

## **Capital Region Water**

Financial Statements and Required  
Supplementary Information and  
Supplementary Information

Years Ended December 31, 2020 and 2019  
with Independent Auditor's Reports

**MaherDuessel**

A horizontal bar is positioned below the company name. The left portion of the bar is black, and the right portion is blue, matching the color of the 'D' in the company name.

# CAPITAL REGION WATER

YEARS ENDED DECEMBER 31, 2020 AND 2019

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# CAPITAL REGION WATER

YEARS ENDED DECEMBER 31, 2020 AND 2019

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## Independent Auditor's Report

**Members of the Board of Directors  
Capital Region Water**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Capital Region Water (CRW) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise CRW's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CRW as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, historical pension plan and other postemployment benefits plan information on pages i through vii and 47 through 53, respectively, 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CRW's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining schedules and the Schedule of Expenditures of Federal Awards 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. Such 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 schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2021, on our consideration of CRW's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CRW's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CRW's internal control over financial reporting and compliance.

*Maher Duessel*

Harrisburg, Pennsylvania  
September 28, 2021

**CAPITAL REGION WATER**  
2020 Financial Statements  
Management's Discussion and Analysis

Capital Region Water (CRW) comparative 2020 and 2019 fiscal year financial statements enclosed have been conformed to meet the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."* The financial statements incorporate three basic statements: The Balance Sheets, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows.

This Management's Discussion and Analysis (MD&A) is based upon facts, decisions, and conditions known as of the date of the audit report. Please note that the historical information provided in the financial statements and MD&A reflects the results of past operations and is not necessarily indicative of results of future operations. Future operations will be affected by various factors, including, but not limited to, regulatory mandates, rate changes, weather, labor contracts, population changes, business environment and other matters, the nature and effect of which cannot now be determined.

**Using This Financial Report – Overview of Reporting Changes**

The Balance Sheets present information about the resources which are available to CRW and claims against these resources. Both assets and liabilities are classified in a format which segregates current from noncurrent. In addition, assets available for special purposes – labeled "restricted assets" - are segregated from those assets available for operations. CRW's restricted assets represent money on deposit with the bond trustee to meet indenture, debt service, and construction program requirements. Liabilities have a similar classification segregating claims on restricted assets from claims on assets available for operations. The net position section of the Balance Sheet classifies the total net position as net investment in capital assets, restricted, and unrestricted.

The Statements of Revenues, Expenses, and Changes in Net Position summarize operating and non-operating activity for the fiscal year and the resulting impact on CRW's net position.

The Statements of Cash Flows have been prepared using the direct method. The statements provide an analysis of CRW's cash by operating, investing, and capital and related financing activities over the respective fiscal year.

**2020 Financial and Operational Highlights**

- CRW's Total Assets increased \$13,690,000 to \$312,293,000 while Total Liabilities fell \$3,845,000 to \$200,757,000. Adjusting for deferred inflows and outflows, Total Net Position for CRW increased \$15,077,000 to \$109,700,000.
- Operating Revenues of \$46,053,000 were \$1,503,000 or 3.16% lower than 2019 results. Operating Expenses before depreciation increased \$302,000 or 2.04% while administrative Expenses increased \$45,000 or 0.77%.
- Net Income for 2020 was \$15,077,000, a decrease of \$3,373,000 from 2019.
- CRW was impacted significantly by the Coronavirus pandemic, with lower revenues due to temporary business closures and work from home protocols that many businesses adopted. Additional extraordinary expenses were incurred in personal protection and to ensure social distancing. Late penalties were not applied for several months during the height of the pandemic, and a moratorium was placed on water service terminations.
- CRW took a major step in its stormwater service in 2020 by bringing street sweeping services in-house, eliminating a significant 3<sup>rd</sup> party expenditure for part of the year and improving service. A stormwater fee was planned for introduction on July 1, 2020 but was delayed by 3 months due to unemployment concerns in the city stemming from the pandemic, resulting in lower than expected stormwater revenues. Payroll increased in 2020 to accommodate the new in-house service, and a lease agreement was entered into with FNB Bank for the acquisition of 3 street sweepers.

- The Authority closed on a \$13 million, 1%, 20-year term loan through the Pennsylvania Infrastructure Investment Authority (Pennvest). The proceeds are being used to fund Green Infrastructure projects to reduce stormwater flows entering CRW's combined sewer system.
- Two \$5 million lines of credit were established in 2020 through FNB Bank to provide additional financial capability as needed to address infrastructure or short-term operational needs. These lines were not utilized in 2020.
- 2020 also saw the move of CRW's administrative staff from a leased space in downtown Harrisburg to its own facility, purchased in late 2019. This new facility allowed CRW to reunite its Customer Service Center with other administrative functions during the summer of 2021.

**CAPITAL REGION WATER  
CONDENSED COMPARATIVE BALANCE SHEET  
ON DECEMBER 31<sup>ST</sup> OF 2020 AND 2019**  
(Dollars expressed in thousands)

	December 31,		Variance	
	2020	2019	Dollars	%
Capital assets:				
Capital assets, not being depreciated	\$ 41,304	\$ 25,939	\$ 15,365	59.24%
Capital assets, net of accumulated depreciation	182,981	177,481	5,500	3.10%
Net pension asset	794	-	794	N/A
Restricted assets	29,473	34,520	(5,047)	-14.62%
Current assets	50,429	53,351	(2,922)	-5.48%
<b>Total Assets</b>	<b>304,981</b>	<b>291,291</b>	<b>13,690</b>	<b>4.70%</b>
<b>Deferred Outflows of Resources</b>	<b>7,312</b>	<b>8,447</b>	<b>(1,135)</b>	<b>-13.43%</b>
Liabilities:				
Current liabilities	25,532	24,151	1,381	5.72%
Long-term liabilities	175,225	180,451	(5,226)	-2.90%
<b>Total Liabilities</b>	<b>200,757</b>	<b>204,602</b>	<b>(3,845)</b>	<b>-1.88%</b>
<b>Deferred Inflows of Resources</b>	<b>1,835</b>	<b>513</b>	<b>1,322</b>	<b>0.00%</b>
Net Position:				
Net investment in capital assets	61,450	50,550	10,900	21.56%
Restricted	6,140	5,863	277	4.72%
Unrestricted	42,110	38,209	3,901	10.21%
<b>Total Net Position</b>	<b>\$ 109,700</b>	<b>\$ 94,623</b>	<b>\$ 15,077</b>	<b>15.93%</b>

Total Assets increased in 2020 due to multi-year major capital projects that were still under construction at the end of 2020 (Capital assets not being depreciated), as well as several significant projects, primarily equipment and machinery, that completed during the year (Capital assets net of depreciation). Major project spending in 2020 included over \$4 million on water main replacements, especially along the busy Cameron Street corridor in the City of Harrisburg, over \$8 million to upgrade the Front Street wastewater pumping station, which will improve reliability and allow for increased wastewater flows to CRW's treatment facility, close to \$4 million in equipment purchases and upgrades to the Advanced Wastewater Treatment Facility, and millions more invested in wastewater collection system upgrades and stormwater green infrastructure projects throughout the service area. Offsetting



the increase in capital assets were reductions in Restricted and Current Assets, primarily due to the utilization of 2018 water bond proceeds and sewer revenue fund reserves to finance construction projects.

Total liabilities were lower at the end of 2020:

- Bond payments reduced outstanding balances by \$9 million
- Favorable investments reversed a 2019 net pension liability to an asset, a change of \$1.9 million, split between a decrease in the \$1.1 million 2019 liability and a non-current asset increase of \$800,000
- Notes Payable increased \$4.3 million as additional Pennvest loans were drawn on to pay for capital projects
- A lease payable balance of \$720,000 for three street sweepers acquired in 2020 accounts for the remaining short and long-term liability variances.

**CAPITAL REGION WATER**  
**CONDENSED COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR 2020 AND 2019**  
(Dollars expressed in thousands)

	Year Ended December 31,		Variance	
	2020	2019	Dollars	%
			Increase (Decrease)	
Operating revenues	\$ 46,053	\$ 47,556	\$ (1,503)	-3.16%
Operating expenses:				
Operating	15,078	14,776	302	2.04%
Administrative	5,833	5,788	45	0.77%
Depreciation	6,059	5,655	404	7.15%
<b>Total Operating Expenses</b>	<b>26,970</b>	<b>26,220</b>	<b>750</b>	<b>2.86%</b>
Operating income	19,083	21,336	(2,253)	-10.56%
Non-operating revenues (expenses):				
Investment income	427	1,194	(767)	-64.24%
Grant revenue	177	1,185	(1,008)	-85.06%
Gain on sale of easements	192	40	152	380.00%
Miscellaneous income (expense)	922	606	316	52.02%
Gain (Loss) on disposal of capital asset	2	(74)	76	-102.69%
Interest expense	(5,726)	(5,837)	111	-1.90%
<b>Total Non-operating Revenues (Expenses)</b>	<b>(4,006)</b>	<b>(2,886)</b>	<b>503</b>	<b>-17.42%</b>
<b>Net Income/(Loss)</b>	<b>\$ 15,077</b>	<b>\$ 18,450</b>	<b>\$ (3,373)</b>	<b>-18.28%</b>

Operating Revenues fell 3.16% or \$1,503,000 compared to 2019. Retail water rates were increased 2% for 2020, wastewater rates were increased 4.5%, and a new stormwater charge was budgeted to bring in an additional \$2.6 million over the 2<sup>nd</sup> half of the year. Despite these planned increases, overall revenues fell due to the pandemic and associated declines in water consumption from commercial and industrial business interruption. Stormwater fees,

delayed 3-months during the height of the pandemic, did provide \$1.3 million in new revenues, but were more than offset by lower water consumption and a decision to suspend late penalty assessments for 4-months in 2020.

While revenues were lower than prior year, operating and administrative costs increased, despite lower variable costs associated with reductions in volume treated.

