025**

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Borough, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$22,543,330 at the close of 2025. Infrastructure assets of the governmental activities are included within this report. The capital assets (e.g., land, buildings, vehicles, infrastructure, and equipment) of the governmental activities of the Borough less outstanding debt equal \$16,313,933. The majority of the outstanding debt of the governmental activities funds was incurred for the aquatics center construction.

The largest portion of the governmental activities' net position of \$16,313,933 (86.4%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles and equipment) less depreciation and any related debt used to acquire those assets that is still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Borough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table 1
Net Position – Government-Wide**

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| ASSETS: | | | | | | |
| Current assets | \$ 2,860,415 | \$ 3,739,093 | \$ 3,023,485 | \$ 2,550,566 | \$ 5,883,900 | \$ 6,289,659 |
| Capital assets | 18,141,234 | 17,405,359 | 1,786,521 | 1,459,970 | 19,927,755 | 18,865,329 |
| Total Assets | <u>21,001,649</u> | <u>21,144,452</u> | <u>4,810,006</u> | <u>4,250,521</u> | <u>25,811,655</u> | <u>25,154,988</u> |
| Deferred Outflows of Resources | <u>1,319,134</u> | <u>1,805,906</u> | <u>175,222</u> | <u>239,985</u> | <u>1,494,356</u> | <u>2,045,891</u> |
| LIABILITIES: | | | | | | |
| Current liabilities | 1,096,079 | 708,529 | 1,174,130 | 2,711 | 2,270,209 | 711,240 |
| Noncurrent liabilities | 862,836 | 2,196,513 | 23,109 | 881,641 | 885,945 | 3,078,154 |
| Total Liabilities | <u>1,958,915</u> | <u>2,905,042</u> | <u>1,197,239</u> | <u>884,352</u> | <u>3,156,154</u> | <u>3,789,394</u> |
| Deferred Inflows of Resources | <u>1,474,218</u> | <u>872,317</u> | <u>132,309</u> | <u>3,743</u> | <u>1,606,527</u> | <u>876,060</u> |
| Net Position: | | | | | | |
| Net investment in capital assets | 16,313,933 | 16,089,359 | 1,566,748 | 1,459,970 | 17,880,681 | 17,549,329 |
| Restricted | 712,837 | 445,236 | 219,773 | - | 932,610 | 445,236 |
| Unrestricted | 1,860,880 | 2,368,404 | 1,869,159 | 1,902,456 | 3,730,039 | 4,540,860 |
| Total Net Position | <u>\$ 18,887,650</u> | <u>\$ 19,172,999</u> | <u>\$ 3,655,680</u> | <u>\$ 3,362,426</u> | <u>\$ 22,543,330</u> | <u>\$ 22,535,425</u> |

The balance of the total unrestricted net position, in Table 1, of \$3,730,039 may be used to meet the government's ongoing obligations to citizens and creditors.

**BOROUGH OF PERKASIE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2025**

At the end of the 2025 fiscal year, the Borough reported an increase in net position of \$7,905 as indicated on page 16.

Table 2 below highlights the Borough's revenues and expenses for the fiscal year ended December 31, 2025. These two components are subtracted to yield the change in net position.

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

**Table 2
Changes in Net Position**

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| REVENUES | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 3,628,942 | \$ 3,533,934 | \$11,237,815 | \$ 9,509,262 | \$14,866,757 | \$13,043,196 |
| Grants and contributions | 1,172,068 | 1,466,021 | 44,250 | 44,041 | 1,216,318 | 1,510,062 |
| General Revenues: | | | | | | |
| Property taxes | 871,104 | 862,057 | - | - | 871,104 | 862,057 |
| EI Tax, LST, and other taxes | 2,313,433 | 2,233,089 | - | - | 2,313,433 | 2,233,089 |
| Other | 407,420 | 273,468 | 39,869 | 34,673 | 447,289 | 308,141 |
| Total Revenues | 8,392,967 | 8,368,569 | 11,321,934 | 9,587,976 | 19,714,901 | 17,956,545 |
| EXPENSES | | | | | | |
| General government | 1,152,992 | 1,011,824 | - | - | 1,152,992 | 1,011,824 |
| Public safety | 4,953,488 | 3,998,502 | - | - | 4,953,488 | 3,998,502 |
| Refuse collection | 937,577 | 796,910 | - | - | 937,577 | 796,910 |
| Public works | 1,723,565 | 1,102,831 | - | - | 1,723,565 | 1,102,831 |
| Recreation and conservation | 1,175,872 | 1,476,824 | - | - | 1,175,872 | 1,476,824 |
| Employee benefits and insurance | 1,963,634 | 1,702,401 | - | - | 1,963,634 | 1,702,401 |
| Miscellaneous | 15,329 | 96,810 | - | - | 15,329 | 96,810 |
| Interest on long-term debt | 14,077 | 18,914 | - | - | 14,077 | 18,914 |
| Electric | - | - | 7,770,462 | 6,490,263 | 7,770,462 | 6,490,263 |
| Total Expenses | 11,936,534 | 10,205,016 | 7,770,462 | 6,490,263 | 19,706,996 | 16,695,279 |
| Change in net position before transfers | (3,543,567) | (1,836,447) | 3,551,472 | 3,097,713 | 7,905 | 1,261,266 |
| Transfers | 3,258,218 | 2,650,004 | (3,258,218) | (2,650,004) | - | - |
| Change in net position | (285,349) | 813,557 | 293,254 | 447,709 | 7,905 | 1,261,266 |
| Net position, beginning | 19,172,999 | 18,359,442 | 3,362,426 | 2,914,717 | 22,535,425 | 21,274,159 |
| Net position, ending | \$18,887,650 | \$19,172,999 | \$ 3,655,680 | \$ 3,362,426 | \$22,543,330 | \$22,535,425 |

**BOROUGH OF PERKASIE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2025**

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

**Table 3
Government-Wide Activities**

| | 2025 | | 2024 | |
|---------------------------------|----------------------|-----------------------|----------------------|-----------------------|
| | Total Cost | Net Cost | Total Cost | Net Cost |
| General government | \$ 1,152,992 | \$ (711,471) | \$ 1,011,824 | \$ (309,950) |
| Public safety | 4,953,488 | (2,763,056) | 3,998,502 | (2,273,622) |
| Refuse collection | 937,577 | 179,387 | 796,910 | 421,505 |
| Public works | 1,723,565 | (1,454,668) | 1,102,831 | (772,464) |
| Culture and recreation | 1,175,872 | (392,676) | 1,476,824 | (754,400) |
| Employee benefits and insurance | 1,963,634 | (1,963,634) | 1,702,401 | (1,400,406) |
| Miscellaneous | 15,329 | (15,329) | 96,810 | (96,810) |
| Interest on long-term debt | 14,077 | (14,077) | 18,914 | (18,914) |
| Total | \$ 11,936,534 | \$ (7,135,524) | \$ 10,205,016 | \$ (5,205,061) |

The net cost of services is 60.0% of the total cost of services in 2025. This reflects the reliance on taxes and other revenue sources to fund the cost of services.

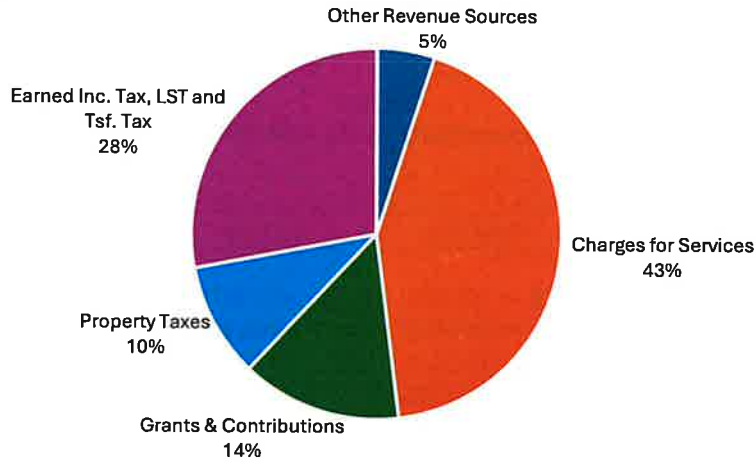
Governmental Activities

The largest sources of governmental activities revenue, reflected on the Statement of Activities on page 16, were derived from charges for services at 43% followed by earned income tax, local services tax and real estate transfer tax at 28%, and grants and contributions at 14% as shown in the chart below. Property Taxes were 10% of total revenue sources and other general revenues make up the remaining 5%.

- Property tax millage for 2025 is 9.25 mills. One and one-half mills, approved by voter referendum, is dedicated to the Perkasio Volunteer Fire Company specifically for the purchase, debt service, and maintenance of fire equipment. An additional three mills were approved by Council specifically for Road Improvements.
- Real estate transfer taxes collected for 2025 increased by 13.3% and earned income taxes collected increased by 2.6%. The overall increase of both taxes was \$82,435 (3.9%).

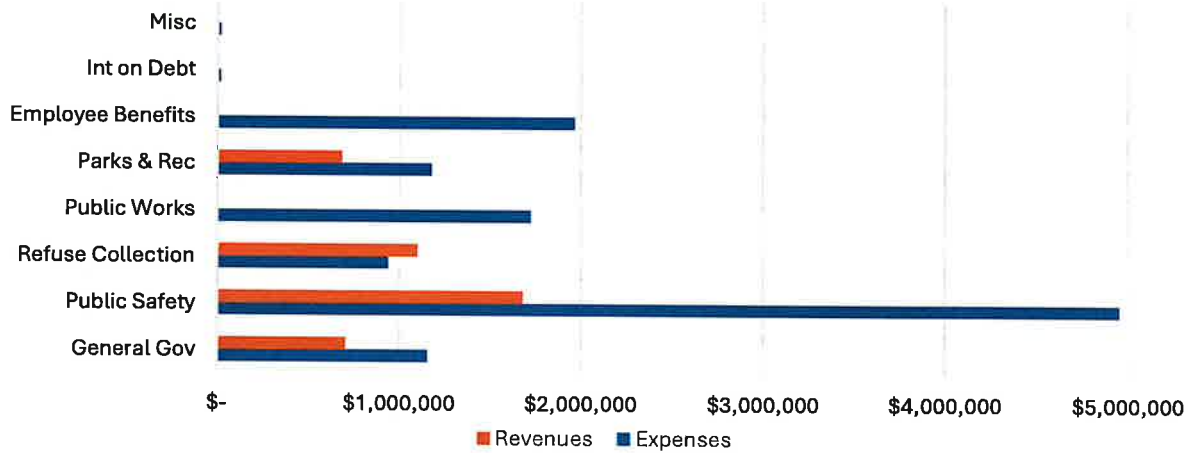
**BOROUGH OF PERKASIE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2025**

Revenues by Source - Governmental Activities



As shown on the chart below and in the Statement of Activities on page 16, 41% of the Borough's expenses are for public safety, 23% for public works including refuse and recycling collection, 16% for employee benefits, 10% for culture and recreation, and 10% for general government. The revenue sources in the graph below are from Charges for Services and Grants.

Expenses and Program Revenues - Government-Wide Activities



**BOROUGH OF PERKASIE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2025**

Proprietary Fund/Electric Enterprise

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

Business-Type Activities

Operating revenues of the Borough's business-type activities increased by 18.2% (\$9,509,262 in 2024 compared to \$11,237,815 in 2025), while expenses increased by 19.8%. The increase in revenue was attributable to the implementation of a separate installed capacity charge approved as part of the 2025 budget. This additional charge was necessary due to substantial increases in installed capacity costs established by PJM, the regional grid operator, and was passed directly through to Borough electric customers. While this resulted in higher operating revenues, it also created a corresponding increase in the Borough's power purchase expenses, as the Borough was required to absorb these same higher PJM capacity charges. In addition to increased power supply costs, expenses related to electric materials and equipment, along with salaries and benefits, also contributed to the rise in operating expenses. The business-type activities' ending net position of \$3,655,680 reflected an increase in net position of \$293,254. Included in the ending fund balance/net position are transfers totaling \$3,258,218 from the business-type activities to the governmental activities.

Governmental Funds-Activities

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

As of December 31, 2025, the Borough's governmental funds reported combined ending fund balances of \$1,895,543, a decrease of \$610,297 in comparison with the prior year. Reflected in the ending fund balances are transfers in the amount of \$3258,218 from the proprietary fund to the governmental funds.

The General Fund is the chief operating fund of the Borough. As of December 31, 2025, the total fund balance of the General Fund was \$1,821,122 of which \$33,991 was non-spendable for prepaid expenditures and inventory. The unassigned fund balance of \$1,579,809 represents approximately 16.4% of the total General Fund expenditures for 2025 (page 19).