Operating Expenses of \$15,078,000 were \$302,000 (2.04%) higher than in 2019. Major components include:

- Compensation & Benefits account for about one-half of total operational costs and 100% of the dollar variance to prior year. Operational staffing costs totaled \$7,870,000 in 2020, \$315,000 higher than in 2019. Staffing for stormwater services – primarily street sweeping that had previously been outsourced, accounts for most of the variance, with a partial year total of \$170,000 in new hire compensation and benefits. The remaining variance is attributable to annual wage increases that averaged 3% on \$4.9 million of direct wages and overtime.
- Utilities, including water, wastewater, stormwater, electric, gas, and refuse, fell \$51,000 in 2020 to \$2,320,000.
- Professional & Contract Services expenditures totaled \$2,010,000 in 2020, an increase of \$109,000 from 2019. Engineering services, especially on wastewater, saw increases in 2020 as design studies commenced for a number of capital projects. Legal services also increased due to contractor claims and challenges to CRW's new stormwater fee. Offsetting these increases was a reduction in street sweeping 3<sup>rd</sup> party expenditures, as this service was brought in-house during the latter half of 2020.
- Maintenance & Repair costs can often be extremely variable year over year, but these costs were managed extremely well in 2020, with total costs of \$812,000 virtually identically to the amount spent in 2019.
- Business Insurance saw moderate increases, up \$36,000 to \$677,000 to cover auto, commercial property, crime, and general liability with umbrella coverage. The main driver of the increase was in commercial property. This amount does not include an additional \$52,000 of insurance costs under administrative expenses, primarily for public officials and cyber-crime.
- Chemical costs were lower in 2020 as CRW adopted an inventory procedure to capture usage costs over time rather than absorbing full costs with each purchase. This created a balance sheet value for unused chemicals purchased in 2020. Lower volumes of treated water due to lower usage driven by the pandemic also contributed to the decline in chemical costs to \$615,000, a reduction of \$217,000 over 2019 costs.

Administrative Expenses of \$5,833,000 tracked closely to 2019 costs, higher by only \$45,000 (0.77%):

- Administrative staffing costs (compensation and benefits) of \$4,387,000 were \$235,000 higher than in 2019. In addition to performance based and labor negotiated wage increases that averaged approximately 3%, 2020 saw a full year's compensation and benefits for several positions that were vacant during a portion of 2019 including that of Chief Executive Officer, Chief Financial Officer, Human Resource Manager, and GIS Manager.
- Treasury Expenses of \$492,000 were roughly \$31,000 lower in 2020 due to lower merchant fees associated with a change in our 3<sup>rd</sup> party credit card payment processor.
- General and Administrative Expenses of \$419,000 were \$69,000 lower than 2019, driven primarily by lower office lease and parking costs due to the purchase of a new administration building and subsequent ending of our lease and parking commitments for administrative personnel.
- Professional Service of \$275,000 were \$178,000 lower than in 2019. CRW utilized a staffing agency in 2019 for several open positions that have since been filled, including the above-mentioned Human Resource Manager.
- Utility costs, business insurance, community outreach, and information technology expenditures make up the majority of remaining 2020 costs, totaling \$235,000 are collectively \$68,000 higher than 2019.

Non-Operating Revenues of \$1,720,000 were \$1,234,000 lower than 2019, significantly influenced by higher grant revenues received in 2019 and lower investment earnings due primarily to lower interest rates on money market accounts and a stricter adherence to CRW investment policies that have limitations on risk tolerance.

## 2019 Financial and Operational Highlights

### CAPITAL REGION WATER CONDENSED COMPARATIVE BALANCE SHEET ON DECEMBER 31<sup>ST</sup> OF 2019 AND 2018 (Dollars expressed in thousands)

	December 31,		Variance	
	2019	2018	Dollars	%
Capital assets:				
Capital assets, not being depreciated	\$ 25,939	\$ 16,946	\$ 8,993	53.07%
Capital assets, net of accumulated depreciation	177,481	160,176	17,306	10.80%
Net pension asset	-	1,010	(1,010)	-100.00%
Restricted assets	34,520	38,863	(4,343)	-11.18%
Current assets	53,351	63,514	(10,164)	-16.00%
<b>Total Assets</b>	<b>291,291</b>	<b>280,509</b>	<b>10,782</b>	<b>3.84%</b>
<b>Deferred Outflows of Resources</b>	<b>8,447</b>	<b>8,606</b>	<b>(160)</b>	<b>-1.85%</b>
Liabilities:				
Current liabilities	24,151	23,092	1,060	4.59%
Long-term liabilities	180,451	188,378	(7,928)	-4.21%
<b>Total Liabilities</b>	<b>204,602</b>	<b>211,470</b>	<b>(6,868)</b>	<b>-3.25%</b>
<b>Deferred Inflows of Resources</b>	<b>513</b>	<b>1,473</b>	<b>(960)</b>	<b>0.00%</b>
Net Position:				
Net investment in capital assets	50,550	21,199	29,351	138.46%
Restricted	5,863	5,791	72	1.24%
Unrestricted	38,209	49,183	(10,973)	-22.31%
<b>Total Net Position</b>	<b>\$ 94,623</b>	<b>\$ 76,173</b>	<b>\$ 18,450</b>	<b>24.22%</b>

Total Assets on 12/31/2019 grew 3.84% or \$10,782,000 to \$291,291,000. As Capital Region Water aggressively funded capital projects to upgrade aging infrastructure, total capital assets net of depreciation on 12/31/2019 were \$26,298,000 or 14.8% higher than in 2018. Major project spending in 2019 included:

- Wastewater – Primary Digester Rehabilitation \$7.4 million
- Wastewater – Collection System Rehabilitation \$3.3 million
- Wastewater – Front Street Pump Station \$2.7 million
- Water – Purchase of Administration Building \$4.5 million
- Water – Cameron St. Water Main \$3.0 million
- Water – Water Main Replacements \$1.6 million

Capital assets were financed primarily via a drawdown of bond proceeds, which reduced restricted assets, and utilization of revenue fund balances, accounting for most of the current asset variance.

Liabilities fell by \$6,868,000 to \$204,602,000, with bond payments reducing outstanding balances by \$8.9 million, offset by a net increase in notes payable of \$718,000 due to drawdowns of the 2017 and 2018 Pennvest notes. Accounts payable and accrued liabilities increased over prior year by \$1.1 million, with retainage payable and accrued contractor payments accounting for most of the increase.

**CAPITAL REGION WATER**  
**CONDENSED COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR 2019 AND 2018**  
(Dollars expressed in thousands)

	Year Ended December 31,		Variance	
	2019	2018	Dollars	%
			Increase (Decrease)	
Operating revenues	\$ 47,556	\$ 44,895	\$ 2,661	5.93%
Operating expenses:				
Operating	14,776	13,894	882	6.35%
Administrative	5,788	5,293	495	9.36%
Depreciation	5,655	5,394	261	4.84%
<b>Total Operating Expenses</b>	<b>26,220</b>	<b>24,582</b>	<b>1,638</b>	<b>6.66%</b>
Operating income	21,336	20,314	1,023	5.03%
Non-operating revenues (expenses):				
Investment income	1,194	568	626	110.20%
Grant revenue	1,185	1,502	(318)	-21.16%
Gain on sale of easements	40	4,839	(4,799)	-99.17%
Miscellaneous income (expense)	606	(180)	787	-436.23%
Loss on disposal of capital asset	(74)	-	(74)	#DIV/0!
Interest expense	(5,837)	(6,812)	976	-14.32%
<b>Total Non-operating Revenues (Expenses)</b>	<b>(2,886)</b>	<b>(83)</b>	<b>(3,111)</b>	<b>3728.03%</b>
<b>Net Income/(Loss)</b>	<b>\$ 18,450</b>	<b>\$ 20,230</b>	<b>\$ (1,780)</b>	<b>-8.80%</b>

Net Operating Income of \$18,450,000 for 2019 was \$1,780,000 or 8.8% lower than in 2018:

- Operating revenues of \$47,556,000 were \$2,661,000 higher than prior year, due mainly to rate increases on water & wastewater volumes, ready-to-serve fees, and fire line services.
- Operating expenses of \$14,776,000 were \$882,000 higher than prior year. 95% of operating expenses for 2019 fall into the following 6 categories:
  - Compensation & Benefits totaled \$7,554,000 in 2019, \$665,000 higher than in 2018. Changes in pension costs, wastewater managerial compensation, and field maintenance compensation accounted for the majority of the additional costs, along with annual non-bargaining unit performance-based wage increases and negotiated bargaining unit increases of 3%.

- Utility costs of \$2,371,000 were \$42,000 lower than in 2018. Savings over previous year were within the water segment, with slight improvements in sewer, heat, electric, and water.
- Total spending on Professional & Contract Services was \$1,901,000 in 2019, \$255,000 more than in 2018. A full year of precipitation monitoring services in 2019 accounted for much of the favorable variance, as well as additional costs for street sweeping. Legal services were lower in 2019, but engineering services, particularly in wastewater, saw higher costs in 2019.
- Maintenance & Repairs of \$812,000 were \$29,000 higher than in 2018.
- Business Insurance costs totaled \$641,000 in 2019, \$97,000 less than prior year. Lower claims resulted in lower deductibles paid out in 2019, and most policy coverages saw mild declines in premiums.
- Chemical Costs increased by \$207,000 to \$831,000 from both chemical costs to treat drinking water and wastewater, and in laboratory testing.
- Administrative expenses of \$5,788,000 exceeded prior year costs by \$495,000:
  - Administrative Staffing Costs of \$4,152,000 were \$420,000 higher than in 2018. Wages increased by \$231,000 due to management & labor negotiated wage increases and positions filled in early 2019 that were vacant during a portion of 2018, including that of the Chief Executive and Financial Officers. Health benefits increased \$58,000, and pension contributions increased \$106,000. Other costs including recruitment and payroll taxes also saw moderate increases over 2018 expenses.
  - Treasury expenses of \$523,000 were \$23,000 lower than in 2018. Small increases in several categories (mailing, merchant fees, facility costs) were more than offset by savings in legal fees associated with collection efforts.
  - General & Administrative Expenses of \$488,000 were \$58,000 higher than in 2018.
  - Professional Services totaling \$453,000 were \$36,000 higher than in 2018.

Non-Operating Revenues of \$2,951,000 were \$3,778,000 lower than 2018, while interest expense fell \$976,000 to \$5,837,000. Revenues were significantly influenced by conservation funds totaling \$4.8 million received in 2018. Both investment and miscellaneous incomes were higher in 2019, while grant revenue fell due to drawdowns for construction funding resulting in lower interest earned. Interest expense was lower due to the paydown of bond principal balances and non-recurring bond issuance costs totaling \$602,000 paid in 2018.

## **Requests for Information**

This financial report is designed to provide a general overview of CRW's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 3003 North Front Street, Harrisburg, PA 17110.

# CAPITAL REGION WATER

## BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

	2020	2019
<b>Assets and Deferred Outflows of Resources</b>		
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 33,125,086	\$ 37,818,930
Accounts receivable, net of allowance for uncollectible accounts of \$6,812,663 and \$6,179,939	12,990,450	11,392,879
Grants receivable	207,125	481,413
Due from the City of Harrisburg	3,247,428	3,030,340
Prepaid expenses	631,891	407,379
Inventory	226,727	219,675
Total current assets	50,428,707	53,350,616
Restricted assets:		
Cash and cash equivalents - restricted under trust indentures and guarantee agreement	10,339,323	10,728,097
Investments - restricted under trust indentures	19,133,382	23,792,020
Total restricted assets	29,472,705	34,520,117
Noncurrent assets:		
Capital assets, not being depreciated	41,304,196	25,938,916
Capital assets, net of accumulated depreciation of \$138,312,983 and \$132,254,413	182,981,052	177,481,346
Net pension asset	793,994	-
Total noncurrent assets	225,079,242	203,420,262
Total Assets	304,980,654	291,290,995
<b>Deferred Outflows of Resources:</b>		
Deferred loss on refunding	6,138,866	6,849,812
Deferred outflows of resources for other postemployment benefits	154,587	78,714
Deferred outflows of resources for pension	1,018,573	1,518,157
Total Deferred Outflows of Resources	7,312,026	8,446,683
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 312,292,680</b>	<b>\$ 299,737,678</b>

	2020	2019
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,219,605	\$ 8,526,652
Current portion of compensated absences	277,248	270,580
Due to the City of Harrisburg	3,927,304	4,000,428
Total current liabilities	13,424,157	12,797,660
Liabilities payable from restricted assets:		
Accrued interest payable	3,033,457	3,182,415
Current portion of notes payable	2,028,113	1,581,377
Current portion of lease payable	137,135	-
Current portion of bonds payable	6,910,000	6,590,000
Total liabilities payable from restricted assets	12,108,705	11,353,792
Noncurrent liabilities:		
Compensated absences	415,564	246,731
Due to the City of Harrisburg	799,095	822,345
Notes payable	31,021,700	26,701,169
Lease payable	583,078	-
Bonds outstanding, plus premiums of \$15,153,327 and \$17,251,679	141,283,327	150,291,679
Total net pension liability	-	1,123,348
Total other postemployment benefit liability	1,121,698	1,265,235
Total noncurrent liabilities	175,224,462	180,450,507
Total Liabilities	200,757,324	204,601,959
<b>Deferred Inflows of Resources:</b>		
Deferred inflows of resources for other postemployment benefits	260,965	143,562
Deferred inflows of resources for pension	1,574,623	369,284
Total Deferred Inflows of Resources	1,835,588	512,846
<b>Net Position:</b>		
Net investment in capital assets	61,449,942	50,550,086
Restricted:		
Guarantee agreement	250,000	250,000
Water - restricted under trust indenture requirements	3,550,121	3,519,940
Sewer - restricted under trust indenture requirements	2,340,000	2,093,425
Unrestricted	42,109,705	38,209,422
Total Net Position	109,699,768	94,622,873
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 312,292,680</b>	<b>\$ 299,737,678</b>

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

# CAPITAL REGION WATER

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<b>Operating Revenues:</b>		
User charges	\$ 46,053,281	\$ 47,556,016
Total operating revenues	46,053,281	47,556,016
<b>Operating Expenses:</b>		
Operating	15,078,242	14,776,480
Administrative	5,832,986	5,788,495
Depreciation	6,058,571	5,654,952
Total operating expenses	26,969,799	26,219,927
<b>Operating Income</b>	19,083,482	21,336,089
<b>Non-Operating Revenues (Expenses):</b>		
Investment income	426,489	1,193,936
Grant revenue	177,024	1,184,617
Gain on sale of easements	191,516	40,000
Miscellaneous income (expense)	921,942	606,499
Gain (loss) on disposal of capital assets	2,000	(74,363)
Interest expense	(5,725,558)	(5,836,796)
Total non-operating revenues (expenses)	(4,006,587)	(2,886,107)
<b>Change in Net Position</b>	15,076,895	18,449,982
<b>Net Position:</b>		
Beginning of year	94,622,873	76,172,891
End of year	\$109,699,768	\$ 94,622,873

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



# CAPITAL REGION WATER

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers and users	\$ 44,389,381	\$ 47,063,182
Payments to employees	(8,841,847)	(7,512,216)
Payments to suppliers	(10,897,106)	(9,677,461)
Net cash provided by operating activities	24,650,428	29,873,505
<b>Cash Flows From Investing Activities:</b>		
Sales (purchases) of investments, net	4,658,637	(4,358,962)
Investment income received	426,489	986,852
Net cash provided by (used in) investing activities	5,085,126	(3,372,110)
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Proceeds from debt issuance	6,341,571	1,866,789
Acquisition and construction of capital assets	(26,378,345)	(33,868,224)
Gain on disposal of capital assets	2,000	-
Interest paid	(7,261,922)	(7,554,043)
Principal paid on long-term debt	(8,164,304)	(7,647,533)
Intergovernmental revenue	451,312	1,608,635
Proceeds from sale of easements	191,516	40,000
Net cash used in capital and related financing activities	(34,818,172)	(45,554,376)
<b>Decrease in Cash and Cash Equivalents</b>	<b>(5,082,618)</b>	<b>(19,052,981)</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	48,547,027	67,600,008
End of year	\$ 43,464,409	\$ 48,547,027
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 19,083,482	\$ 21,336,089
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	6,058,571	5,654,952
Amortization of deferred outflows and deferred inflows	(263,590)	163,128
Miscellaneous nonoperating income	921,942	606,499
(Increase) decrease in:		
Accounts receivable	(1,597,571)	(1,391,132)
Due from the City of Harrisburg	(230,379)	649,786
Prepaid expenses	(224,512)	(4,290)
Inventory	(7,052)	128,285
Net pension asset	(793,994)	-
Deferred outflows of resources for total other postemployment benefit liability	(86,123)	(7,277)
Deferred outflows of resources for pensions	396,431	(2,043,814)
(Decrease) increase in:		
Accounts payable and accrued liabilities	867,954	2,982,008
Due to the City of Harrisburg	(83,083)	(424,886)
Compensated absences	175,501	18,451
Total other postemployment benefit liability	(143,537)	12,301
Net pension liability	(1,123,348)	2,133,006
Deferred inflows of resources for pensions	1,550,399	-
Deferred inflows of resources for total other postemployment benefit liability	149,337	60,399
Net cash provided by operating activities	\$ 24,650,428	\$ 29,873,505
<b>Noncash Capital Financing and Related Financing Activities:</b>		
Capital lease proceeds	\$ 720,213	\$ -

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

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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### 1. Summary of Significant Accounting Policies

The Harrisburg Sewerage Authority (Sewerage Authority) was incorporated June 3, 1957, under the provisions of the Municipality Authorities Act of 1945. On December 1, 1987, the Sewerage Authority's Articles of Incorporation were amended to change its name to the Harrisburg Water and Sewer Authority (Water Authority). On January 30, 1990, the Water Authority filed Articles of Amendment with the Pennsylvania Department of State to change its name to The Harrisburg Authority (Authority), also broadening its purpose and extending the term of its existence. In March 2014, the Authority filed Articles of Amendment with the Pennsylvania Department of State to change its name to Capital Region Water (CRW). The purpose of CRW is, among other things, to engage in public works projects relating to the ownership and operation of the water system and wastewater treatment and conveyance systems.

CRW has evaluated organizations, activities, and functions that should be included in CRW's financial statements. The basic criteria considered in making this determination include appointment of the Board of Directors, financial interdependence, and potential to provide specific financial benefits to, or impose specific financial burdens. CRW has not identified any entities that should be subject to evaluation for inclusion in CRW's reporting entity.

The City of Harrisburg (City) appoints CRW's Board of Directors (Board). However, the City bears no financial benefit or burden for CRW, and is not financially accountable for CRW. Therefore, the City does not include CRW in its financial statements as a component unit.

#### Basis of Presentation

All activities of CRW are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for activities similar to those found in the private sector where the determination of net income is necessary for sound financial administration. Costs of construction, debt reduction, and CRW administration are financed or recovered through user charges, administration charges, and income on investments held by CRW.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of CRW are charges for water, wastewater and treatment and conveyance systems services and beginning in October 2020, stormwater treatment and conveyance systems services. Operating expenses include the cost of sales and services,

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### Basis of Accounting

CRW's financial statements are presented using the accrual method of accounting, under which revenues are recorded in the period that they are earned and expenses are recorded when the liability is incurred. CRW follows the accounting and financial reporting standards issued by the Governmental Accounting Standards Board (GASB).

The accounting and financial reporting treatment applied to CRW is determined by its measurement focus. The transactions of CRW are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations are included on the balance sheet. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into "Net investment in capital assets"; "Restricted for" various purposes; and "Unrestricted" components.

### Cash and Cash Equivalents

For the purposes of the statement of cash flows, CRW considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

### Investments

CRW accounts for investments at fair value. CRW categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

### Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable trust indentures or other agreements.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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### Capital Assets

Capital assets in service and construction in progress are carried at cost, if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their acquisition value at the date of donation. Acquisition value is the price that CRW would have paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Utility systems acquired from other governmental service providers are recorded at the purchase price, limited to fair value. Costs of studies that directly result in specific projects are capitalized. Capital assets are defined by CRW as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Maintenance and repairs, which do not significantly extend the value or life of property, plant, and equipment, are expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation expense for the Water Segment assets acquired prior to 1992 is calculated using a 2% annual rate. For acquisitions subsequent to this date, capital assets are depreciated using the straight-line method, over the estimated useful lives, as follows:

Land improvements	25 years
Water mains and related accessories	75 years
Water meter equipment	25 years
Buildings	50 years
Office equipment	5 to 20 years
Office furnishings	15 years
Operating equipment	10 to 50 years
Vehicles	7 years

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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Capital assets for the Sewer and Stormwater segments, are depreciated using the straight-line method, over the estimated useful lives, as follows:

Land improvements	30 to 40 years
Sewer mains and related accessories	40 to 100 years
Buildings and improvements	8 to 100 years
Infrastructure	50 to 110 years
Office equipment and furniture	5 to 15 years
Operating equipment	5 to 75 years
Vehicles	5 to 10 years

### Debt Financing Costs

Discounts/premiums are being amortized over the respective life of each bond issue using the effective interest rate method. Losses on debt refundings are deferred and are being amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the balance sheet, deferred losses on refundings are reported as deferred outflows of resources, and the unamortized discounts/premiums are reported as a reduction/addition from the outstanding bonds.

### Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components: Net investment in capital assets, restricted for various purposes, and unrestricted net position. Net investment in capital assets, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets. Deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt and are also included in net investment of capital assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for various purposes consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, less any related liabilities. Unrestricted consists of all other net position not included in the above categories.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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### Restricted Resources

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

### Use of Estimates

Management of CRW has made a number of estimates and assumptions relating to the reporting of amounts and disclosures in order to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and COVID-19 control responses, and such differences may be material.