General Fund Budget Comparison Highlights

During the year, revenues were less than 1% lower than budget with expenses 1.5% lower than budget. The net change in the fund balance, after recognizing operating transfers, reflects a favorable difference of \$149,367 versus the budget as reflected on page 60.

Earned income taxes, real estate transfer taxes and local services tax remained a major source of revenue for the borough. The three taxes combined totaled \$2,313,433 in 2025, as reflected on page 16.

**BOROUGH OF PERKASIE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2025**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Borough's investment in capital assets for its governmental and business-type activities as of December 31, 2025, amounts to \$18,793,681 net of accumulated depreciation. This investment in capital assets includes land, buildings, building improvements, park facilities, infrastructure, vehicles and equipment. The decrease in investment in capital assets for the current fiscal year was a total of \$71,649, including depreciation. Depreciation of \$1,479,101 was offset by net asset additions of \$1,407,452.

**Table 4
Capital Assets**

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Land | \$ 4,568,939 | \$ 4,568,939 | \$ 134,212 | \$ 134,211 | \$ 4,703,151 | \$ 4,703,150 |
| Construction in progress | 908,874 | - | - | - | 908,874 | - |
| Buildings | 8,765,305 | 8,765,305 | 339,663 | 339,663 | 9,104,968 | 9,104,968 |
| Equipment | 10,219,909 | 10,219,909 | 3,334,744 | 3,334,744 | 13,554,653 | 13,554,653 |
| Vehicles | 2,010,087 | 2,010,087 | 1,306,615 | 940,844 | 3,316,702 | 2,950,931 |
| Infrastructure | 11,506,103 | 11,373,296 | 662,447 | 662,447 | 12,168,550 | 12,035,743 |
| Accumulated depreciation | (20,752,284) | (19,532,177) | (4,210,933) | (3,951,939) | (24,963,217) | (23,484,116) |
| Totals | \$17,226,933 | \$17,405,359 | \$ 1,566,748 | \$ 1,459,970 | \$18,793,681 | \$18,865,329 |

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

- Additional upgrades to the Borough's skate park
- Acquisition of the Community Garden Lot
- Initiated construction on the Kulp Park Rehabilitation project
- Annual road reconstruction projects
- Continued replacement of electric meters

Additional information on the Borough's capital assets can be found in Note 6 of the financial statements.

Long-Term Liabilities

At the end of the current fiscal year, the Borough had total long-term liabilities outstanding of \$1,305,945 entirely backed by the full faith and credit of the government.

**BOROUGH OF PERKASIE
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
DECEMBER 31, 2025**

**Table 5
Outstanding Long-Term Liabilities**

| | Governmental Activities | | Business-type Activities | | Totals | |
|-----------------------------------|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| General Obligation Notes | \$ 913,000 | \$ 1,316,000 | \$ - | \$ - | \$ 913,000 | \$ 1,316,000 |
| Pension Liability – Non-Uniformed | - | 5,035 | - | 2,711 | - | 7,746 |
| Pension Liability – Police | - | 1,168,361 | - | - | - | 1,168,361 |
| Compensated Absences | 369,836 | 110,117 | 23,109 | 19,828 | 392,945 | 129,945 |
| Total | \$ 1,282,836 | \$ 2,599,513 | \$ 23,109 | \$ 22,539 | \$ 1,305,945 | \$ 2,622,052 |

More detailed information about the Borough's long-term liabilities is presented in Note 10 of the financial statements.

REQUESTS FOR INFORMATION

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

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

BOROUGH OF PERKASIE
STATEMENT OF NET POSITION
DECEMBER 31, 2025
(With Summarized Comparative Data for December 31, 2024)

| | Governmental Activities | Business-type Activities | Totals | |
|---|----------------------------|-----------------------------|----------------------|----------------------|
| | | | 2025 | 2024 |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 2,697,958 | \$ 1,112,764 | \$ 3,810,722 | \$ 4,187,453 |
| Receivables | 578,619 | 1,042,396 | 1,621,015 | 1,253,841 |
| Internal balances | (450,153) | 450,153 | - | (94,820) |
| Inventories | 14,520 | 397,529 | 412,049 | 331,691 |
| Prepaid expenses | 19,471 | 20,643 | 40,114 | 82,483 |
| Total Current Assets | <u>2,860,415</u> | <u>3,023,485</u> | <u>5,883,900</u> | <u>5,760,648</u> |
| Noncurrent Assets: | | | | |
| Receivables | 429,864 | - | 429,864 | 529,011 |
| Net pension asset | 484,437 | 219,773 | 704,210 | - |
| Land | 4,568,939 | 134,212 | 4,703,151 | 4,703,150 |
| Construction in progress | 908,874 | - | 908,874 | - |
| Depreciable capital assets, net | 11,749,120 | 1,432,536 | 13,181,656 | 14,162,179 |
| Total Noncurrent Assets | <u>18,141,234</u> | <u>1,786,521</u> | <u>19,927,755</u> | <u>19,394,340</u> |
| TOTAL ASSETS | <u>21,001,649</u> | <u>4,810,006</u> | <u>25,811,655</u> | <u>25,154,988</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred pensions | <u>1,319,134</u> | <u>175,222</u> | <u>1,494,356</u> | <u>2,045,891</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>1,319,134</u> | <u>175,222</u> | <u>1,494,356</u> | <u>1,805,906</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 22,320,783</u> | <u>\$ 4,985,228</u> | <u>\$ 27,306,011</u> | <u>\$ 27,200,879</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | | | | |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable | \$ 386,990 | \$ 779,711 | \$ 1,166,701 | \$ 588,569 |
| Accrued expenses | 232,989 | 50,325 | 283,314 | 194,814 |
| Customer deposits | - | 344,094 | 344,094 | 335,514 |
| Unearned revenues | 56,100 | - | 56,100 | 48,445 |
| Current portion of notes payable | 420,000 | - | 420,000 | 403,000 |
| Total Current Liabilities | <u>1,096,079</u> | <u>1,174,130</u> | <u>2,270,209</u> | <u>1,570,342</u> |
| Noncurrent Liabilities: | | | | |
| Net pension liability | - | - | - | 1,176,107 |
| Compensated absences | 369,836 | 23,109 | 392,945 | 129,945 |
| Notes payable | 493,000 | - | 493,000 | 913,000 |
| Total Noncurrent Liabilities | <u>862,836</u> | <u>23,109</u> | <u>885,945</u> | <u>2,219,052</u> |
| TOTAL LIABILITIES | <u>1,958,915</u> | <u>1,197,239</u> | <u>3,156,154</u> | <u>3,789,394</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred amounts related to pensions | 906,007 | 132,309 | 1,038,316 | 103,616 |
| Deferred amounts related to leases | 380,747 | - | 380,747 | 447,386 |
| Deferred revenues | 187,464 | - | 187,464 | 325,058 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>1,474,218</u> | <u>132,309</u> | <u>1,606,527</u> | <u>876,060</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 16,313,933 | 1,566,748 | 17,880,681 | 17,549,329 |
| Restricted | 712,837 | 219,773 | 932,610 | 445,236 |
| Unrestricted | 1,860,880 | 1,869,159 | 3,730,039 | 4,540,860 |
| TOTAL NET POSITION | <u>18,887,650</u> | <u>3,655,680</u> | <u>22,543,330</u> | <u>22,535,425</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | <u>\$ 22,320,783</u> | <u>\$ 4,985,228</u> | <u>\$ 27,306,011</u> | <u>\$ 27,200,879</u> |

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

**BOROUGH OF PERKASIE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025
(With Summarized Comparative Data for the Year Ended December 31, 2024)**

| | Program Revenues | | Capital | | Net (Expense) Revenue and Changes in Net Position | | |
|--|----------------------|----------------------|------------------------------------|--------------------------|---|--------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Grants and Contributions | Governmental Activities | Business-type Activities | Totals |
| PRIMARY GOVERNMENT | | | | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | | | | |
| General government | \$ 1,152,992 | \$ 168,262 | \$ 273,259 | \$ - | \$ (711,471) | \$ - | \$ (309,950) |
| Public safety | 4,953,488 | 1,680,819 | 509,613 | - | (2,763,056) | - | (2,273,622) |
| Refuse collection | 937,577 | 1,096,665 | 20,299 | - | 179,387 | - | 421,505 |
| Public works | 1,723,565 | - | 268,897 | - | (1,454,668) | - | (72,464) |
| Culture and recreation | 1,175,872 | 683,196 | 100,000 | - | (392,676) | - | (754,400) |
| Employee benefits and insurance | 1,963,634 | - | - | - | (1,963,634) | - | (1,400,406) |
| Miscellaneous | 15,329 | - | (15,329) | - | (15,329) | - | (96,810) |
| Interest expense | 14,077 | - | - | - | (14,077) | - | (18,914) |
| TOTAL GOVERNMENTAL ACTIVITIES | 11,936,534 | 3,628,942 | 1,172,068 | - | (7,135,524) | - | (5,205,061) |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | |
| Electric | 7,770,462 | 11,237,815 | 44,250 | - | - | 3,511,603 | 3,063,040 |
| TOTAL BUSINESS-TYPE ACTIVITIES | 7,770,462 | 11,237,815 | 44,250 | - | - | 3,511,603 | 3,063,040 |
| TOTAL PRIMARY GOVERNMENT | \$ 19,706,996 | \$ 14,866,757 | \$ 1,216,318 | \$ - | (7,135,524) | 3,511,603 | (2,142,021) |
| GENERAL REVENUES | | | | | | | |
| Taxes: | | | | | | | |
| Real estate taxes | | | | | 871,104 | - | 862,057 |
| Earned income taxes | | | | | 1,933,122 | - | 1,863,577 |
| Local services taxes | | | | | 99,334 | - | 101,425 |
| Real estate transfer taxes | | | | | 280,977 | - | 248,087 |
| Franchise fees | | | | | 131,360 | - | 140,892 |
| Interest earnings | | | | | 252,531 | 39,869 | 139,301 |
| Other revenues | | | | | 23,529 | - | 18,348 |
| Gain on sale of capital assets | | | | | - | - | 9,600 |
| Transfers | | | | | 3,258,218 | (3,258,218) | - |
| TOTAL GENERAL REVENUES | | | | | 6,650,175 | (3,218,349) | 3,403,287 |
| CHANGE IN NET POSITION | | | | | (285,349) | 293,254 | 1,261,266 |
| NET POSITION, BEGINNING OF YEAR | | | | | 19,172,999 | 3,362,426 | 21,274,159 |
| NET POSITION, END OF YEAR | | | | | \$ 18,887,650 | \$ 3,655,680 | \$ 22,535,425 |

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

**BOROUGH OF PERKASIE
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2025
(With Summarized Comparative Data for December 31, 2024)**

| | General Fund | Capital Projects Fund | Other Governmental Funds | 2025 | 2024 |
|--|---------------------|-----------------------|--------------------------|---------------------|---------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,669,933 | \$ 931,226 | \$ 96,799 | \$ 2,697,958 | \$ 2,997,203 |
| Tax receivables | 291,256 | - | 3,426 | 294,682 | 264,701 |
| Grant receivables | - | - | - | - | 12,888 |
| Other receivables | 141,588 | 41,020 | - | 182,608 | 154,076 |
| Due from other funds | 516,711 | 30,480 | - | 547,171 | 213,225 |
| Inventories | 14,520 | - | - | 14,520 | 13,630 |
| Prepaid expenditures | 19,471 | - | - | 19,471 | 66,498 |
| TOTAL ASSETS | \$ 2,653,479 | \$ 1,002,706 | \$ 100,225 | \$ 3,756,410 | \$ 3,722,221 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 202,764 | \$ 104,692 | \$ 79,534 | \$ 386,990 | \$ 108,382 |
| Accrued expenses | 216,342 | 16,647 | - | 232,989 | 148,702 |
| Unearned revenue | 56,100 | - | - | 56,100 | 48,445 |
| Due to other funds | 357,151 | 640,173 | - | 997,324 | 585,794 |
| TOTAL LIABILITIES | 832,357 | 761,512 | 79,534 | 1,673,403 | 891,323 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred revenue | - | 187,464 | - | 187,464 | 325,058 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | - | 187,464 | - | 187,464 | 325,058 |
| FUND BALANCES: | | | | | |
| Nonspendable | 33,991 | - | - | 33,991 | 80,128 |
| Restricted: | | | | | |
| State Liquid Fuels | - | - | 13,279 | 13,279 | 10,843 |
| Fire Protection | - | - | 7,799 | 7,799 | 9,213 |
| Road Improvements | - | - | - | - | 217,857 |
| Police K-9 and Upper Bucks Consortium | 207,322 | - | - | 207,322 | 207,322 |
| Assigned: | | | | | |
| Capital expenditures | - | 53,730 | - | 53,730 | 754,106 |
| Unassigned (deficit) | 1,579,809 | - | (387) | 1,579,422 | 1,226,371 |
| TOTAL FUND BALANCES | 1,821,122 | 53,730 | 20,691 | 1,895,543 | 2,505,840 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 2,653,479 | \$ 1,002,706 | \$ 100,225 | \$ 3,756,410 | \$ 3,722,221 |

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

**BOROUGH OF PERKASIE
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
DECEMBER 31, 2025**

TOTAL GOVERNMENTAL FUND BALANCES \$ 1,895,543

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net position. 17,226,933

Deferred inflows and outflows of resources related to the Borough's leases receivable and net pension liability (asset) are based on the differences between actuarially determined actual and expected investment returns, differences between expected and actual experience, and changes in assumptions. These amounts will be amortized over the estimated remaining average service life of the employees.

| | |
|---|-----------|
| Deferred outflows of resources - pensions | 1,319,134 |
| Deferred inflows of resources - pensions | (906,007) |
| Deferred inflows of resources - leases | (380,747) |

Certain long-term assets and liabilities applicable to the governmental activities are not receivable or due and payable in the current period and, therefore, are not reported in the funds. Those assets and liabilities consist of:

| | |
|----------------------|-----------|
| Compensated absences | (369,836) |
| Notes payable | (913,000) |
| Leases receivable | 531,193 |
| Net pension asset | 484,437 |
| | 484,437 |

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 18,887,650

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

BOROUGH OF PERKASIE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025
(With Summarized Comparative Data for the Year Ended December 31, 2024)

| | General Fund | Capital Projects Fund | Other Governmental Funds | Totals | |
|--|---------------------|-----------------------|--------------------------|---------------------|---------------------|
| | 2025 | 2025 | 2025 | 2025 | 2024 |
| REVENUES | | | | | |
| Taxes | \$ 2,760,675 | - | \$ 423,862 | \$ 3,184,537 | \$ 3,095,146 |
| Franchise fees | 131,360 | - | - | 131,360 | 140,892 |
| Permits, fines and licenses | 20,549 | - | - | 20,549 | 168,590 |
| Interest and rents | 207,948 | 37,530 | 7,055 | 252,531 | 228,083 |
| Intergovernmental revenues | 567,392 | 357,330 | 247,346 | 1,172,068 | 1,439,017 |
| Charges for services/fees | 3,590,393 | 18,000 | - | 3,608,393 | 3,264,526 |
| Miscellaneous revenue/other | 13,529 | 10,000 | - | 23,529 | 29,748 |
| TOTAL REVENUES | <u>7,291,844</u> | <u>422,860</u> | <u>678,263</u> | <u>8,392,967</u> | <u>8,366,002</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 979,084 | 31,691 | 56,174 | 1,066,949 | 899,940 |
| Public safety | 3,893,562 | 119,825 | 142,948 | 4,156,335 | 3,819,134 |
| Refuse collection | 820,534 | - | - | 820,534 | 797,478 |
| Public works | 558,134 | 476,490 | 446,103 | 1,480,727 | 603,163 |
| Culture and recreation | 1,024,082 | 5,000 | - | 1,029,082 | 1,038,265 |
| Debt service: | | | | | |
| Principal | - | 403,000 | - | 403,000 | 388,000 |
| Interest | - | 14,077 | - | 14,077 | 18,914 |
| Capital outlays | - | 1,041,681 | - | 1,041,681 | 1,343,570 |
| Employee benefits and insurance | 2,328,560 | - | - | 2,328,560 | 1,871,292 |
| Other expenditures | 15,329 | - | - | 15,329 | 148,268 |
| TOTAL EXPENDITURES | <u>9,619,285</u> | <u>2,091,764</u> | <u>645,225</u> | <u>12,356,274</u> | <u>10,928,024</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(2,327,441)</u> | <u>(1,668,904)</u> | <u>33,038</u> | <u>(3,963,307)</u> | <u>(2,562,022)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Refunds of prior year expenditures | 103,808 | - | - | 103,808 | - |
| Refunds of prior year receipts | (9,016) | - | - | (9,016) | - |
| Transfers in | 2,783,658 | 968,528 | - | 3,752,186 | 3,241,399 |
| Transfers out | (243,708) | - | (250,260) | (493,968) | (591,395) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>2,634,742</u> | <u>968,528</u> | <u>(250,260)</u> | <u>3,353,010</u> | <u>2,650,004</u> |
| NET CHANGE IN FUND BALANCES | 307,301 | (700,376) | (217,222) | (610,297) | 87,982 |
| FUND BALANCES, BEGINNING OF YEAR | 1,513,821 | 754,106 | 237,913 | 2,505,840 | 2,417,858 |
| FUND BALANCES, END OF YEAR | <u>\$ 1,821,122</u> | <u>\$ 53,730</u> | <u>\$ 20,691</u> | <u>\$ 1,895,543</u> | <u>\$ 2,505,840</u> |

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

BOROUGH OF PERKASIE
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (610,297)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,041,681) was exceeded by depreciation (\$1,220,107) in the current period. (178,426)

The issuance of long-term debt (e.g. leases, notes) provides current resources to governmental funds, while repayment of the principal of long-term debt, including changes in accrued interest, consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 403,000

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (259,719)

Governmental funds report rental payments as receipts. However, in the statement of activities, lease revenue is recognized over the course of the lease agreement. (4,833)

In the statement of activities, pension expense reflects the change in the net pension liability, net of deferrals. In the governmental funds, however, pension expenditures reflect payments made to fund the pension plan. This is the amount by which the change in the net pension liability and related deferrals exceeded pension contributions during the year. 364,926

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (285,349)

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

**BOROUGH OF PERKASIE
STATEMENTS OF NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2025 AND 2024**

| | Enterprise Fund | |
|---|---------------------|---------------------|
| | Electric | |
| | 2025 | 2024 |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,112,764 | \$ 1,190,250 |
| Receivables | 1,042,396 | 748,521 |
| Due from other funds | 651,538 | 440,358 |
| Inventories | 397,529 | 318,061 |
| Prepaid expenses | 20,643 | 15,985 |
| Total Current Assets | <u>3,224,870</u> | <u>2,713,175</u> |
| Noncurrent Assets: | | |
| Net pension asset | 219,773 | - |
| Land | 134,212 | 134,211 |
| Buildings | 339,663 | 339,663 |
| Equipment | 3,334,744 | 3,334,744 |
| Infrastructure | 662,448 | 662,447 |
| Vehicles | 1,306,615 | 940,844 |
| Less: Accumulated depreciation | <u>(4,210,934)</u> | <u>(3,951,939)</u> |
| Total Noncurrent Assets | <u>1,786,521</u> | <u>1,459,970</u> |
| TOTAL ASSETS | <u>5,011,391</u> | <u>4,173,145</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amounts related to pensions | 175,222 | 239,985 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>175,222</u> | <u>239,985</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | | |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable | 779,711 | 480,187 |
| Accrued expenses | 50,325 | 46,111 |
| Customer deposits | 344,094 | 335,514 |
| Due to other funds | 201,385 | 162,609 |
| Total Current Liabilities | <u>1,375,515</u> | <u>1,024,421</u> |
| Noncurrent Liabilities: | | |
| Compensated absences | 23,109 | 19,828 |
| Net pension liability | - | 2,712 |
| Total Noncurrent Liabilities | <u>23,109</u> | <u>22,540</u> |
| TOTAL LIABILITIES | <u>1,398,624</u> | <u>1,046,961</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred amounts related to pensions | 132,309 | 3,743 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>132,309</u> | <u>3,743</u> |
| NET POSITION | | |
| Net investment in capital assets | 1,566,748 | 1,459,970 |
| Restricted | 219,773 | - |
| Unrestricted | <u>1,869,159</u> | <u>1,902,456</u> |
| TOTAL NET POSITION | <u>3,655,680</u> | <u>3,362,426</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | <u>\$ 5,186,613</u> | <u>\$ 4,413,130</u> |

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

BOROUGH OF PERKASIE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

| | Enterprise Fund | |
|---|---------------------|---------------------|
| | Electric | |
| | 2025 | 2024 |
| OPERATING REVENUES | | |
| Charges for services | \$ 11,201,583 | \$ 9,321,541 |
| Other revenue | 36,232 | 187,721 |
| TOTAL OPERATING REVENUES | <u>11,237,815</u> | <u>9,509,262</u> |
| OPERATING EXPENSES | | |
| Purchase of power | 5,470,033 | 4,645,088 |
| Operating expenses | 1,716,929 | 1,398,205 |
| General and administrative | 324,506 | 269,499 |
| Depreciation expense | 258,994 | 174,598 |
| TOTAL OPERATING EXPENSES | <u>7,770,462</u> | <u>6,487,390</u> |
| OPERATING INCOME (LOSS) | <u>3,467,353</u> | <u>3,021,872</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest income | 39,869 | 34,673 |
| Intergovernmental revenue | 44,250 | 44,041 |
| Interest expense | - | (2,873) |
| Transfers out | (3,258,218) | (2,650,004) |
| TOTAL NONOPERATING EXPENSES | <u>(3,174,099)</u> | <u>(2,574,163)</u> |
| CHANGE IN NET POSITION | 293,254 | 447,709 |
| NET POSITION, BEGINNING OF YEAR | <u>3,362,426</u> | <u>2,914,717</u> |
| NET POSITION, END OF YEAR | <u>\$ 3,655,680</u> | <u>\$ 3,362,426</u> |

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

**BOROUGH OF PERKASIE
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

| | Enterprise Fund | |
|--|---------------------|---------------------|
| | Electric | |
| | 2025 | 2024 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers and users | \$ 10,916,288 | \$ 9,304,984 |
| Payments to suppliers for goods and services | (6,502,747) | (5,540,303) |
| Payments to employees for services | (814,984) | (783,842) |
| Other receipts | 36,232 | 171,122 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 3,634,789 | 3,151,961 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Advances (repayments) from other funds | (172,404) | (195,853) |
| Intergovernmental receipts | 44,250 | 44,041 |
| Transfers to other funds | (3,258,218) | (2,650,004) |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | (3,386,372) | (2,801,816) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Purchase of capital assets | (365,772) | (173,147) |
| Interest paid | - | (2,873) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | (365,772) | (176,020) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest income | 39,869 | 34,673 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | 39,869 | 34,673 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (77,486) | 208,798 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 1,190,250 | 981,452 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 1,112,764 | \$ 1,190,250 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | |
| Operating income | \$ 3,467,353 | \$ 3,021,872 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Depreciation expense | 258,994 | 174,598 |
| (Increase) decrease in assets: | | |
| Receivables | (293,875) | (40,543) |
| Inventories | (79,468) | (37,433) |
| Prepaid expenses | (4,658) | (2,573) |
| Net pension asset | (219,773) | - |
| Deferred outflows of resources | 64,763 | 129,133 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 299,524 | 84,877 |
| Accrued expenses | 4,214 | 10,037 |
| Customer deposits | 8,580 | 16,800 |
| Compensated absences | 3,281 | 1,930 |
| Net pension liability | (2,712) | (202,995) |
| Deferred inflows of resources | 128,566 | (3,742) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ 3,634,789 | \$ 3,151,961 |

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

**BOROUGH OF PERKASIE
STATEMENTS OF NET POSITION - FIDUCIARY FUND
DECEMBER 31, 2025 AND 2024**

| | Custodial Fund | |
|---|-------------------|-------------------|
| | 2025 | 2024 |
| ASSETS | | |
| Cash and cash equivalents | \$ 6,296 | \$ 6,045 |
| Due from developers | 36,720 | 36,720 |
| Accounts receivable | 95,489 | 94,820 |
| TOTAL ASSETS | \$ 138,505 | \$ 137,585 |
| LIABILITIES AND NET POSITION | | |
| LIABILITIES | | |
| Accounts payable | \$ - | \$ - |
| TOTAL LIABILITIES | - | - |
| NET POSITION | | |
| Restricted for developers and individuals | 138,505 | 137,585 |
| TOTAL LIABILITIES AND NET POSITION | \$ 138,505 | \$ 137,585 |

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

**BOROUGH OF PERKASIE
STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

| | Custodial Fund | |
|---|-------------------|-------------------|
| | 2025 | 2024 |
| ADDITIONS | | |
| Contributions: | | |
| Developers and individuals | \$ 224,012 | \$ 159,348 |
| Interest | 9,711 | 292 |
| TOTAL ADDITIONS | <u>233,723</u> | <u>159,640</u> |
| | | |
| DEDUCTIONS | | |
| Professional fees | 211,963 | 125,877 |
| Administrative expenses | 20,840 | 3,772 |
| Return of contributions | - | 445,087 |
| TOTAL DEDUCTIONS | <u>232,803</u> | <u>574,736</u> |
| | | |
| CHANGE IN FIDUCIARY NET POSITION | 920 | (415,096) |
| | | |
| NET POSITION, BEGINNING OF YEAR | <u>137,585</u> | <u>552,681</u> |
| | | |
| NET POSITION, END OF YEAR | <u>\$ 138,505</u> | <u>\$ 137,585</u> |

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

BOROUGH OF PERKASIE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

Related Organization

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

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

Significant Accounting Policies

The financial statements of the Borough have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. The Borough's significant accounting policies are described below.