### Pending GASB Pronouncements

In June of 2017, the GASB issued Statement No. 87, *"Leases."* This Statement improves the accounting and financial reporting for leases. In May of 2020, the GASB issued Statement No. 95, *"Postponement of the Effective Dates of Certain Authoritative Guidance"*. This Statement postpones the issuances of certain pending Pronouncements including GASB No. 87. The provisions of GASB Statement No. 87 are effective for CRW's December 31, 2022 financial statements.

In May of 2020, the GASB issued Statement No. 96, *"Subscription-Based Information Technology Arrangements."* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The provisions of this Statement are effective for CRW's December 31, 2023 financial statements.

In June of 2020, the GASB issued Statement No. 97, *"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."* The primary objectives of this Statement are to: (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for the CRW's December 31, 2022 financial statements.

The effect of implementation of these Statements has not yet been determined.

### 2. Deposits and Investments

Pennsylvania Act 72 provides for investment of public funds in certain authorized investment types including U.S. Treasury bills; other short-term obligations of the U.S. and federal agencies; short-term commercial paper issued by a public corporation; banker's acceptance; general obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency; insured or collateralized time deposits; and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of public funds for investment purposes.

CRW's permissible investments also include:

1. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a federal or state savings and loan association, or a state-licensed branch of a foreign bank;
2. Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 and meet the following criteria:
  - a. The investments of the company are permissible investments of CRW;
  - b. The investment company is managed in accordance with 17 CFR 270.2a-7 (related to Securities Exchange Commission registered money market funds);
  - c. The investment company is rated AAAm or better by Standard & Poor's (S&P)
3. Local government investment pools (LGIP), either state-administered or developed through intergovernmental agreement legislation, provided the local government investment pool restricts investments to CRW's permissible investments as previously noted and rates AAAm-G or better by S & P.

CRW's prohibited investments include any type of swap, derivative instrument, or stock of a corporation.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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### Deposits

The deposits of CRW for the years ended December 31, were as follows:

	2020	2019
Cash and cash equivalents:		
Unrestricted	\$ 33,125,086	\$ 37,818,930
Restricted under trust indentures and guarantee agreement	10,339,323	10,728,097
	<u>\$ 43,464,409</u>	<u>\$ 48,547,027</u>

*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 to it. CRW’s deposits, which may include certificates of deposit, must be covered by the federal depository insurance corporation (FDIC) or collateralized. Collateral for CRW’s certificates of deposit must be held in the name of CRW. Short-term deposits, not collateralized under FDIC, are to be collateralized with securities held by a third-party in accordance with Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (Act), in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits. Acceptable collateral for CRW’s bank deposits includes only obligations of the U. S. Government, its agencies, and government sponsored entities rated at least in the two highest categories by two nationally recognized statistical rating organizations. The collateral, which may consist of pooled collateral, must be marked to market no less than weekly, and CRW must receive monthly statements. As of December 31, 2020 and 2019, CRW’s book balances were \$43,464,409 and \$48,547,027, respectively. As of December 31, 2020 and 2019, the bank balances were \$44,309,616 and \$48,707,239, respectively. At December 31, 2020 and 2019, \$419,499 and \$449,360 was covered by FDIC insurance and \$43,890,117 and \$48,257,879 was collateralized under the Act, respectively.



# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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### Investments

The investments of CRW are comprised of the following at December 31:

	2020	2019
Restricted:		
Money market funds	\$ 15,059,702	\$ 19,818,814
U.S. Government Agency obligations	2,515,265	3,973,206
U.S. Government obligations	1,558,415	-
Total	<u>\$ 19,133,382</u>	<u>\$ 23,792,020</u>

All investments are considered Level 1.

*Custodial Credit Risk* – Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. CRW's policy is for cash equivalents to be invested in a local government investment program pool or money market funds. Investments in U.S. Treasury and U.S. government agency obligations are to be held by the financial institution in CRW's name. The financial institution must have a minimum capital equity balance of \$25 million and at least five years of operation. CRW's investment in money market funds are not exposed to custodial credit risk because the investments are not evidenced by securities in book entry or paper form. The remainder of CRW's investments are held by the counterparty's trust department or agent not in CRW's name for the benefit of and as security for the bondholders.

*Concentration of Credit Risk* - CRW permissible investments are restricted to avoid investment losses by a specific issuer. CRW has the following limits for both the type of investment and the maximum amount of an investment type for a particular issuer.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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Investment Type	Maximum Allocation (at time of purchase)	Maximum Investment per Issuer (at time of purchase)
U.S. government securities	100%	N/A
U.S. government agencies and instrumentalities	100%	50%
General obligation Pennsylvania municipal bonds	10%	N/A
Bank certificates of deposit	50%	50%
Negotiable certificates of deposit	30%	10%
SEC-registered money market funds	100%	N/A
Local government investment pools	100%	N/A

There are no investments that exceed the maximum allowable investment by issuer.

*Credit Risk* – CRW has a formal policy that would limit investment choices to only those types of investments previously noted. CRW's money market funds and fixed income investments had the following level of exposure to credit risk as of December 31, 2020:

	Fair Value	Rating
Money market funds	\$ 15,059,702	AAAm
U.S. Government Agency Obligations	2,515,265	AAA
U.S. Government Obligations	1,558,415	AAA

*Interest Rate Risk* – CRW has a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. CRW's investments are to be diversified by limiting investments to avoid over concentration in securities from a specific issuer or business sector; limiting investments in securities that have higher credit risks; investing in securities with varying maturities; and continuously investing a portion of the portfolio in readily available funds such as LGIPs or money market funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

All of the Authority's investments mature in 2021.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

### 3. Capital Assets

The following is summary of capital assets activity for the years ended December 31, as follows:

	Balance at January 1, 2020	Additions/ Transfers In	Retirements/ Transfers Out	Balance at December 31, 2020
Capital assets, not being depreciated:				
Land	\$ 595,621	\$ -	\$ -	\$ 595,621
Construction in progress	25,343,295	19,704,194	(4,338,914)	40,708,575
Total capital assets, not being depreciated	25,938,916	19,704,194	(4,338,914)	41,304,196
Capital assets, being depreciated:				
Land improvements	1,502,061	14,276	-	1,516,337
Buildings and improvements	127,819,202	323,390	-	128,142,592
Furniture and fixtures	777,082	84,385	-	861,467
Machinery and equipment	179,637,414	11,136,225	-	190,773,639
Total capital assets, being depreciated	309,735,759	11,558,276	-	321,294,035
Less: accumulated depreciation	(132,254,413)	(6,058,570)	-	(138,312,983)
Total capital assets being depreciated, net	177,481,346	5,499,706	-	182,981,052
Total capital assets, net	\$ 203,420,262	\$ 25,203,900	\$ (4,338,914)	\$ 224,285,248
	Balance at January 1, 2019	Additions/ Transfers In	Retirements/ Transfers Out	Balance at December 31, 2019
Capital assets, not being depreciated:				
Land	\$ 361,421	\$ 234,200	\$ -	\$ 595,621
Construction in progress	16,584,720	18,082,855	(9,324,280)	25,343,295
Total capital assets, not being depreciated	16,946,141	18,317,055	(9,324,280)	25,938,916
Capital assets, being depreciated:				
Land improvements	1,504,130	14,018	(16,087)	1,502,061
Buildings and improvements	122,248,823	5,639,793	(69,414)	127,819,202
Furniture and fixtures	928,013	80,000	(230,931)	777,082
Machinery and equipment	164,482,619	17,302,024	(2,147,229)	179,637,414
Total capital assets, being depreciated	289,163,585	23,035,835	(2,463,661)	309,735,759
Less: accumulated depreciation	(128,988,007)	(5,654,952)	2,388,546	(132,254,413)
Total capital assets being depreciated, net	160,175,578	17,380,883	(75,115)	177,481,346
Total capital assets, net	\$ 177,121,719	\$ 35,697,938	\$ (9,399,395)	\$ 203,420,262

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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### **4. Due From/Due To the City**

In November 2013, the CRW and the City entered into a transfer agreement related to the Sewer Collection System (transfer agreement) and a transition agreement related to the Water, Wastewater, and Stormwater Systems (transition agreement). In conjunction with the transfer and transition agreements, CRW and the City entered into a shared services agreement whereby the City agreed to perform certain services with respect to and for the benefit of the water system and combined sewer system and CRW agreed to perform certain services with respect to and for the benefit of the City's sanitation fund, Green Infrastructure Projects, and other initiatives. The services performed by the City under the shared services agreement relate to payment processing services, information technology services, operations and revenue services, and public works services. The services performed by CRW under the shared services agreement include revenue billing and collection functions for the City's sanitation fund including the implementation of a lockbox system. Each of these services, including the term of the services, is detailed in a shared services schedule incorporated into the shared services agreement. With the exception of services related to Green Infrastructure Projects, all shared services work was completed in December 2016.

CRW and the City, in advance of performing the services, are to prepare a budget for the total cost of the services and the total cost is to be agreed upon by both parties. Within 60 days after the end of the term of each shared service, CRW and the City are to reconcile the actual costs of providing the services to the budgeted costs. Payments due to either CRW or the City are payable within 30 days of the finalization of the reconciliation.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Amounts due from/to the City consist of the following at December 31, 2020:

	Water Segment	Sewer Segment	Stormwater Segment	Admin Segment
Due from City:				
Cash	\$ 368,113	\$ 279,055	\$ -	\$ -
Investments - workers' compensation	-	730,839	-	-
Miscellaneous receivables	58,735	3,570	226,809	(47,699)
Due from City Capital Projects Fund	90,332	-	-	-
2004 loan and duplicate transfers for payment of cash disbursements	-	563,971	-	-
Credit card receipts	7,084	3,850	-	-
Shared services	-	-	-	491,294
Disaster Grants	105,693	365,782	-	-
	<u>\$ 629,957</u>	<u>\$ 1,947,067</u>	<u>\$ 226,809</u>	<u>\$ 443,595</u>
Due to the City:				
Due to City General Fund	\$ (104,158)	\$ (165,878)	\$ (207,125)	\$ -
Debit/credit transfer balances	(1,004,351)	(8,415)	-	-
Other postemployment benefit liabilities	(227,394)	(2,214,995)	-	-
Disputed accounts	(226,672)	(108,420)	-	-
Workers' compensation reserve	-	(76,402)	-	-
Utility refunds	-	(1,667)	-	-
Shared services	-	(380,922)	-	-
	<u>\$ (1,562,575)</u>	<u>\$ (2,956,699)</u>	<u>\$ (207,125)</u>	<u>\$ -</u>

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Amounts due from/to the City consist of the following at December 31, 2019:

	Water Segment	Sewer Segment	Admin Segment
Due from City:			
Cash	\$ 368,113	\$ 279,055	\$ -
Investments - workers' compensation	-	730,839	-
Miscellaneous receivables	58,735	-	(34,408)
Due from City Capital Projects Fund	90,332	-	-
2004 loan and duplicate transfers for payment of cash disbursements	-	563,971	-
Credit card receipts	7,084	3,850	-
Shared services	-	-	491,294
Disaster Grants	105,693	365,782	-
	<u>\$ 629,957</u>	<u>\$ 1,943,497</u>	<u>\$ 456,886</u>
Due to the City:			
Due to City General Fund	\$ (104,158)	\$ (647,291)	\$ -
Debit/credit transfer balances	(1,004,351)	(8,415)	-
Other postemployment benefit liabilities	(159,788)	(2,091,029)	-
Disputed accounts	(226,672)	(108,420)	-
Workers' compensation reserve	-	(90,060)	-
Utility refunds	-	(1,667)	-
Shared services	-	(380,922)	-
	<u>\$ (1,494,969)</u>	<u>\$ (3,327,804)</u>	<u>\$ -</u>

Amounts due to the City include postemployment benefit liabilities paid by the City for water and sewer employees who retired prior to the transition agreement and an allocation of the City's future liability for such employees.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

### 5. Long-Term Debt

CRW has issued various revenue serial and term bonds and notes to finance various projects and refundings. A schedule of CRW's bonds and notes outstanding at December 31, 2020 and 2019 follows:

	<u>Issue Amount</u>	<u>Maturity/ Mandatory Redemption</u>	<u>Interest Rates</u>	<u>Purpose</u>
2020 Stormwater Revenue Note	\$ 13,000,000	2025-2045	1.00%	Payment of, and reimbursement to CRW, for capital expenditures relating to CRW's Stormwater fund. This is a drawdown loan. As of December 31, 2020 and 2019, \$343,445 and \$0, has been drawn down on this note, respectively.
2018 Water Revenue Refunding Bonds	\$ 59,320,000	2025 - 2038	5.00%	1) Currently refund the outstanding Water Revenue Bond, Series of 2008; 2) fund certain miscellaneous capital expenditures with respect to CRW's water system; 3) fund a debt service reserve fund; and 4) pay the costs of issuance of the 2018 Bonds.
2018 Sewer Revenue Note	\$ 11,136,900	2019 - 2040	1.00%	Payment of, and reimbursement to CRW, for capital expenditures relating to CRW's wastewater treatment facility and various other projects. This is a drawdown loan. As of December 31, 2020 and 2019 \$7,209,281 and \$1,211,155 has been drawn down on this note, respectively.
2017 Sewer Revenue Note	\$ 3,577,394	2018 - 2039	1.00% - 1.44%	Payment of, and reimbursement to CRW, for capital expenditures relating to CRW's wastewater treatment facility and various other projects.
2017 Sewer System Revenue Bonds	\$ 43,915,000	2018 - 2047	3.00% - 5.00%	1) Currently refund the Sewer Revenue Bonds, Series B of 2014; 2) fund certain miscellaneous capital expenditures with respect to CRW's sewer system; 3) fund a debt service reserve fund; and 4) pay the costs of issuance of the 2017 Bonds.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>Issue Amount</u>	<u>Mandatory Redemption</u>	<u>Interest Rates</u>	<u>Purpose</u>
2016 Water Revenue Refunding Bonds Series A	\$ 49,735,000	2017 - 2029	2.00% - 5.00%	1) Currently refund the Water Revenue Refunding Bonds, Series A of 2002, Variable Rate Water Revenue Refunding Bonds, Series B of 2002, and Variable Rate Water Revenue Refunding Bonds, Series C of 2002; 2) currently refund the Water Revenue Refunding Bonds, Series of 2004; 3) advance refund a portion of the Water Revenue Refunding Bonds, Series of 2008; 4) fund a debt service reserve fund; 5) pay the costs of insuring a portion of the Water Revenue Refunding Bonds, Series A of 2016; and 6) pay the costs of issuance of the 2016 Bonds.
2015 Water System Improvement General Obligation Note	\$ 5,600,000	2017 - 2036	1.00%	Provide an enhanced geographic information system, restore reliability in the supervisory control and data acquisition system, and install a new water main and associated appurtenances.
2014 Sewer Revenue Note Series C	\$ 21,500,000	2014 - 2037	1.00% - 1.275%	Payment of, and reimbursement to CRW for, certain capital expenditures including those related to engineering, design, and construction of improvements to CRW's wastewater treatment facility and various expenditures relating to CRW's long-term control plan, and CRW's geographic information system project.
2009 Sewer Revenue Note	\$ 1,880,000	2011 - 2029	1.27% - 2.55%	Finance capital improvements and replacements to CRW's wastewater treatment facility.



# CAPITAL REGION WATER

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

The following table presents annual principal and interest payments for long-term debt outstanding at December 31, 2020:

	2021	2022	2023	2024
Bonds outstanding (all are direct placements):				
Water Revenue Bonds:				
Series of 2018	\$ 2,966,000	\$ 2,966,000	\$ 2,966,000	\$ 2,966,000
Series A of 2016	7,713,500	7,712,250	7,715,750	7,298,000
Sewer Revenue Bonds:				
Series of 2017	2,848,950	2,848,250	2,853,250	2,851,000
Total principal and interest, bonds	<u>\$ 13,528,450</u>	<u>\$ 13,526,500</u>	<u>\$ 13,535,000</u>	<u>\$ 13,115,000</u>
Less:				
Interest				
Plus:				
Unamortized premium				
Total bonds outstanding, plus premium				
Notes payable (all are direct borrowings):				
Water System Improvement General				
Obligation Note, Series of 2015	\$ 265,478	\$ 265,478	\$ 265,478	\$ 265,478
Sewer Revenue Notes:				
Series of 2018	614,619	614,616	614,615	614,615
Series of 2017	193,805	193,805	193,805	196,455
Series C of 2014	1,186,036	1,208,148	1,210,158	1,210,158
Series of 2009	114,120	114,120	114,120	114,120
Stormwater Revenue Note, Series of 2020	7,440	8,776	8,776	8,776
Total principal and interest, notes	<u>\$ 2,381,498</u>	<u>\$ 2,404,943</u>	<u>\$ 2,406,952</u>	<u>\$ 2,409,602</u>
Less:				
Interest				
Total notes payable				

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<u>2025</u>	<u>2026 to 2030</u>	<u>2031 to 2035</u>	<u>2036 to 2040</u>	<u>2041 to 2045</u>	<u>2046 to 2047</u>	<u>Total</u>
\$ 8,826,000	\$ 42,407,500	\$ 20,951,750	\$ 2,958,000	\$ -	\$ -	\$ 87,007,250
299,250	7,182,000	-	-	-	-	37,920,750
<u>2,851,750</u>	<u>14,248,500</u>	<u>14,242,250</u>	<u>14,245,250</u>	<u>14,248,500</u>	<u>5,700,750</u>	<u>76,938,450</u>
<u>\$ 11,977,000</u>	<u>\$ 63,838,000</u>	<u>\$ 35,194,000</u>	<u>\$ 17,203,250</u>	<u>\$ 14,248,500</u>	<u>\$ 5,700,750</u>	<u>201,866,450</u>
						68,826,450
						<u>15,153,327</u>
						<u>\$ 148,193,327</u>
\$ 265,478	\$ 1,327,390	\$ 1,327,390	\$ 132,743	\$ -	\$ -	\$ 4,114,913
614,616	3,073,078	1,671,732	-	-	-	7,817,891
200,165	1,000,825	1,000,825	717,255	-	-	3,696,940
1,210,158	6,050,790	6,050,790	1,310,182	-	-	19,436,420
114,119	412,054	-	-	-	-	982,653
350,001	-	-	-	-	-	383,769
<u>\$ 2,754,537</u>	<u>\$ 11,864,137</u>	<u>\$ 10,050,737</u>	<u>\$ 2,160,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>36,432,586</u>
						3,382,773
						<u>\$ 33,049,813</u>

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# CAPITAL REGION WATER

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

The following table presents annual principal and interest payments for long-term debt outstanding at December 31, 2019:

	2020	2021	2022	2023
Bonds outstanding (all are direct placements):				
Water Revenue Bonds:				
Series of 2018	\$ 2,966,000	\$ 2,966,000	\$ 2,966,000	\$ 2,966,000
Series A of 2016	7,716,000	7,713,500	7,712,250	7,715,750
Sewer Revenue Bonds:				
Series of 2017	2,851,450	2,848,950	2,848,250	2,853,250
Total principal and interest, bonds	<u>\$ 13,533,450</u>	<u>\$ 13,528,450</u>	<u>\$ 13,526,500</u>	<u>\$ 13,535,000</u>
Less:				
Interest				
Plus:				
Unamortized premium				
Total bonds outstanding, plus premium				
Notes payable (all are direct borrowings):				
Water System Improvement General				
Obligation Note, Series of 2015	\$ 265,478	\$ 265,478	\$ 265,478	\$ 265,478
Sewer Revenue Notes:				
Series of 2018	115,241	614,616	515,057	-
Series of 2017	193,805	193,805	193,805	193,805
Series C of 2014	1,186,527	1,186,527	1,208,648	1,210,660
Series of 2009	114,120	114,120	114,120	114,120
Total principal and interest, notes	<u>\$ 1,875,171</u>	<u>\$ 2,374,546</u>	<u>\$ 2,297,108</u>	<u>\$ 1,784,063</u>
Less:				
Interest				
Total notes payable				

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<u>2024</u>	<u>2025 to 2029</u>	<u>2030 to 2034</u>	<u>2035 to 2039</u>	<u>2040 to 2044</u>	<u>2045 to 2047</u>	<u>Total</u>
\$ 2,966,000	\$ 42,110,500	\$ 29,090,000	\$ 3,942,750	\$ -	\$ -	\$ 89,973,250
7,298,000	7,481,250	-	-	-	-	45,636,750
<u>2,851,000</u>	<u>14,255,250</u>	<u>14,239,000</u>	<u>14,242,500</u>	<u>14,246,250</u>	<u>8,554,000</u>	<u>79,789,900</u>
<u>\$ 13,115,000</u>	<u>\$ 63,847,000</u>	<u>\$ 43,329,000</u>	<u>\$ 18,185,250</u>	<u>\$ 14,246,250</u>	<u>\$ 8,554,000</u>	<u>215,399,900</u>
						75,769,900
						<u>17,251,679</u>
						<u>\$ 156,881,679</u>
\$ 265,478	\$ 1,327,390	\$ 1,327,390	\$ 398,221	\$ -	\$ -	\$ 4,380,391
-	-	-	-	-	-	1,244,914
196,455	1,000,825	1,000,825	917,419	-	-	3,890,744
1,210,660	6,053,300	6,053,298	2,511,711	-	-	20,621,331
114,120	526,172	-	-	-	-	1,096,772
<u>\$ 1,786,713</u>	<u>\$ 8,907,687</u>	<u>\$ 8,381,513</u>	<u>\$ 3,827,351</u>	<u>\$ -</u>	<u>\$ -</u>	<u>31,234,152</u>
						2,951,606
						<u>\$ 28,282,546</u>

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

CRW has outstanding revenue bonds and notes from direct borrowings and direct placement totaling \$33,049,813 and \$133,040,000 at year ended December 31, 2020 and \$28,282,546 and \$139,630,000 at year ended December 31, 2019, respectively. CRW's outstanding direct placement bonds contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due upon the occurrence and continuance of any event of default and at the written request of not less than 25% of the registered owners. All outstanding notes and bonds contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if CRW is unable to make payment. In addition, the revenue streams for the water system, sewer system and the stormwater system are pledged as collateral for their respective bonds and notes.