Basic Financial Statements – Government-wide Statements

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

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

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

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

The Borough does not allocate indirect costs.

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

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Borough are reported in individual fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Borough:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Borough:

The general fund is the general operating fund of the Borough. It is used to account for all financial resources except those required to be accounted for in another fund.

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

The special revenue funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally or administratively restricted expenditures for specified purposes.

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

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Borough:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third-party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Fiduciary Funds

The funds are used to report assets held in a trustee or custodial capacity for others and, therefore, are not available to support Borough programs.

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The custodial fund is used to account for funds posted by developers who have projects in progress in the Borough and for funds received for security deposits from tenants in the Borough Hall building. The developers' funds are used to pay legal, engineering, and administrative costs incurred by the Borough relating to those projects. The security deposits will be returned to the tenants when they vacate their rental space less any charges for damages or rent.

Basis of Accounting

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

Accrual

Both governmental and business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Modified Accrual

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

Cash and Cash Equivalents

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

Accounts Receivable – Electric Fund

The following procedures are followed regarding the accounts receivable due to the Borough from electric customers. Accounts 1-30 days past due are mailed a first past due statement with penalty and shut off notice. Accounts 31-40 days past due are mailed a second past due statement with penalty and final shut off notice. Accounts 41 days past due are notified that

BOROUGH OF PERKASIE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

electric will be shut off between April 15 and November 1 as allowed by law. Yellow tags are placed on doors 5 days before shut off. Red tags are placed on door on shut off date and then power is shut off. Properties associated with accounts closed and not paid are liened with collection made when property is sold. Rental property owners are charged after sending 3 notices, and the property is liened if the owner does not pay after 20 days.

Budget

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

1. Beginning at least 30 days prior to adoption of the budget, a proposed budget for the ensuing year shall be prepared in a manner designated by Council. The proposed budget shall be kept on file with the borough secretary and made available for public inspection for a period of 10 days.
2. Notice that the proposed budget is available for inspection must be published in a newspaper of general circulation in the Borough and conspicuously posted during the 10-day period noted in item 1.
3. After 10 days, Council shall adopt the budget no later than December 31 and file it with the Pennsylvania Department of Community and Economic Development.
4. Annual budgets are generally adopted for the general, highway aid, capital improvement, and electric funds.
5. For budgetary purposes, appropriations lapse at the end of each year.
6. The budget is prepared on the modified accrual basis of accounting.
7. The budget was not amended during 2025.

Pensions

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

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred Revenue

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

Operating Revenues and Expenses

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

Developers Funds

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

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND CASH EQUIVALENTS

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

The Borough does not have a formal deposit and investment policy but adheres to state statutes and prudent business practice. Governmental Funds' amounts are either maintained in

BOROUGH OF PERKASIE

NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND CASH EQUIVALENTS (cont'd)

demand deposits, highly liquid money market funds, certificates of deposits, or pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT), and are captioned as "cash" in the statement of net position. These amounts are stated at cost which approximates market. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Borough.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Borough does not have a policy for custodial credit risk but adheres to Commonwealth of Pennsylvania Law Act 72 ("Act 72") for the collateralization requirements governing public funds. At December 31, 2025, the carrying amount of the Borough's deposits was \$3,817,018, and the bank balance was \$3,799,578. Of the bank balance, \$380,502 was covered by federal depository insurance, and \$3,229,775 was collateralized by securities held by the depository in the Borough's name and not subject to custodial credit risk.

In addition, \$189,301 of the Borough's deposits are in the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit.

NOTE 3 RECEIVABLES

A breakdown of the various receivables of the Borough at December 31, 2025 is as follows:

| | |
|--|---------------------|
| Taxes receivable | <u>\$ 294,682</u> |
| Other Receivables: | |
| General Fund: | |
| Charges for services, fines and reimbursements | <u>\$ 141,588</u> |
| Capital Projects Fund: | |
| Property owner sidewalk assessments | <u>\$ 41,020</u> |
| Electric Fund accounts receivable | <u>\$ 1,042,396</u> |

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 4 LEASES RECEIVABLE

The Borough implemented GASB Statement No. 87, *Leases*, effective as of January 1, 2022. In accordance with this standard, the Borough recognizes lease and interest receivables and deferred inflows of leases related to lease agreements in which the Borough is the lessor. The leases are summarized as follows:

| | Lease Receivable | Interest Receivable | Deferred Inflows | Lease Revenue | Interest Revenue |
|------------------------------|---------------------|------------------------|---------------------|------------------|---------------------|
| Verizon Cell Tower | \$ 177,502 | \$ 729 | \$ 135,050 | \$ 9,156 | \$ 8,995 |
| Cingular Wireless Cell Tower | 104,570 | 430 | 67,242 | 10,214 | 5,492 |
| Dental Office | 180,741 | 743 | 121,486 | 25,576 | 9,740 |
| Parking Lot | 24,267 | 108 | 23,706 | 3,873 | 1,250 |
| Investment Office | 41,931 | 172 | 33,263 | 18,144 | 2,571 |
| | <u>\$ 529,011</u> | <u>\$ 2,182</u> | <u>\$ 380,747</u> | <u>\$ 66,963</u> | <u>\$ 28,048</u> |

Verizon Cell Tower – On August 17, 2015, the Borough entered into a lease with Verizon Wireless to lease a portion of property at 311 South Ninth Street, Perkasio for space for a cell tower. The lease has an initial term of five years with four additional five-year terms. Monthly rent started at \$1,000 with an increase of 112% of the annual rental payment of the preceding five-year term.

Future minimum lease payments are as follows:

Year Ending December 31,

| | |
|-------------|-------------------|
| 2026 | \$ 15,053 |
| 2027 | 15,053 |
| 2028 | 15,053 |
| 2029 | 15,053 |
| 2030 | 15,504 |
| 2031 - 2035 | 90,870 |
| 2036 - 2040 | <u>89,690</u> |
| Total | <u>\$ 256,276</u> |

Cingular Wireless Cell Tower – On August 1, 2006, the Borough entered into a lease with Cingular Wireless PCS, LLC to lease a portion of property at 311 South Ninth Street, Perkasio for space for a cell tower. The lease has an initial term of five years with four additional five-year terms. Monthly rent started at \$835 with an annual increase of 3%.

BOROUGH OF PERKASIE

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LEASES RECEIVABLE (cont'd)

Future minimum lease payments are as follows:

| <u>Year Ending December 31,</u> | |
|---------------------------------|-------------------|
| 2026 | \$ 16,768 |
| 2027 | 17,272 |
| 2028 | 17,790 |
| 2029 | 18,323 |
| 2030 | 18,873 |
| 2031 - 2032 | <u>51,343</u> |
| Total | <u>\$ 140,369</u> |

Dental Office – On January 6, 2020, the Borough entered into a lease with L.R. Cerdas, DMD, LLC to lease space in the Borough Hall for use as a dental office. The lease term is ten years. For the first thirty-five months, the lessee will receive a rent credit of \$1,800 per month. At that time, the monthly rental payment will be \$3,152 with annual increases of 2.5%.

Future minimum lease payments are as follows:

| <u>Year Ending December 31,</u> | |
|---------------------------------|-------------------|
| 2026 | \$ 40,986 |
| 2027 | 42,002 |
| 2028 | 43,052 |
| 2029 | 44,141 |
| 2030 | <u>33,723</u> |
| Total | <u>\$ 203,904</u> |

Parking Lot – On December 20, 2021, the Borough entered into a lease with QNB Bank to lease a parking lot. The lease term is ten years with an annual payment of \$4,800.

Future minimum lease payments are as follows:

| <u>Year Ending December 31,</u> | |
|---------------------------------|------------------|
| 2026 | \$ 4,800 |
| 2027 | 4,800 |
| 2028 | 4,800 |
| 2029 | 4,800 |
| 2030 | 4,800 |
| 2031 | <u>4,800</u> |
| Total | <u>\$ 28,800</u> |

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 4 LEASES RECEIVABLE (cont'd)

Investment Office ("the Lessee") – On November 21, 2022, the Borough entered into a lease with Edward D. Jones & Co., L.P. to lease space in Borough Hall for use as an office. The lease term is five years. All rent from the period of November 1, 2022 to April 30, 2023 will be abated as a free rent period for Lessee. The Lessee is to pay all utilities during this time. Monthly rent of \$1,800 began May 1, 2023 with an annual increase of 3% each November 1.

Future minimum lease payments are as follows:

| <u>Year Ending December 31,</u> | |
|---------------------------------|-------------------------|
| 2026 | \$ 23,722 |
| 2027 | <u> 20,261</u> |
| Total | <u>\$ 43,983</u> |

NOTE 5 INVENTORIES

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

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

NOTE 6 CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 and infrastructure construction over \$25,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|----------------|--------------|
| Buildings | 30 years |
| Equipment | 5 - 20 years |
| Vehicles | 3 - 10 years |
| Infrastructure | 25 years |

Changes in Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2025:

BOROUGH OF PERKASIE

NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL ASSETS (cont'd)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|-------------|---------------------|
| <i>Governmental Activities</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 4,568,939 | \$ - | \$ - | \$ 4,568,939 |
| Construction in progress | - | 908,874 | - | 908,874 |
| Total Capital Assets Not Being Depreciated | <u>4,568,939</u> | <u>908,874</u> | <u>-</u> | <u>5,477,813</u> |
| Capital assets being depreciated: | | | | |
| Other capital assets: | | | | |
| Buildings | 8,765,305 | - | - | 8,765,305 |
| Equipment | 10,219,909 | - | - | 10,219,909 |
| Vehicles | 2,010,087 | - | - | 2,010,087 |
| Infrastructure | 11,373,296 | 132,807 | - | 11,506,103 |
| Total Capital Assets Being Depreciated | <u>32,368,597</u> | <u>132,807</u> | <u>-</u> | <u>32,501,404</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (6,694,674) | (183,366) | - | (6,878,040) |
| Equipment | (7,090,391) | (410,659) | - | (7,501,050) |
| Vehicles | (1,546,287) | (165,838) | - | (1,712,125) |
| Infrastructure | (4,200,825) | (460,244) | - | (4,661,069) |
| Total Accumulated Depreciation | <u>(19,532,177)</u> | <u>(1,220,107)</u> | <u>-</u> | <u>(20,752,284)</u> |
| Other capital assets, net | <u>12,836,420</u> | <u>(1,087,300)</u> | <u>-</u> | <u>11,749,120</u> |
| Governmental Activities Assets, Net | <u>\$17,405,359</u> | <u>\$ (178,426)</u> | <u>\$ -</u> | <u>\$17,226,933</u> |
| <i>Business-type Activities</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 134,211 | \$ 1 | \$ - | \$ 134,212 |
| Capital assets being depreciated: | | | | |
| Other capital assets: | | | | |
| Buildings | 339,663 | - | - | 339,663 |
| Equipment | 3,334,744 | - | - | 3,334,744 |
| Vehicles | 940,844 | 365,771 | - | 1,306,615 |
| Infrastructure | 662,447 | - | - | 662,447 |
| Total Capital Assets Being Depreciated | <u>5,277,698</u> | <u>365,771</u> | <u>-</u> | <u>5,643,469</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (293,714) | (38,853) | - | (332,567) |
| Equipment | (2,732,166) | (107,260) | - | (2,839,426) |
| Vehicles | (728,067) | (82,950) | - | (811,017) |
| Infrastructure | (197,992) | (29,931) | - | (227,923) |
| Total Accumulated Depreciation | <u>(3,951,939)</u> | <u>(258,994)</u> | <u>-</u> | <u>(4,210,933)</u> |
| Other capital assets, net | <u>1,325,759</u> | <u>106,777</u> | <u>-</u> | <u>1,432,536</u> |
| Business-type Activities Assets, Net | <u>\$ 1,459,970</u> | <u>\$ 106,778</u> | <u>\$ -</u> | <u>\$ 1,566,748</u> |

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL ASSETS (cont'd)

Depreciation expense was charged to functions as follows:

Governmental Activities:

| | |
|------------------------|----------------|
| General government | \$ 138,604 |
| Public safety | 655,641 |
| Refuse collection | 106,726 |
| Public works | 194,500 |
| Culture and recreation | <u>124,636</u> |

| | |
|--|---------------------|
| Total Governmental Activities Depreciation Expense | <u>\$ 1,220,107</u> |
|--|---------------------|

Business-type Activities:

| | |
|----------|-------------------|
| Electric | <u>\$ 258,994</u> |
|----------|-------------------|

NOTE 7 DEFERRED OUTFLOWS OF RESOURCES

The Borough reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its financial statements. Deferred outflows of resources reported in this year's financial statements include deferred outflows of resources for contributions made to the Borough's defined benefit pension plans between the measurement date of the net pension liability (asset) and the end of the Borough's fiscal year, changes in assumptions made by PMRS during 2024, differences between expected and actual experience, and net differences between projected and actual earnings on pension plan investments. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred outflows related to assumption changes and differences between expected and actual experience will be recognized over a five-year period.