Long-term liability activity for the years ended December 31, 2020 and 2019 were as follows:

	Beginning Balance at January 1, 2020	Additions	Amortization	Reductions	Ending Balance at December 31, 2020	Amounts Due Within One Year
Notes payable	\$ 28,282,546	\$ 6,341,571	\$ -	\$ (1,574,304)	\$ 33,049,813	\$ 2,028,113
Bonds payable	139,630,000	-	-	(6,590,000)	133,040,000	6,910,000
Lease payable	-	720,213	-	-	720,213	137,135
Compensated absences	517,311	833,684	-	(658,183)	692,812	277,248
Total long-term liabilities	168,429,857	7,895,468	-	(8,822,487)	167,502,838	9,352,496
Plus:						
Unamortized premium	17,251,679	-	(2,098,352)	-	15,153,327	-
	<u>\$ 185,681,536</u>	<u>\$ 7,895,468</u>	<u>\$ (2,098,352)</u>	<u>\$ (8,822,487)</u>	<u>\$ 182,656,165</u>	<u>\$ 9,352,496</u>

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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	Beginning Balance at January 1, 2019	Additions	Amortization	Reductions	Ending Balance at December 31, 2019	Amounts Due Within One Year
Notes payable	\$ 27,788,290	\$ 1,866,789	\$ -	\$ (1,372,533)	\$ 28,282,546	\$ 1,581,377
Bonds payable	145,905,000	-	-	(6,275,000)	139,630,000	6,590,000
Compensated absences	498,860	646,288	-	(627,837)	517,311	270,580
Total long-term liabilities	174,192,150	2,513,077	-	(8,275,370)	168,429,857	8,441,957
Plus:						
Unamortized premium	19,865,085	-	(2,613,406)	-	17,251,679	-
	<u>\$ 194,057,235</u>	<u>\$ 2,513,077</u>	<u>\$ (2,613,406)</u>	<u>\$ (8,275,370)</u>	<u>\$ 185,681,536</u>	<u>\$ 8,441,957</u>

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### 6. Line of Credit

In July 2020, CRW entered into two secured line of credit agreements with First National Bank of Pennsylvania. One is for the water division with a credit limit of \$5,000,000 and another is for the sewer division with a credit limit of \$5,000,000. Both credit lines have a variable interest rate, with an initial rate of 2.75% subject to change based in an independent index called the "LIBOR Rate." The note requires monthly interest payments beginning July 20, 2020. The outstanding balance on Sewer's Line of Credit was zero as of December 31, 2020. The outstanding balance on Water's Line of Credit was also zero as of December 31, 2020.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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### 7. Capital Lease

During the year ended December 31, 2020, CRW entered into a capital lease for truck vehicles. The leased equipment has a cost of \$720,213 and accumulated depreciation of \$40,998 as of December 31, 2020. The capital lease requires fixed monthly payments through December 2025. At December 31, 2020, the future minimum lease payments required are as follows:

<u>Year Ending December 31</u>	
2021	\$ 153,116
2022	153,116
2023	153,116
2024	153,116
2025	<u>153,116</u>
Total minimum lease payments	765,580
Less: amount representing interest	<u>(45,367)</u>
Present value of minimum lease payments	<u>\$ 720,213</u>

### 8. Segment Information

CRW supports three separate segments. The Water Segment accounts for the provision of basic water service to customers of the Harrisburg Water System. The Sewer Segment accounts for the provision of wastewater collection, conveyance, and treatment to customers of the Harrisburg Wastewater System. The Stormwater Segment, which started during the year ended December 31, 2020, accounts for the provision of repairing and maintaining storm drains. Selected segment information as of and for the years ended December 31, 2020 and 2019 are as follows:

# CAPITAL REGION WATER

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Segment information for the year ended December 31, 2020:

	Water Segment	Sewer Segment	Stormwater Segment
<b>CONDENSED BALANCE SHEET</b>			
<b>Assets:</b>			
Current assets:			
Other current assets	\$ 28,837,762	\$ 15,416,439	\$ 1,035,309
Due from the City of Harrisburg	629,957	1,947,067	226,809
Due from other funds	277,991	1,702,606	-
Total current assets	29,745,710	19,066,112	1,262,118
Restricted assets	18,578,201	10,641,164	3,340
Net pension asset	207,074	277,660	-
Capital assets	80,374,534	128,246,762	15,412,762
Total Assets	128,905,519	158,231,698	16,678,220
Deferred Outflows of Resources	6,497,021	400,429	-
Total Assets and Deferred Outflows of Resources	\$ 135,402,540	\$ 158,632,127	\$ 16,678,220
<b>Liabilities:</b>			
Current liabilities:			
Other current liabilities	\$ 2,030,670	\$ 6,539,134	\$ 497,704
Due to the City of Harrisburg	1,441,259	2,278,920	207,125
Due to other funds	-	-	954,031
Total current liabilities	3,471,929	8,818,054	1,658,860
Liabilities payable from restricted assets	8,440,899	3,530,671	137,135
Due to the City of Harrisburg	121,316	677,779	-
Noncurrent liabilities	99,570,320	73,712,832	929,601
Total Liabilities	111,604,464	86,739,336	2,725,596
Deferred Inflows of Resources	520,607	595,931	-
<b>Net Position:</b>			
Net investment in capital assets	(6,995,791)	54,317,073	13,892,349
Restricted	3,550,121	2,340,000	-
Unrestricted	26,723,139	14,639,787	60,275
Total Net Position	23,277,469	71,296,860	13,952,624
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 135,402,540	\$ 158,632,127	\$ 16,678,220
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>			
Operating revenues	\$ 24,172,821	\$ 20,760,851	\$ 1,283,659
Operating expenses:			
Operating	5,757,839	9,098,991	463,859
Administration	2,744,411	2,863,837	-
Depreciation	2,718,312	3,062,244	236,711
Total operating expenses	11,220,562	15,025,072	700,570
Operating Income	12,952,259	5,735,779	583,089
Non-operating revenues (expenses):			
Investment income	245,678	162,339	-
Grant revenue	-	-	177,024
Gain on sale of easements	191,516	-	-
Miscellaneous income	567,592	142,096	-
Loss on disposal of capital assets	2,000	-	-
Interest expense	(3,661,866)	(2,060,587)	(3,105)
Transfers in (out)	-	(13,195,616)	13,195,616
Total non-operating revenues (expenses)	(2,655,080)	(14,951,768)	13,369,535
Change in Net Position	10,297,179	(9,215,989)	13,952,624
Net position - January 1, 2020	12,980,290	80,512,849	-
Net position - December 31, 2020	\$ 23,277,469	\$ 71,296,860	\$ 13,952,624



# CAPITAL REGION WATER

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	Water Segment	Sewer Segment	Stormwater Segment
<b>CONDENSED STATEMENT OF CASH FLOWS</b>			
Net cash provided by operating activities	\$ 17,547,690	\$ 7,120,124	\$ 1,257,419
Net cash provided by investing activities	4,911,726	154,928	-
Net cash used in capital and related financing activities	<u>(17,440,880)</u>	<u>(16,344,477)</u>	<u>(963,310)</u>
Increase (decrease) in cash and cash equivalents	5,018,536	(9,069,425)	294,109
Cash and cash equivalents, January 1, 2020	<u>22,464,819</u>	<u>22,849,907</u>	<u>-</u>
Cash and cash equivalents, December 31, 2020	<u>\$ 27,483,355</u>	<u>\$ 13,780,482</u>	<u>\$ 294,109</u>
<b>Noncash Capital Financing and Related Financing Activities:</b>			
Capital lease proceeds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 720,213</u>

# CAPITAL REGION WATER

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Segment information for the year ended December 31, 2019:

	Water Segment	Sewer Segment
<b>CONDENSED BALANCE SHEET</b>		
Assets:		
Current assets:		
Other current assets	\$ 23,868,112	\$ 23,324,744
Due from the City of Harrisburg	629,957	1,943,497
Due from other funds	1,721,904	695,967
Total current assets	26,219,973	25,964,208
Restricted assets	23,214,069	11,056,048
Capital assets	76,543,492	126,668,660
Total Assets	125,977,534	163,688,916
Deferred Outflows of Resources	7,301,312	543,542
Total Assets and Deferred Outflows of Resources	\$ 133,278,846	\$ 164,232,458
Liabilities:		
Current liabilities:		
Other current liabilities	\$ 2,306,161	\$ 6,217,946
Due to the City of Harrisburg	1,442,998	2,557,430
Total current liabilities	3,749,159	8,775,376
Liabilities payable from restricted assets	8,285,398	3,068,394
Due to the City of Harrisburg	51,971	770,374
Noncurrent liabilities	108,064,212	70,901,507
Total Liabilities	120,150,740	83,515,651
Deferred Inflows of Resources	147,816	203,958
Net Position:		
Net investment in capital assets	(12,305,352)	62,647,328
Restricted	3,519,940	2,093,425
Unrestricted	21,765,702	15,772,096
Total Net Position	12,980,290	80,512,849
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 133,278,846	\$ 164,232,458
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>		
Operating revenues	\$ 25,484,009	\$ 22,188,107
Operating expenses:		
Operating	5,756,460	9,136,120
Administration	2,778,510	2,896,717
Depreciation	2,562,703	3,050,945
Total operating expenses	11,097,673	15,083,782
Operating Income	14,386,336	7,104,325
Non-operating revenues (expenses):		
Investment income	755,503	407,056
Grant revenue	207,084	977,533
Gain on sale of easements	40,000	-
Miscellaneous income	328,843	145,244
Loss on disposal of capital assets	(49,954)	(6,272)
Interest expense	(3,756,378)	(2,080,418)
Total non-operating revenues (expenses)	(2,474,902)	(556,857)
Change in Net Position	11,911,434	6,547,468
Net position - January 1, 2019	1,068,856	73,965,381
Net position - December 31, 2019	\$ 12,980,290	\$ 80,512,849

# CAPITAL REGION WATER

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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	Water Segment	Sewer Segment
<b>CONDENSED STATEMENT OF CASH FLOWS</b>		
Net cash provided by operating activities	\$ 17,329,678	\$ 11,807,229
Net cash provided by (used in) investing activities	287,348	(3,690,835)
Net cash used in capital and related financing activities	<u>(23,108,793)</u>	<u>(22,445,583)</u>
Decrease in cash and cash equivalents	(5,491,767)	(14,329,189)
Cash and cash equivalents, January 1, 2019	<u>27,956,586</u>	<u>37,179,096</u>
Cash and cash equivalents, December 31, 2019	<u>\$ 22,464,819</u>	<u>\$ 22,849,907</u>

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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### 9. Commitments and Contingencies

CRW is involved in several lawsuits in the normal course of business. It is the opinion of management that any liabilities resulting from these proceedings would not materially affect the financial position of CRW at December 31, 2020.

CRW had guaranteed a line-of-credit on behalf of the National Civil War Museum limited to \$250,000. In November 2014, the National Civil War Museum refinanced the line-of-credit to a term loan. The term loan is also guaranteed by a second lien on the collection of artifacts. As required by the agreement, CRW has placed \$250,000 in a separate account and this amount is included on the balance sheet as restricted cash and cash equivalents. In the event the Bank utilizes CRW's deposit to pay sums due under the term loan, the National Civil War Museum agrees to reimburse CRW by monthly depositing an amount equal to one thirty-sixth of the amount drawn from the account, together with interest calculated on the unpaid balance thereof at prime rate plus one percent. The term loan had an outstanding balance of \$338,482 and \$363,783 at June 30, 2020 and 2019, respectively.

CRW has entered into various construction and professional services contracts related to the construction of the various facilities. The outstanding commitment under these contracts at December 31, 2020, excluding amounts in accounts payable, was approximately \$15.5 million.

### 10. Risk Management

CRW is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which CRW carries commercial insurance. During the last three years, insurance settlements did not exceed insurance coverage.

### 11. Pension Plan

#### Plan Description

Pursuant to a transition agreement, water and sewer employees of the City transitioned to CRW during November 2013. Prior to the transition, the water and sewer employees participated in the City's non-uniform defined benefit plan which was administered by

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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Pennsylvania Municipal Retirement System (PMRS), an agent multiple-employer Public Employees Retirement System (PERS). As part of the transition, CRW created a spin-off plan that is being separately administered by PMRS. The Plan has been established to cover all full-time employees. Employees become eligible for participation in a plan immediately upon employment. CRW's pension plan is a defined benefit pension plan controlled by the provisions of Resolution 2013-015 adopted pursuant to Act 15 of 1974. The Plan participates in the PMRS who acts as a common investment and administrative agent for municipalities in the Commonwealth of Pennsylvania. PMRS issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. The report may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, Pennsylvania 17108-1165, or via PMRS' website.

### Benefits Provided

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, grants the authority to establish and amend the benefit terms to CRW's Board.

*Normal Benefit* – Active members are eligible for normal retirement at age of 65. The benefits provided by the plan are calculated at 2.0% per year of credited service multiplied by the final average annual salary. In no case may the benefit exceed 75% of the final average annual salary. Final average salary is based upon the annual average compensation paid during the highest three years of employment. A member is 100% vested after five years of credited service.

*Early Retirement Benefit* – Early retirement may be taken at age of 55 with 10 years of service. The benefit will be actuarially reduced for each year or partial year prior to normal retirement age that early retirement takes place.

*Survivor Benefit* – If a member is eligible to retire at the time of death, their beneficiary receives the present value of the accrued benefit. At retirement, member may select a survivor benefit.

*Death Benefit* – Effective January 1, 2020, a pre-retirement death benefit will be offered to beneficiaries of all members that meet specific requirements and who suffered a service-connected death.

*Disability Benefit* – In the instance of a service related disability, a 50% disability benefit, offset by workers' compensation benefits, is provided to a member who is unable to

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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perform gainful employment. In the instance of a non-service related disability, a 30% disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment.

*Cost-of-Living Adjustments* – CRW has the option to award postretirement adjustments based on investment performance.

### Plan Membership

Membership of the Plan consisted of the following at the most recent actuarial valuation date of January 1, 2019:

Active employees	121
Inactive employees and beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	<u>3</u>
Total	<u><u>136</u></u>

### Funding Policy and Contributions

All full-time employees are required to contribute five percent of their annual covered salary to the Plan, with an option to contribute up to 15%. Effective January 1, 2020, all members with 37.5 years or more of vested service are not required to contribute to the plan. CRW's contributions to the Plan are governed by Act 205 which mandates minimum actuarial funding based upon the Plan's biennial actuarial valuation. During the year ended December 31, 2019, CRW made a contribution to the Plan in the amount of \$324,568. The MMO for the year ended December 31, 2019 was \$324,568. During the year ended December 31, 2020 CRW made a contribution of \$387,213 and the MMO was \$387,213. The 2020 contribution is reported as a deferred outflow of resources at December 31, 2020.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

### Changes in the Net Pension Liability (Asset)

The changes in the net pension liability (asset) of CRW for the years ended December 31, 2020 and 2019 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2019 (based on the measurement date of December 31, 2018)	\$ 14,166,007	\$ 13,042,659	\$ 1,123,348
Changes for the year:			
Service cost	865,699	-	865,699
Interest	780,614	-	780,614
Contributions - employer	-	324,888	(324,888)
Contributions - employees	-	480,204	(480,204)
PMRS investment income	-	779,098	(779,098)
Market value investment income	-	2,009,475	(2,009,475)
Benefit payments	(223,576)	(223,576)	-
Administrative expense	-	(30,010)	30,010
Net changes	1,422,737	3,340,079	(1,917,342)
Balances at December 31, 2020 (based on the measurement date of December 31, 2019)	<u>\$ 15,588,744</u>	<u>\$ 16,382,738</u>	<u>\$ (793,994)</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>105.1%</u>

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2018 (based on the measurement date of December 31, 2017)	\$ 12,633,833	\$ 13,643,491	\$ (1,009,658)
Changes for the year:			
Service cost	830,682	-	830,682
Interest	691,100	-	691,100
Differences between expected and actual experience	520,179		520,179
Contributions - employer	-	334,515	(334,515)
Contributions - employees	-	455,329	(455,329)
PMRS investment income	-	685,337	(685,337)
Market value investment loss	-	(1,533,102)	1,533,102
Benefit payments	(509,787)	(509,787)	-
Administrative expense	-	(33,124)	33,124
Net changes	1,532,174	(600,832)	2,133,006
Balances at December 31, 2019 (based on the measurement date of December 31, 2018)	\$ 14,166,007	\$ 13,042,659	\$ 1,123,348
Plan fiduciary net position as a percentage of the total pension liability			92.1%



# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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*Actuarial Assumptions* - The total pension liability was determined by an actuarial valuation performed on January 1, 2019, with liabilities rolled forward to December 31, 2019, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial assumptions:

Investment rate of return	5.25%
Projected salary increases	2.8% - 7.05%*
* includes inflation rate of 2.8%	
Cost-of-living adjustments	2.8%, subject to plan limitations

Actuarial assumptions based on PMRS Experience Study for the period January 1, 2009 to December 31, 2013

Pre-retirement mortality:

Males: RP 2000 Male Non-Annuitant table projected 15 years with Scale AA  
Females: RP 2000 Female Non-Annuitant table projected 15 years with Scale AA and then set back 5 years

Post-retirement mortality:

Males: RP 2000 Male Annuitant table projected 5 years with Scale AA  
Females: RP 2000 Female Annuitant table projected 10 years with Scale AA

*Long-Term Expected Rate of Return* – The PMRS System’s (System) long-term expected rate of return on plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class. There are three steps to the method used by the System and an in-depth description of the process, including the anticipated rate of return by asset class, can be found at [www.pmr.state.pa.us](http://www.pmr.state.pa.us). Based on the three-part analysis, the PMRS Board established the System’s long-term expected rate of return at 6.7%. The rationale for the difference between the System’s long-term expected rate of return and the discount rate can be found at [www.pmr.state.pa.us](http://www.pmr.state.pa.us).

*Discount Rate* – The discount rate adopted by the PMRS Board and used to measure the individual participating municipalities’ total pension liability as of December 31, 2019 was 5.25%. The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the discount rate was required, used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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 the 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.

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate* – The following presents the net pension liability (asset) of the Plan calculated using the discount rate described above, as well as what the Plan's net pension liability (asset) would be if it was calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease 4.25%	Current Discount Rate (5.25%)	1% Increase (6.25%)
December 31, 2020			
Pension Liability (Asset)	<u>\$ 1,535,708</u>	<u>\$ (793,994)</u>	<u>\$ (2,768,374)</u>
December 31, 2019			
Pension Liability (Asset)	<u>\$ 3,240,425</u>	<u>\$ 1,123,348</u>	<u>\$ (670,836)</u>

### Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the years ended December 31, 2020 and 2019, CRW recognized pension expense of \$175,114 and \$586,613, respectively.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

At December 31, 2020, CRW reported deferred outflows of resources and deferred inflows of resources related to its pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 405,326	\$ 268,738
Changes of assumptions	226,034	40,113
CRW contributions subsequent to the measurement date	387,213	-
Net difference between projected and actual earnings on pension plan investments	-	1,265,772
Total	<u>\$ 1,018,573</u>	<u>\$ 1,574,623</u>

At December 31, 2019, CRW reported deferred outflows of resources and deferred inflows of resources related to its pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 463,273	\$ 322,485
Changes of assumptions	271,240	46,799
CRW contributions subsequent to the measurement date	324,568	-
Net difference between projected and actual earnings on pension plan investments	459,076	-
Total	<u>\$ 1,518,157</u>	<u>\$ 369,284</u>

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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The differences in CRW's expected and actual experience and changes of assumptions are recognized over the average expected remaining service lives of active and inactive members. The difference between projected and actual earnings on the pension plan investments is recognized over five years. CRW contributions made in 2020 and 2019 (subsequent to measurement dates) will be recorded as a reduction to the pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2020 will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	
2021	\$ (361,653)
2022	(321,511)
2023	(52,553)
2024	(359,175)
2025	42,719
Thereafter	<u>108,910</u>
	<u>\$ (943,263)</u>

### 12. Other Postemployment Benefit Plan

#### Plan Description

In addition to the pension benefits described in Note 11, CRW provides certain postemployment healthcare benefits to its employees who transferred from the City to CRW on November 4, 2013 through one single-employer, defined benefit OPEB plan. All other CRW employees are not eligible for OPEB. This OPEB plan does not issue a separate report.