NOTE 8 COMPENSATED ABSENCES

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

| | |
|------------------------------|-------------------|
| Governmental funds employees | \$ 369,836 |
| Proprietary fund - employees | <u>23,109</u> |
| | <u>\$ 392,945</u> |

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFERRED REVENUES

Deferred revenues at December 31, 2025 consist of the following:

| | | |
|---|----|---------|
| Capital Projects Fund: | | |
| Liened amounts for sidewalk assessments | \$ | 10,748 |
| FEMA covered bridge grant funds | | 176,716 |
| | \$ | 187,464 |

NOTE 10 LONG-TERM LIABILITIES

The following is a summary of changes in long term liabilities for the year ended December 31, 2025.

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--|----------------------|-------------------|-----------------------|---------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Loans Payable: | | | | | |
| DVRFA-2006 | \$ 357,000 | \$ - | \$ (175,000) | \$ 182,000 | \$ 182,000 |
| DVFRA-2007 | 959,000 | - | (228,000) | 731,000 | 238,000 |
| Total Loans | 1,316,000 | - | (403,000) | 913,000 | 420,000 |
| Other Liabilities: | | | | | |
| Net pension liability - Non-uniformed | 5,035 | - | (5,035) | - | - |
| Net pension liability - Police | 1,168,361 | - | (1,168,361) | - | - |
| Compensated absences | 110,117 | 259,719 | - | 369,836 | - |
| Total Other Liabilities | 1,283,513 | 259,719 | (1,173,396) | 369,836 | - |
| Governmental Activities | | | | | |
| Long-term Liabilities | \$ 2,599,512 | \$ 259,719 | \$ (1,576,396) | \$ 1,282,836 | \$ 420,000 |
| Business-type Activities: | | | | | |
| Compensated absences | \$ 19,828 | \$ 3,281 | \$ - | \$ 23,109 | \$ - |
| Total Other Liabilities | 19,828 | 3,281 | - | 23,109 | - |
| Business-type Activities | | | | | |
| Long-term Liabilities | \$ 19,828 | \$ 3,281 | \$ - | \$ 23,109 | \$ - |

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 10 LONG-TERM LIABILITIES

Description of Debt

Governmental Activities

Delaware Valley Regional Finance Authority 2006 Borrowing

On September 25, 2006, the Borough entered into a loan agreement with the Delaware Valley Regional Finance Authority ("DVRFA"). Total proceeds from the loan were \$2,600,000, which were used for the Menlo Pool Project and the costs incurred to issue the note. The loan is payable in twenty annual installments due September 25 of each year. The interest rates applicable to the remaining portion of the loan, which includes amounts required to fund the payments for debt service on the bond issue, the net payments on interest rate swap agreements, and the administrative expenses to fund the DeVal Loan Program, were as follows through November 1, 2021: 25% of the loan fixed at 1.77%, 50% of the loan fixed at 4.41%, and 25% of the loan at a variable interest rate which averaged 0.745%. On November 1, 2021, the rates on the portions of the loan, other than for the 25% fixed at 1.77%, were fixed at a rate of 1.258%. The rate on the remaining 25% of the loan was fixed at 1.258% as of September 25, 2022. Interest is due monthly on the outstanding balance. A maturity schedule as follows:

| <u>Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|------------------|-----------------|--------------|
| 2026 | \$ 182,000 | \$ 1,145 | \$ 183,145 |

Delaware Valley Regional Finance Authority 2007 Borrowing

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

| <u>Year Ending June 25,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|------------------|-------------------|
| 2026 | \$ 238,000 | \$ 7,699 | \$ 245,699 |
| 2027 | 249,000 | 4,636 | 253,636 |
| 2028 | 244,000 | 1,535 | 245,535 |
| | <u>\$ 731,000</u> | <u>\$ 13,870</u> | <u>\$ 744,870</u> |

BOROUGH OF PERKASIE

NOTES TO FINANCIAL STATEMENTS

NOTE 11 DEFERRED INFLOWS OF RESOURCES

The Borough's statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to future periods. Deferred inflows of resources are reported in the Borough's various statements of net position for differences between expected and actual experience applicable to the Borough's pension plans. These deferred inflows of resources will be attributed to pension expense over a total of five years. Deferred inflows of resources are also recorded for revenues that are not considered available. Accordingly, unavailable revenues related to funding from 2026 preseason pool season ticket sales, a FEMA grant award to repair the covered bridge, and liened sidewalk revenue are reported in the governmental funds balance sheet and the government-wide statement of net position. Deferred inflows of resources are also recorded in the government-wide statement of net position for future rental and interest income associated with the Borough's lessor agreements.

NOTE 12 GOVERNMENT-WIDE AND PROPRIETARY FUND NET POSITION

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

Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position – consists of net assets that are restricted by the Borough's creditors (for example, through debt covenants), by the state enabling legislation, by grantors, or by other contributors.

Unrestricted – all other net assets are reported in this category.

NOTE 13 FUND BALANCE

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Borough classifies governmental fund balances as follows:

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

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

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 13 FUND BALANCE (cont'd)

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

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

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

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

NOTE 14 USE OF RESTRICTED RESOURCES

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

NOTE 15 PROPERTY TAXES

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

NOTE 16 INTERFUND ACTIVITY

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

BOROUGH OF PERKASIE

NOTES TO FINANCIAL STATEMENTS

NOTE 16 INTERFUND ACTIVITY (cont'd)

As of December 31, 2025, interfund receivables and payables that resulted from various interfund transactions primarily relating to reimbursements due for expenses and receipts collected belonging to other funds were as follows:

| | Due from Other Funds | Due to Other Funds |
|---------------|-------------------------|-----------------------|
| General Fund | \$ 516,711 | \$ 357,151 |
| Capital Fund | 30,460 | 640,173 |
| Electric Fund | 651,538 | 201,385 |
| | \$ 1,198,709 | \$ 1,198,709 |

Individual fund operating transfers for the year ended December 31, 2025 were as follows:

| | Transfers In | Transfers Out |
|----------------------------------|--------------|---------------|
| General Fund | \$ 2,783,658 | \$ 243,708 |
| Special Revenue Fund | - | 250,260 |
| Capital Projects Fund | 968,528 | - |
| Proprietary Fund – Electric Fund | - | 3,258,218 |
| Total All Funds | \$ 3,752,186 | \$ 3,752,186 |

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

NOTE 17 NET WORKING CAPITAL – PROPRIETARY FUND

| | |
|--------------------------|--------------|
| Current assets | \$ 3,224,870 |
| Less current liabilities | 1,375,515 |
| Net Working Capital | \$ 1,849,355 |

NOTE 18 PENSION PLAN – NON-UNIFORMED

Plan Description

The Borough non-uniformed pension plan is a single employer defined benefit pension plan controlled by the provisions of Ordinance No. 619 adopted pursuant to Act 15 of 1974. The

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 18 PENSION PLAN – NON-UNIFORMED (cont'd)

plan participates in the Pennsylvania Municipal Retirement System ("PMRS") which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Annual Comprehensive Financial Report ("ACFR"). The ACFR is available on the PMRS website. A copy can be obtained by contacting the PMRS accounting office.

Benefits Provided

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

Employees Covered

At December 31, 2024, the following employees were covered by the benefit terms of the plan:

| | |
|--|-----------|
| Active employees | 17 |
| Inactive employees or beneficiaries currently receiving benefits | 21 |
| Inactive employees entitled to but not yet receiving benefits | <u>5</u> |
| Total Participant Count | <u>43</u> |

Contributions

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

Net Pension Liability (Asset)

The Borough's net pension liability (asset) is measured as the total pension liability reduced by the pension plan's fiduciary net position. The net pension liability (asset) of the plan is measured as of December 31, 2024 using a biennial actuarial valuation as of January 1, 2025 and then rolled back to December 31, 2024. A summary of the principal assumptions and methods used to determine the net pension liability (asset) is shown below:

BOROUGH OF PERKASIE

NOTES TO FINANCIAL STATEMENTS

NOTE 18 PENSION PLAN – NON-UNIFORMED (cont'd)

Actuarial Assumptions

The total pension liability in the January 1, 2025 actuarial valuation was determined using the following actuarial assumptions:

| | |
|----------------------------|--|
| Inflation | 2.2% |
| Salary increases: | Age-related scale with merit and inflation component |
| Investment Return: | 5.25% |
| Pre-retirement Mortality: | Males: PUB-2010 General Employees Male Table Females: PUB-2010 General Employees Female Table |
| Post-retirement Mortality: | Males: RP-2006 Annuitant Male Table Females: RP-2006 Annuitant Female Table |

Long-term Expected Rate of Return on Plan Assets

The PMRS System's long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future nominal rates of return (net of investment expenses) are developed for each asset class. These returns are combined to produce the system's long-term expected real rate of return by calculating the weighted average return for each asset class using each respective target asset allocation percentage and multiplying by the expected future nominal rate of return, while also factoring in covariance across asset classes, then deducting expected inflation (2.5%). Best estimates of geometric real rates of return for each utilized asset class are included in the pension plan's target asset allocation as of December 31, 2024 and summarized in the table below labeled "System Nominal Net and Real Rates of Return by Asset Class."

| Asset Class | Target Asset Allocation | Nominal Net Rate of Return | Long-term Expected Real Rate of Return |
|--|-------------------------|----------------------------|--|
| Domestic Equities (large capitalized firms) | 24.50% | 7.39% | 4.89% |
| Domestic Equities (small capitalized firms) | 8.00% | 8.30% | 5.80% |
| International Equities (International development markets) | 14.50% | 8.03% | 5.53% |
| International Equities (emerging markets) | 3.00% | 8.39% | 5.89% |
| Global Equities | 5.00% | 6.44% | 3.94% |
| Real Estate | 10.00% | 6.38% | 3.88% |
| Timber | 5.00% | 5.57% | 3.07% |
| Fixed Income (Core Investment Grade) | 24.00% | 5.01% | 2.51% |
| Fixed Income (Opportunistic Credit) | 5.00% | 6.85% | 4.35% |
| Cash | 1.00% | 3.11% | 0.61% |
| | <u>100.00%</u> | <u>7.29%</u> | <u>4.79%</u> |

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 18 PENSION PLAN – NON-UNIFORMED (cont'd)

Based on the aforementioned methodology, the Board established the system's long-term expected rate of return at 7.29%.

In addition to determining the system's long-term nominal expected rate of return, the PMRS Board, under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), is obligated to develop and apply the regular interest rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. The rationale for the difference between the system's long-term nominal expected rate of return and the individual participating municipalities' regular interest rate is described in the following section, "Discount Rate." As of December 31, 2024, this rate is equal to 5.25%.

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

| <u>Confidence Interval</u> | <u>Nominal Net Rate of Return</u> | <u>Long-term Expected Real Rate of Return</u> |
|----------------------------|-----------------------------------|---|
| 95% | 4.17% | 1.67% |
| 90% | 4.66% | 2.16% |
| 85% | 5.15% | 2.65% |
| 80% | 5.64% | 3.14% |
| 75% | 6.13% | 3.63% |
| 70% | 6.39% | 3.89% |
| 60% | 6.91% | 4.41% |

Discount Rate

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

1. Retiree plan liability as a percentage of total plan liability,
2. Active plan participant liability as a percentage of total plan liability,

BOROUGH OF PERKASIE

NOTES TO FINANCIAL STATEMENTS

NOTE 18 PENSION PLAN – NON-UNIFORMED (cont'd)

3. Smoothed annuity purchase rates (Pension Benefit Guarantee Corporation (PBGC) annuity rates have been used as a proxy for this),
4. PMRS System long-term expected nominal rate of return, and
5. PMRS investment expenses

A formula using these factors is as follows:

Regular Interest Rate/Discount Rate = (retiree liability percentage x smoothed PBGC annuity rates) + (active employee liability percentage x system long-term expected rate of return) - (investment expenses as a percentage of assets)

The Board then considers the regular interest rate/discount rate derived from the above formula against a variety of qualitative factors such as the desire to minimize regular interest rate/discount rate volatility, probability of achieving the regular interest rate, varying levels of asset allocation and liquidity, trending of annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the system's investment and actuarial consultants. The regular interest rate/discount rate adopted by the Board and used to measure the individual participating municipalities' total pension liability was 5.25% as of December 31, 2024.

The regular interest rate/discount rate will likely be less than the system long-term expected rate of return. Should the system experience a prolonged period of investment returns in excess of the regular interest rate/discount rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies in the form of excess interest as provided for in the law.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the regular interest rate/discount rate was required ("depletion testing"), used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the system's long-term expected rate of return will be used in the depletion testing of projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Changes in the Net Pension Liability (Asset)

Changes in the reported net pension liability (asset) for the year ending December 31, 2025 are as follows:

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 18 PENSION PLAN – NON-UNIFORMED (cont'd)

| | Increase (Decrease) | | |
|--|----------------------------|--------------------------------|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| Balance at December 31, 2024 | \$ 11,416,035 | \$ 11,408,288 | \$ 7,747 |
| Changes in the year: | | | |
| Service cost | 179,242 | - | 179,242 |
| Interest on the total pension liability | 596,060 | - | 596,060 |
| Differences between expected and actual experience | (117,717) | - | (117,717) |
| Changes of assumptions | (354,816) | - | (354,816) |
| Contribution – employer | - | 167,863 | (167,863) |
| Contribution – PMRS assessment | - | 860 | (860) |
| Contribution – employee | - | 74,487 | (74,487) |
| PMRS investment income | - | 559,720 | (559,720) |
| Market value investment income | - | 167,024 | (167,024) |
| PMRS administrative expense | - | (860) | 860 |
| Additional administrative expense | - | (30,656) | 30,656 |
| Benefit payments, including refunds of employee contributions | (489,781) | (489,781) | - |
| Net Changes | <u>(187,012)</u> | <u>448,657</u> | <u>(635,669)</u> |
| Balance at December 31, 2025 | <u>\$ 11,229,023</u> | <u>\$ 11,856,945</u> | <u>\$ (627,922)</u> |

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Borough for the plan, calculated using the discount rate for the plan, as well as what the Borough's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1% Decrease 4.25% | Current Discount Rate 5.25% | 1% Increase 6.25% |
|--|-------------------------|-----------------------------------|-------------------------|
| Total Pension Liability | \$ 12,748,384 | \$ 11,229,023 | \$ 9,956,259 |
| Plan Fiduciary Net Position | 11,856,945 | 11,856,945 | 11,856,945 |
| Net Pension Liability (Asset) | <u>\$ 891,439</u> | <u>\$ (627,922)</u> | <u>\$ (1,900,686)</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 93.01% | 105.59% | 119.09% |

BOROUGH OF PERKASIE

NOTES TO FINANCIAL STATEMENTS

NOTE 18 PENSION PLAN – NON-UNIFORMED (cont'd)

For the year ended December 31, 2025, the Borough recognized a net pension credit of \$131,412. At December 31, 2025, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Pension contributions subsequent to measurement date | \$ 193,163 | \$ - |
| Differences between actual and expected experience | 143,188 | 94,174 |
| Changes in assumptions | 46,172 | 283,853 |
| Net difference between projected and actual earnings on plan investments | <u>118,111</u> | <u>-</u> |
| Total | <u>\$ 500,634</u> | <u>\$ 378,027</u> |

An amount of \$193,163 is reported as deferred outflows of resources resulting from the Borough's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,

| | |
|-------|--------------------|
| 2026 | \$ 100,354 |
| 2027 | 174,067 |
| 2028 | (217,064) |
| 2029 | <u>(127,913)</u> |
| Total | <u>\$ (70,556)</u> |

Allocation Between Governmental and Business-type Activities

Allocation of the net pension liability (asset) balance as of December 31, 2025 and pension expense for the year ending December 31, 2025 between the Borough's governmental and business-type activities was based upon the percentage of 2025 wage expenses attributable to the respective activities. The following schedule summarizes the Borough's ending net pension liability (asset) balances as reported in the statement of net position and the pension expense as reported in the statement of activities.

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 18 PENSION PLAN – NON-UNIFORMED (cont'd)

| | Net Pension Liability (Asset) as of 12/31/2025 | Pension Expense for the Year Ending 12/31/2025 |
|--------------------------|---|--|
| Governmental Activities | \$ (408,149) | \$ (102,257) |
| Business-type Activities | \$ (219,773) | \$ (29,155) |

NOTE 19 PENSION PLAN – POLICE

Plan Description

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

Benefits Provided

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

Employees Covered

At December 31, 2024, the following employees were covered by the benefit terms of the plan:

| | |
|--|----|
| Active employees | 18 |
| Inactive employees or beneficiaries currently receiving benefits | 13 |
| Inactive employees entitled to but not yet receiving benefits | 2 |
| Total Participant Count | 33 |

BOROUGH OF PERKASIE

NOTES TO FINANCIAL STATEMENTS

NOTE 19 PENSION PLAN – POLICE (cont'd)

Contributions

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

Net Pension Liability (Asset)

The Borough's police plan net pension liability (asset) is measured as the total pension liability reduced by the pension plan's fiduciary net position. The net pension liability (asset) of the plan is measured as of December 31, 2024 using a biennial actuarial valuation as of January 1, 2025 and then rolled back to December 31, 2024. A summary of the principal assumptions and methods used to determine the net pension liability (asset) is shown below:

Actuarial Assumptions

The total pension liability in the January 1, 2025 actuarial valuation was determined using the following actuarial assumptions:

| | |
|----------------------------|--|
| Inflation | 2.2% |
| Salary increases: | Age related scale with merit and inflation component |
| Investment Return: | 5.25% |
| Pre-retirement Mortality: | Males: PUB-2010 General Employees Male Table Females: PUB-2010 General Employees Female Table |
| Post-retirement Mortality: | Males: RP-2006 Annuitant Male Table Females: RP-2006 Annuitant Female Table |

Long-term Expected Rate of Return on Plan Assets

The PMRS System's long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future nominal rates of return (net of investment expenses) are developed for each asset class. These returns are combined to produce the system's long-term expected real rate of return by calculating the weighted average return for each asset class using each respective target asset allocation percentage and multiplying by the expected future nominal rate of return, while also factoring in covariance across asset classes, then deducting expected inflation (2.5%). Best estimates of

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 19 PENSION PLAN – POLICE (cont'd)

geometric real rates of return for each utilized asset class are included in the pension plan's target asset allocation as of December 31, 2023 and summarized in the table below labeled "System Nominal Net and Real Rates of Return by Asset Class."

| Asset Class | Target Asset Allocation | Nominal Net Rate of Return | Long-term Expected Real Rate of Return |
|--|-------------------------|----------------------------|--|
| Domestic Equities (large capitalized firms) | 24.50% | 7.39% | 4.89% |
| Domestic Equities (small capitalized firms) | 8.00% | 8.30% | 5.80% |
| International Equities (International development markets) | 14.50% | 8.03% | 5.53% |
| International Equities (emerging markets) | 3.00% | 8.39% | 5.89% |
| Global Equities | 5.00% | 6.44% | 3.94% |
| Real Estate | 10.00% | 6.38% | 3.88% |
| Timber | 5.00% | 5.57% | 3.07% |
| Fixed Income (Core Investment Grade) | 24.00% | 5.01% | 2.51% |
| Fixed Income (Opportunistic Credit) | 5.00% | 6.85% | 4.35% |
| Cash | 1.00% | 3.11% | 0.61% |
| | <u>100.00%</u> | <u>7.29%</u> | <u>4.79%</u> |

Based on the aforementioned methodology, the Board established the system's long-term expected rate of return at 7.29%.

In addition to determining the system's long-term nominal expected rate of return, the PMRS Board, under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), is obligated to develop and apply the regular interest rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. The rationale for the difference between the system's long-term nominal expected rate of return and the individual participating municipalities' regular interest rate is described in in the following section "Discount Rate." As of December 31, 2024, this rate is equal to 5.25%.

| Confidence Interval | Nominal Net Rate of Return | Long-term Expected Real Rate of Return |
|---------------------|----------------------------|--|
| 95% | 4.17% | 1.67% |
| 90% | 4.66% | 2.16% |
| 85% | 5.15% | 2.65% |
| 80% | 5.64% | 3.14% |
| 75% | 6.13% | 3.63% |
| 70% | 6.39% | 3.89% |
| 60% | 6.91% | 4.41% |

BOROUGH OF PERKASIE

NOTES TO FINANCIAL STATEMENTS

NOTE 19 PENSION PLAN – POLICE (cont'd)

Discount Rate

While it is often common practice to establish an actuarial discount rate that is equal to the long-term expected nominal rate of return, PMRS is required by law (Act 15 of 1974) to establish a discount rate equal to the regular interest rate (regular interest rate/discount rate). The PMRS Board establishes the regular interest rate/discount rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. As a starting point, the Board considers the following five quantitative factors in reviewing the regular interest rate/discount rate:

1. Retiree plan liability as a percentage of total plan liability,
2. Active plan participant liability as a percentage of total plan liability,
3. Smoothed annuity purchase rates (Pension Benefit Guarantee Corporation (PBGC) annuity rates have been used as a proxy for this),
4. PMRS System long-term expected nominal rate of Return, and
5. PMRS investment expenses

A formula using these factors is as follows:

Regular Interest Rate/Discount Rate = (retiree liability percentage x smoothed PBGC annuity rates)+ (active employee liability percentage x system long-term expected rate of return) - (investment expenses as a percentage of assets)

The Board then considers the regular interest rate/discount rate derived from the above formula against a variety of qualitative factors such as the desire to minimize regular interest rate/discount rate volatility, probability of achieving the regular interest rate, varying levels of asset allocation and liquidity, trending of annuity rates, total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the system's investment and actuarial consultants. The regular interest rate/discount rate adopted by the Board and used to measure the individual participating municipalities' total pension liability was 5.25% as of December 31, 2024.

The regular interest rate/discount rate will likely be less than the system long-term expected rate of return. Should the system experience a prolonged period of investment returns in excess of the regular interest rate/discount rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies in the form of excess interest as provided for in the law.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the regular interest rate/discount rate was required ("depletion testing"), used the following assumptions: 1) member contributions will be made at the current contribution rate,

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 19 PENSION PLAN – POLICE (cont'd)

2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the system's long-term expected rate of return will be used in the depletion testing of projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Changes in the Net Pension Liability (Asset)

Changes in the reported net pension liability (asset) for the year ending December 31, 2025 are as follows:

| | Increase (Decrease) | | |
|--|----------------------------|--------------------------------|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| Balance at December 31, 2024 | \$ 16,240,341 | \$ 15,071,980 | \$ 1,168,361 |
| Changes in the year: | | | |
| Service cost | 396,299 | - | 396,299 |
| Interest on the total pension liability | 856,360 | - | 856,360 |
| Changes of assumptions | (520,139) | - | (520,139) |
| Differences between expected and actual experience | (247,146) | - | (247,146) |
| Contribution – employer | - | 511,467 | (511,467) |
| Contribution – PMRS assessment | - | 660 | (660) |
| Contribution – employee | - | 116,474 | (116,474) |
| PMRS investment income | - | 742,656 | (742,656) |
| Market value investment income | - | 400,102 | (400,102) |
| PMRS administrative expense | - | (660) | 660 |
| Additional administrative expense | - | (40,676) | 40,676 |
| Benefit payments, including refunds of employee contributions | (658,460) | (658,460) | - |
| Net Changes | <u>(173,086)</u> | <u>1,071,563</u> | <u>(1,244,649)</u> |
| Balance at December 31, 2025 | <u>\$ 16,067,255</u> | <u>\$ 16,143,543</u> | <u>\$ (76,288)</u> |

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Borough for the plan, calculated using the discount rate for the plan, as well as what the Borough's net pension liability (asset)

BOROUGH OF PERKASIE

NOTES TO FINANCIAL STATEMENTS

NOTE 19 PENSION PLAN – POLICE (cont'd)

would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1% Decrease 4.25% | Current Discount Rate 5.25% | 1% Increase 6.25% |
|--|-------------------------|-----------------------------------|-------------------------|
| Total Pension Liability | \$ 18,310,623 | \$ 16,067,255 | \$ 14,217,720 |
| Plan Fiduciary Net Position | <u>16,143,543</u> | <u>16,143,543</u> | <u>16,143,543</u> |
| Net Pension Liability (Asset) | <u>\$ 2,167,080</u> | <u>\$ (76,288)</u> | <u>\$ (1,925,823)</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 88.16% | 100.47% | 113.55% |