Eligibility - Any employee who transferred from the City to CRW on November 4, 2013 that was eligible for the City's Non-Uniformed Pension Plan benefits and has attained age 60 with at least 20 years of service.

Benefits - Medical, prescription drug, dental, vision, and life coverage are provided to the member, along with a spouse and/or eligible dependents. CRW pays the full premium for life insurance in the amount of \$5,000 for the member only. CRW pays full medical

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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premium for single coverage for member only. The member and spouse are eligible until the member reaches Medicare age. Life insurance and reimbursements for Medicare Supplement coverage will continue for the member's life.

If a member is disabled after completion of 20 years of service, attained age 55 and completed 20 years of service, or attained age 65 and completed 15 years of service, CRW pays 60% of the medical premium for single coverage until the member reaches Medicare age. Otherwise, the member must pay 100% of medical premium for single coverage. For any coverage other than single, the member must pay any difference between the premiums. The member must pay the full premium for prescription drug, dental, and vision coverage as determined for the purpose of COBRA. Upon reaching Medicare age, CRW will reimburse a maximum monthly amount specified in the table below for a Medicare Supplement plan.

2020	\$ 290
2021	300
2022	310
2023	320
2024	330
2025	340
2026 and later	350

### Contributions

CRW's contribution is based on projected pay-as-you-go financing requirements. For the years ended December 31, 2020 and 2019, CRW contributed \$23,847 and \$16,570 to the OPEB plan.

CRW opted to not fully fund the OPEB contribution and will continue to fund the annual OPEB cost on a pay-as-you-go basis.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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### Plan Membership

At January 1, 2020, the latest actuarial valuation, the OPEB plan membership was as follows:

Active employees	25
Inactive employees and beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	-
Total	<u>29</u>

### Changes in Total OPEB Liability

The changes in total OPEB liability of CRW for the years ended December 31, 2020 (based on the measurement date December 31, 2019) and 2019 (based on the measurement date of December 31, 2018) were as follows:

Total OPEB Liability	2020	2019
Service cost	\$ 45,349	\$ 48,431
Interest	47,235	40,839
Changes in benefit terms	(100,324)	-
Differences between expected and actual experience	(149,337)	-
Changes of assumptions	37,387	(60,399)
Benefit payments	<u>(23,847)</u>	<u>(16,570)</u>
Net changes	(143,537)	12,301
OPEB Liability at January 1	<u>1,265,235</u>	<u>1,252,934</u>
OPEB Liability at December 31	<u>\$ 1,121,698</u>	<u>\$ 1,265,235</u>

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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At December 31, 2020, CRW reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 211,548
Changes of assumptions	82,004	49,417
CRW payments subsequent to the measurement date	72,583	-
Total	<u>\$ 154,587</u>	<u>\$ 260,965</u>

At December 31, 2019, CRW reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 88,654
Changes of assumptions	54,867	54,908
CRW payments subsequent to the measurement date	23,847	-
Total	<u>\$ 78,714</u>	<u>\$ 143,562</u>

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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The differences in CRW's changes of assumptions and differences between expected and actual experience are recognized over the average expected remaining service lives of active and inactive members. CRW payments subsequent to the measurement date at December 31, 2020 will be recorded as a reduction to the OPEB liability during the year ending December 31, 2021. The amount recorded at December 31, 2019 was recognized as a reduction of the net OPEB liability for the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at December 31, 2020 will be recognized in OPEB expense as follows:

<u>Year ending December 31,</u>	
2021	\$ (21,684)
2022	(21,684)
2023	(21,684)
2024	(21,684)
2025	(21,684)
Thereafter	<u>(70,541)</u>
	<u><u>\$ (178,961)</u></u>

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and on the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculation.

The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.



# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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The total OPEB liability was determined by an actuarial valuation performed on January 1, 2020 and measured at December 31, 2019, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial cost method	Entry age normal
Actuarial assumptions:	
Interest rate	3.26% - Based on the Standard & Poor's Municipal Bond 20-Year High Grade Rate Index at January 1, 2020.
Projected salary increases	5.00%
Healthcare cost trend rates	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Mortality	IRS 2017 Static Combined Mortality Table for Small Plans
Actuarial value of assets	Not applicable

### Changes in Actuarial Assumptions

The interest rate changed from 3.64% in the January 1, 2018 measured at December 31, 2018 actuarial valuation to 3.26% in the January 1, 2020 measured at December 31, 2019 actuarial valuation. There was a change of benefit terms for four members who transition to nonbenefit employees and were excluded from the plan for the actuarial valuation measured at December 31, 2019.

### Discount Rate

The discount rate used to measure the December 31, 2020 and 2019 total OPEB liability was 3.26% and 3.64%, respectively. The discount rate was based on the index rate for 20-year high grade municipal bonds rate index. Since the OPEB Plan has insufficient assets to meet projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each measurement period assumed that employer contributions will be made based on the current funding policy for future years.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of CRW calculated using the discount rate described above, as well as what the CRW's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
December 31, 2020			
Total OPEB Liability	\$ 1,226,840	\$ 1,121,698	\$ 1,027,478
December 31, 2019			
Total OPEB Liability	\$ 1,394,345	\$ 1,265,235	\$ 1,148,350

### Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of CRW calculated using the healthcare cost trend rates described above, as well as what CRW's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current rates:

	1% Decrease	Current Trend Rate	1% Increase
December 31, 2020			
Total OPEB Liability	\$ 1,114,642	\$ 1,121,698	\$ 1,129,554
December 31, 2019			
Total OPEB Liability	\$ 1,252,254	\$ 1,265,235	\$ 1,279,856

### OPEB Expense

For the years ended December 31, 2020 and 2019, CRW recognized OPEB expense of \$(29,424) and \$80,025, respectively.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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### **13. Subsequent Events**

CRW entered into various construction and professional services contracts in 2021 related to the construction of the various facilities. The commitment under these contracts is approximately \$20.3 million.

CRW has a dispute with a contractor regarding work performed on the Paxton Creek Interceptor Sewer Improvements. During 2021, CRW and the contractor have agreed upon the final settlement payment of \$1,215,183, which is accrued as a liability in CRW's December 31, 2020 financial statements.

In September 2021, CRW entered into a Sewer Revenue Note with PennVest for \$21,000,000 to fund the Collection System Rehabilitation project.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CAPITAL REGION WATER**  
**REQUIRED SUPPLEMENTARY INFORMATION -**  
**SCHEDULE OF CHANGES IN THE PENSION PLAN'S**  
**NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**

	2020*	2019	2018	2017	2016	2015
<b>Total Pension Liability:</b>						
Service cost	\$ 865,699	\$ 830,682	\$ 764,171	\$ 654,728	\$ 613,689	\$ 334,095
Interest	780,614	691,100	635,428	603,374	542,606	401,252
Changes of assumptions	-	-	-	406,858	(73,543)	-
Differences between expected and actual experience	-	520,179	-	(483,726)	-	1,637
Transfers	-	-	(101,807)	-	-	3,135,289
Benefit payments, including refunds	(223,576)	(509,787)	(189,492)	(22,836)	(2,949)	(16,536)
<b>Net Changes in Total Pension Liability</b>	<b>1,422,737</b>	<b>1,532,174</b>	<b>1,108,300</b>	<b>1,158,398</b>	<b>1,079,803</b>	<b>3,855,737</b>
<b>Total Pension Liability - Beginning</b>	<b>14,166,007</b>	<b>12,633,833</b>	<b>11,525,533</b>	<b>10,367,135</b>	<b>9,287,332</b>	<b>5,431,595</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 15,588,744</b>	<b>\$ 14,166,007</b>	<b>\$ 12,633,833</b>	<b>\$ 11,525,533</b>	<b>\$ 10,367,135</b>	<b>\$ 9,287,332</b>
<b>Plan Fiduciary Net Position:</b>						
Contributions - employer	\$ 324,888	\$ 334,515	\$ 501,800	\$ 216,967	\$ 227,577	\$ 143,879
Contributions - employees	480,204	455,329	416,181	388,245	324,831	251,842
Net investment income (loss)	2,788,573	(847,765)	1,958,868	794,593	(71,180)	416,222
Transfers	-	-	(101,807)	-	-	3,135,289
Benefit payments, including refunds	(223,576)	(509,787)	(189,492)	(22,836)	(2,949)	(16,536)
Administrative expense	(30,010)	(33,124)	(30,681)	(31,035)	(24,032)	(20,178)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>3,340,079</b>	<b>(600,832)</b>	<b>2,554,869</b>	<b>1,345,934</b>	<b>454,247</b>	<b>3,910,518</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>13,042,659</b>	<b>13,643,491</b>	<b>11,088,622</b>	<b>9,742,688</b>	<b>9,288,441</b>	<b>5,377,923</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 16,382,738</b>	<b>\$ 13,042,659</b>	<b>\$ 13,643,491</b>	<b>\$ 11,088,622</b>	<b>\$ 9,742,688</b>	<b>\$ 9,288,441</b>
<b>Net Pension Liability (Asset) - Ending (a-b)</b>	<b>\$ (793,994)</b>	<b>\$ 1,123,348</b>	<b>\$ (1,009,658)</b>	<b>\$ 436,911</b>	<b>\$ 624,447</b>	<b>\$ (1,109)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>105.1%</b>	<b>92.1%</b>	<b>108.0%</b>	<b>96.2%</b>	<b>94.0%</b>	<b>100.0%</b>
<b>Covered Payroll</b>	<b>\$ 7,498,799</b>	<b>\$ 7,168,520</b>	<b>\$ 6,645,051</b>	<b>\$ 6,084,318</b>	<b>\$ 5,255,163</b>	<b>\$ 4,617,165</b>
<b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	<b>-10.59%</b>	<b>15.67%</b>	<b>-15.19%</b>	<b>7.18%</b>	<b