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

For the year ended December 31, 2025, the Borough recognized pension expense of \$365,763. At December 31, 2025, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Pension contributions subsequent to measurement date | \$ 619,236 | \$ - |
| Difference between actual and expected experience | 74,821 | 244,178 |
| Changes in assumptions | 67,219 | 416,111 |
| Net difference between projected and actual earnings on plan investments | <u>232,446</u> | <u>-</u> |
| Total | <u>\$ 993,722</u> | <u>\$ 660,289</u> |

An amount of \$619,236 is reported as deferred outflows of resources resulting from the Borough's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 19 PENSION PLAN – POLICE (cont'd)

| <u>Year Ending June 30,</u> | |
|-----------------------------|---------------------|
| 2026 | \$ 52,090 |
| 2027 | 283,626 |
| 2028 | (388,040) |
| 2029 | <u>(233,479)</u> |
| Total | <u>\$ (285,803)</u> |

NOTE 20 DEFERRED COMPENSATION PLANS

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

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

NOTE 21 FLEXIBLE BENEFITS PROGRAM

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

NOTE 22 PARTICIPATION DELAWARE VALLEY INSURANCE TRUST

Insurance

Nature of Pool Participation

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

BOROUGH OF PERKASIE

NOTES TO FINANCIAL STATEMENTS

NOTE 22 PARTICIPATION DELAWARE VALLEY INSURANCE TRUST (cont'd)

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

Insurance Coverage Summary

All members of the pool are collectively assuming a portion of each loss. During coverage year 2025 (January 1 to December 31) the Trust retained the first \$1,000,000 of each loss for the following liability lines of coverage: General, Public Officials, Automobile and Law Enforcement. The Trust purchased reinsurance coverage for losses in excess of the \$1,000,000 retention up to the trust coverage limits of \$11,000,000. The \$10,000,000 excess coverage is provided by Government Entities Mutual (GEM).

DVIT assumed the first \$500,000 of each first party property loss on behalf of the membership. Excess property coverage is provided by the Alliant Property Insurance Program (APIP). The Trust also provides crime coverage, cyber coverage, and boiler and machinery coverage to its membership. Coverage details are available from the Trust Coverage Document on file with the Borough.

Premium Payments

The Borough paid \$183,737 in annual contributions for coverage year 2025. No additional contributions are anticipated or now due, although DVIT is an assessable pool. Additional information on assessments may be found in Section VII of the Participation Agreement.

Refunds/Deductibles

The Trust declared a dividend in 2025. The Borough's share of the dividend distribution was \$6,540.

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

Significant Coverage Changes

There are no significant coverage changes for 2025.

Claims

A copy of the loss report on the claims filed by the Borough as of December 31, 2025 is on file with the Borough or is available upon request from the Trust.

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 22 PARTICIPATION DELAWARE VALLEY INSURANCE TRUST (cont'd)

Worker's Compensation Insurance

Nature of Pool Participation

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

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

Insurance Coverage Summary

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

Premium Payments

The Borough paid \$166,789 in annual contributions to DWWCT for coverage year 2024. No additional contribution is anticipated or now due, although DWWCT is an assessable pool. An audit of the reported 2025 payroll will be performed during the first quarter of 2026.

Refunds/Dividends

The Trust declared a dividend in 2025. The mid-year dividend was distributed by check in November, 2025. The Borough's share of the dividend was \$13,115. As a result of the 2024 payroll audit, the Borough paid \$16,288.

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

Significant coverage Changes

There were no significant coverage changes in 2025.

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 22 PARTICIPATION DELAWARE VALLEY INSURANCE TRUST (cont'd)

Claims

A copy of the loss report on the claims filed by the Borough as of December 31, 2025 is available from the Borough or the Trust upon request.

Health Insurance

Premium Payments

The Borough paid \$1,426,488 for medical and dental coverage for coverage period January 2025 through December 2025.

Refunds

There were no refunds or dividend distributions by the Delaware Valley Health Trust for coverage year 2025.

Policy Year

The policy began January 1, 2025 and ran through December 31, 2025.

NOTE 23 DERIVATIVE FINANCIAL INSTRUMENTS

The Borough is obligated to the Delaware Valley Regional Finance Authority ("DVRFA") under its General Obligation Notes, Series 2006 and 2007 as described in Note 10. In order to provide funding for these notes, DVRFA issued Local Government Revenue Bonds, Series of 1998 and 2002 ("DVRFA Bonds"). DVRFA has entered into interest rate swap agreements in connection with the DVRFA Bonds to provide variable and fixed rates on loans, thereby reducing the costs of the participants in their loan program and enhancing the participants' ability to manage their interest rate risks.

The following is a summary of the fair values associated with the respective DVRFA interest rate swaps as of December 31, 2025:

| <u>General Obligation Note</u> | <u>Original Issue Amount</u> | <u>Outstanding Balance at 12/31/2025</u> | <u>Gain (loss) of Market Value of Interest Rate Swap at 12/31/2025</u> |
|--------------------------------|------------------------------|--|--|
| Series 2006 – Fixed Rate | \$ 650,000 | \$ 140,000 | \$ 5,786 |
| Series 2006 – Fixed Rate | 650,000 | 42,000 | 5,786 |
| Series 2007 – Fixed Rate | 1,600,000 | 731,000 | 41,005 |

BOROUGH OF PERKASIE
NOTES TO FINANCIAL STATEMENTS

NOTE 23 DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

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

As the Borough is not a direct party to DVRFA's swap agreements, it is not subject to the reporting and disclosure requirements associated with GASB 53, (*Accounting and Financial Reporting for Derivative Instruments*). Accordingly, the carrying amount of the related interest rate swap on the Borough's government-wide and fund financial statements as of December 31, 2025 is not recorded.

NOTE 24 SUBSEQUENT EVENTS

The Borough has evaluated all subsequent events through May 21, 2026, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**BOROUGH OF PERKASIE
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025**

| | Original and Final Appropriated Budget | Actual Amounts (Budgetary Basis) | Variance Positive (Negative) |
|--|---|---|------------------------------------|
| REVENUES | | | |
| Taxes | \$ 2,782,879 | \$ 2,760,675 | \$ (22,204) |
| Franchise fees | 150,000 | 131,360 | (18,640) |
| Permits, fines, and licenses | 31,250 | 20,549 | (10,701) |
| Interest and rents | 374,526 | 207,946 | (166,580) |
| Intergovernmental revenues | 577,987 | 567,392 | (10,595) |
| Charges for services/fees | 3,292,175 | 3,590,393 | 298,218 |
| Miscellaneous revenue/other | 134,362 | 13,529 | (120,833) |
| TOTAL REVENUES | <u>7,343,179</u> | <u>7,291,844</u> | <u>(51,335)</u> |
| EXPENDITURES | | | |
| General government | 1,207,216 | 979,084 | 228,132 |
| Public safety | 3,795,634 | 3,893,562 | (97,928) |
| Refuse collection | 756,679 | 820,534 | (63,855) |
| Public works | 517,349 | 558,134 | (40,785) |
| Culture and recreation | 1,096,247 | 1,024,082 | 72,165 |
| Employee benefits and insurance | 2,391,458 | 2,328,560 | 62,898 |
| Other expenditures | 5,500 | 15,329 | (9,829) |
| TOTAL EXPENDITURES | <u>9,770,083</u> | <u>9,619,285</u> | <u>150,798</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(2,426,904)</u> | <u>(2,327,441)</u> | <u>(202,133)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Refunds of prior year expenditures | 1,000 | 103,808 | 102,808 |
| Refunds of prior year receipts | - | (9,016) | (9,016) |
| Interfund transfers in | 2,783,838 | 2,783,658 | (180) |
| Interfund transfers out | (200,000) | (243,708) | (43,708) |
| TOTAL OTHER FINANCING USES | <u>2,584,838</u> | <u>2,634,742</u> | <u>49,904</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 157,934</u> | 307,301 | <u>\$ 149,367</u> |
| FUND BALANCE, BEGINNING OF YEAR | | <u>1,513,821</u> | |
| FUND BALANCE, END OF YEAR | | <u>\$ 1,821,122</u> | |

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

**BOROUGH OF PERKASIE
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE BOROUGHS NET PENSION LIABILITY (ASSET), RELATED RATIOS, AND INVESTMENT RETURNS -
POLICE PENSION PLAN**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|--------------|
| TOTAL PENSION LIABILITY | | | | | | | | | | |
| Service cost | \$ 396,299 | \$ 398,659 | \$ 413,794 | \$ 397,516 | \$ 359,955 | \$ 342,734 | \$ 339,613 | \$ 334,112 | \$ 266,269 | \$ 323,317 |
| Interest on total pension liability | 856,360 | 822,725 | 776,742 | 740,729 | 701,554 | 670,311 | 610,722 | 592,863 | 546,196 | 515,326 |
| Changes of benefit terms | (247,146) | - | 187,051 | - | (278,766) | 1,292 | 549,715 | - | 267,812 | - |
| Differences between expected and actual experience | (520,139) | - | (473,237) | (464,029) | 403,309 | (383,773) | (352,912) | - | 356,959 | 21,989 |
| Changes of assumptions | (658,460) | (500,269) | (473,237) | (464,029) | (490,477) | (383,773) | (352,912) | (429,773) | (240,039) | (244,504) |
| Benefit payments | (173,066) | 721,115 | 904,350 | 674,216 | 695,575 | 630,564 | 1,147,138 | 487,202 | 1,197,197 | 616,128 |
| Net change in total pension liability | 16,240,341 | 15,519,226 | 14,614,876 | 13,940,660 | 13,245,085 | 12,614,521 | 11,467,383 | 10,990,181 | 9,762,984 | 9,166,856 |
| Total pension liability, beginning | \$ 16,067,255 | \$ 16,240,341 | \$ 15,519,226 | \$ 14,614,876 | \$ 13,940,660 | \$ 13,245,085 | \$ 12,614,521 | \$ 11,467,383 | \$ 10,990,181 | \$ 9,762,984 |
| Total pension liability, ending (a) | | | | | | | | | | |
| FIDUCIARY NET POSITION | | | | | | | | | | |
| Contributions - employer | \$ 511,467 | \$ 498,199 | \$ 426,890 | \$ 413,955 | \$ 343,238 | \$ 330,720 | \$ 253,716 | \$ 243,179 | \$ 195,271 | \$ 204,552 |
| Contributions - PMRS assessment | 660 | 600 | 640 | 600 | 560 | 560 | 520 | 540 | 20 | - |
| Contributions - employee | 116,474 | 117,167 | 119,311 | 114,618 | 107,704 | 125,781 | 117,410 | 96,105 | 86,191 | 86,836 |
| PMRS investment income (loss) | 742,656 | 704,517 | 706,756 | 664,993 | 610,364 | 604,232 | 541,155 | 506,670 | 511,922 | 488,401 |
| Market value investment income (loss) | 400,102 | 772,819 | (3,171,280) | 1,261,457 | 651,755 | 1,604,162 | (986,088) | 1,102,462 | 222,926 | (493,039) |
| Benefit payments and refunds of contributions | (658,460) | (500,269) | (473,237) | (464,029) | (490,477) | (383,773) | (352,912) | (429,773) | (240,039) | (244,504) |
| PMRS administrative expenses | (660) | (600) | (640) | (600) | (560) | (560) | (520) | (500) | (520) | (500) |
| Additional administrative expenses | (40,676) | (39,460) | (37,343) | (37,664) | (26,593) | (20,866) | (24,149) | (23,301) | (25,080) | (19,527) |
| Net change in fiduciary net position | 1,071,563 | 1,552,973 | (2,428,903) | 1,953,330 | 1,195,991 | 2,260,236 | (450,868) | 1,495,362 | 750,691 | 2,219 |
| Fiduciary net position, beginning | 15,071,980 | 13,519,007 | 15,947,910 | 13,994,580 | 12,798,589 | 10,538,353 | 10,989,221 | 9,493,839 | 8,743,148 | 8,740,929 |
| Fiduciary net position, ending (b) | \$ 16,143,543 | \$ 15,071,980 | \$ 13,519,007 | \$ 15,947,910 | \$ 13,994,580 | \$ 12,798,589 | \$ 10,538,353 | \$ 10,989,221 | \$ 9,493,839 | \$ 8,743,148 |
| Net pension liability (asset) [(a) - (b)] | \$ (76,288) | \$ 1,168,361 | \$ 2,000,219 | \$ (1,333,034) | \$ (53,920) | \$ 446,496 | \$ 2,076,168 | \$ 478,162 | \$ 1,486,342 | \$ 1,039,836 |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 100.47% | 92.81% | 87.11% | 109.12% | 100.39% | 96.63% | 83.54% | 95.83% | 86.46% | 89.37% |
| Covered payroll | \$ 2,329,474 | \$ 2,343,347 | \$ 2,386,224 | \$ 2,292,349 | \$ 2,154,087 | \$ 2,051,027 | \$ 2,032,523 | \$ 1,999,600 | \$ 1,723,828 | \$ 1,740,255 |
| Net pension liability (asset) as a percentage of covered payroll | -3.27% | 49.86% | 83.82% | -56.15% | -2.50% | 21.77% | 102.15% | 23.91% | 86.22% | 59.75% |

**BOROUGH OF PERKASIE
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN**

| Fiscal Year Ended December 31, | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a Percentage of Covered Payroll |
|--------------------------------------|---|------------------------------------|--|--------------------|--|
| 2024 | \$ 512,087 | \$ 512,127 | \$ (40) | \$ 2,329,474 | 21.98% |
| 2023 | 498,799 | 498,799 | - | 2,343,347 | 21.29% |
| 2022 | 427,490 | 427,530 | (40) | 2,386,224 | 17.92% |
| 2021 | 414,535 | 414,555 | (20) | 2,292,349 | 18.08% |
| 2020 | 343,798 | 343,818 | (20) | 2,154,087 | 15.96% |
| 2019 | 331,280 | 331,280 | - | 2,051,027 | 16.15% |
| 2018 | 254,236 | 254,236 | - | 2,032,523 | 12.51% |
| 2017 | 243,679 | 243,719 | (40) | 1,999,600 | 12.19% |
| 2016 | 195,271 | 195,291 | (20) | 1,723,828 | 11.33% |
| 2015 | 204,552 | 204,552 | - | 1,740,255 | 11.75% |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Methods and Significant Assumptions

| | |
|-------------------------------|---|
| Valuation date | January 1, 2025 |
| Actuarial cost method | Entry Age Normal (GASB Statement No. 67 version) |
| Amortization method | Level Dollar Amortization |
| Remaining amortization period | 7 years |
| Amortization period | Closed |
| Asset valuation method | Fair Value |
| Actuarial assumptions: | |
| Investment rate of return | 5.25% |
| Discount rate | 5.25% |
| Projected salary increases | 0.00% |
| Cost of living adjustments | 2.20% |
| Mortality | PUBS-2010 Mortality Table projected to 2023 using Scale MP-2018 |

**BOROUGH OF PERKASIE
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE BOROUGH'S NET PENSION LIABILITY (ASSET), RELATED RATIOS, AND INVESTMENT RETURNS -
NON-UNIFORMED PENSION PLAN**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|----------------|---------------|--------------|--------------|--------------|--------------|--------------|
| TOTAL PENSION LIABILITY | | | | | | | | | | |
| Service cost | \$ 179,242 | \$ 184,908 | \$ 186,145 | \$ 186,238 | \$ 175,370 | \$ 176,486 | \$ 190,453 | \$ 190,633 | \$ 172,289 | \$ 190,716 |
| Interest on total pension liability | 596,080 | 579,871 | 554,313 | 538,126 | 490,105 | 465,763 | 481,109 | 462,069 | 451,428 | 437,183 |
| Changes of benefit terms | (117,717) | - | 170,119 | - | 348,768 | - | (74,840) | - | (37,846) | - |
| Differences between expected and actual experience | (354,816) | - | - | - | 277,027 | - | - | - | 276,886 | - |
| Changes of assumptions | - | - | - | - | - | - | (10,289) | 10,235 | (284,358) | (66,916) |
| Transfers | (489,781) | (416,672) | (424,483) | (407,617) | (367,806) | (783,720) | (289,734) | (285,479) | (284,358) | (282,795) |
| Benefit payments | (187,012) | 348,207 | 486,094 | 316,747 | 923,464 | (121,471) | 341,377 | 367,458 | 578,389 | 278,188 |
| Net change in total pension liability | 11,416,035 | 11,067,828 | 10,581,734 | 10,264,987 | 9,341,523 | 9,462,994 | 9,121,617 | 8,754,159 | 8,175,760 | 7,897,572 |
| Total pension liability, beginning | \$ 11,229,023 | \$ 11,416,035 | \$ 11,067,828 | \$ 10,581,734 | \$ 10,264,987 | \$ 9,341,523 | \$ 9,462,994 | \$ 9,121,617 | \$ 8,754,159 | \$ 8,175,760 |
| Total pension liability, ending (a) | | | | | | | | | | |
| FIDUCIARY NET POSITION | | | | | | | | | | |
| Contributions - employer | \$ 167,863 | \$ 167,969 | \$ 111,924 | \$ 118,604 | \$ 130,875 | \$ 142,482 | \$ 122,477 | \$ 129,260 | \$ 181,756 | \$ 172,041 |
| Contributions - PMRS assessment | 860 | 860 | 860 | 880 | 880 | 900 | 900 | 940 | - | - |
| Contributions - employee | 74,487 | 76,842 | 78,335 | 78,374 | 82,942 | 83,470 | 89,673 | 85,736 | - | - |
| PMRS investment income (loss) | 559,720 | 542,921 | 525,776 | 509,242 | 473,164 | 454,829 | 450,956 | 427,818 | 426,431 | 420,447 |
| Market value investment income (loss) | 167,024 | 587,543 | (1,955,678) | 880,071 | 1,002,592 | 1,232,219 | (849,559) | 946,704 | 217,953 | (582,838) |
| Transfers | - | - | - | - | - | - | (10,289) | 10,235 | - | - |
| Benefit payments | (489,781) | (416,672) | (424,483) | (407,617) | (367,806) | (783,720) | (289,734) | (285,479) | (284,358) | (282,795) |
| PMRS administrative expenses | (860) | (860) | (860) | (860) | (860) | (900) | (880) | (900) | (900) | (920) |
| Additional administrative expenses | (30,656) | (30,409) | (27,760) | (28,842) | (20,615) | (15,722) | (20,124) | (19,675) | (20,891) | (17,528) |
| Net change in fiduciary net position | 448,657 | 928,194 | (1,691,906) | 1,159,832 | 1,301,152 | 1,113,558 | (506,580) | 1,284,639 | 519,991 | (291,593) |
| Fiduciary net position, beginning | 11,408,288 | 10,480,094 | 12,172,000 | 11,012,168 | 9,711,016 | 8,597,458 | 9,104,038 | 7,819,389 | 7,299,408 | 7,581,001 |
| Fiduciary net position, ending (b) | \$ 11,856,945 | \$ 11,408,288 | \$ 10,480,094 | \$ 12,172,000 | \$ 11,012,168 | \$ 9,711,016 | \$ 8,597,458 | \$ 9,104,038 | \$ 7,819,389 | \$ 7,299,408 |
| Net pension liability (asset) [(a) - (b)] | \$ (627,922) | \$ 7,747 | \$ 587,734 | \$ (1,659,266) | \$ (747,181) | \$ (369,493) | \$ 865,536 | \$ 17,579 | \$ 934,760 | \$ 876,352 |
| Plan fiduciary net position as a percentage of the total pension liability | 105.59% | 99.93% | 94.69% | 115.03% | 107.28% | 103.96% | 90.85% | 99.81% | 89.32% | 89.28% |
| Covered payroll | \$ 1,489,736 | \$ 1,536,830 | \$ 1,566,697 | \$ 1,567,480 | \$ 1,658,836 | \$ 1,669,391 | \$ 1,793,468 | \$ 1,745,369 | \$ 1,712,739 | \$ 1,615,813 |
| Net pension liability (asset) as a percentage of covered payroll | -42.15% | 0.50% | 37.51% | -101.45% | -45.04% | -22.13% | 48.26% | 1.01% | 54.58% | 54.24% |

**BOROUGH OF PERKASIE
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF EMPLOYER CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN**

| Fiscal Year Ended December 31, | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a Percentage of Covered Payroll |
|--------------------------------------|---|------------------------------------|--|--------------------|--|
| 2024 | \$ 168,723 | \$ 168,723 | \$ - | \$ 1,489,736 | 11.33% |
| 2023 | 168,829 | 168,829 | - | 1,536,830 | 10.99% |
| 2022 | 112,784 | 112,784 | - | 1,566,697 | 7.20% |
| 2021 | 119,484 | 119,484 | - | 1,567,480 | 7.62% |
| 2020 | 131,755 | 131,755 | - | 1,658,836 | 7.94% |
| 2019 | 143,382 | 143,382 | - | 1,669,391 | 8.59% |
| 2018 | 123,357 | 123,377 | (20) | 1,793,468 | 6.88% |
| 2017 | 130,160 | 130,200 | (40) | 1,745,369 | 7.46% |
| 2016 | 181,756 | 181,756 | - | 1,712,739 | 10.61% |
| 2015 | 172,041 | 172,041 | - | 1,615,813 | 10.65% |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Methods and Significant Assumptions

| | |
|-------------------------------|---|
| Valuation date | January 1, 2025 |
| Actuarial cost method | Entry Age Normal (GASB Statement No. 67 version) |
| Amortization method | Level Dollar Amortization |
| Remaining amortization period | N/A |
| Asset valuation method | Fair Value |
| Actuarial assumptions: | |
| Investment rate of return | 5.25% |
| Discount rate | 5.25% |
| Projected salary increases | 0.00% |
| Cost of living adjustments | 2.20% |
| Mortality | PUBS-2010 Mortality Table projected to 2023 using Scale MP-2018 |

SUPPLEMENTARY INFORMATION

BOROUGH OF PERKASIE
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

| | Special Revenue Funds | | | Total |
|--|-----------------------|------------------------|-------------------------|-------------------|
| | Liquid Fuels Fund | Dedicated Road Fund | Fire Protection Fund | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 13,279 | \$ 76,863 | \$ 6,657 | \$ 96,799 |
| Accounts receivable, taxes | - | 2,284 | 1,142 | 3,426 |
| TOTAL ASSETS | \$ 13,279 | \$ 79,147 | \$ 7,799 | \$ 100,225 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ - | \$ 79,534 | \$ - | \$ 79,534 |
| TOTAL LIABILITIES | - | 79,534 | - | 79,534 |
| FUND BALANCES: | | | | |
| Restricted | 13,279 | - | 7,799 | 21,078 |
| Unassigned (deficit) | - | (387) | - | (387) |
| TOTAL FUND BALANCES | 13,279 | (387) | 7,799 | 20,691 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 13,279 | \$ 79,147 | \$ 7,799 | \$ 100,225 |

BOROUGH OF PERKASIE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

| | Special Revenue Funds | | | Total |
|--|-----------------------|------------------------|-------------------------|------------------|
| | Liquid Fuels Fund | Dedicated Road Fund | Fire Protection Fund | |
| REVENUES | | | | |
| Interest | \$ 5,350 | \$ 1,460 | \$ 245 | \$ 7,055 |
| Intergovernmental revenues | 247,346 | - | - | 247,346 |
| Taxes, Penalties and interest | - | 282,573 | 141,289 | 423,862 |
| TOTAL REVENUES | <u>252,696</u> | <u>284,033</u> | <u>141,534</u> | <u>678,263</u> |
| EXPENDITURES | | | | |
| General government | - | 56,174 | - | 56,174 |
| Public safety | - | - | 142,948 | 142,948 |
| Public works | - | 446,103 | - | 446,103 |
| TOTAL EXPENDITURES | <u>-</u> | <u>502,277</u> | <u>142,948</u> | <u>645,225</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>252,696</u> | <u>(218,244)</u> | <u>(1,414)</u> | <u>33,038</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in (out) | (250,260) | - | - | (250,260) |
| TOTAL OTHER FINANCING SOURCES | <u>(250,260)</u> | <u>-</u> | <u>-</u> | <u>(250,260)</u> |
| NET CHANGE IN FUND BALANCES | 2,436 | (218,244) | (1,414) | (217,222) |
| FUND BALANCES, BEGINNING OF YEAR | <u>10,843</u> | <u>217,857</u> | <u>9,213</u> | <u>237,913</u> |
| FUND BALANCES (DEFICIT), END OF YEAR | <u>\$ 13,279</u> | <u>\$ (387)</u> | <u>\$ 7,799</u> | <u>\$ 20,691</u> |

OTHER REPORT



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

May 21, 2026

Borough Council
Borough of Perkasio
Perkasie, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Perkasio ("the Borough"), Perkasio, Pennsylvania, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated May 21, 2026.

Report on Internal Control Over Financial Reporting

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

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

Borough Council
Borough of Perkasi

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP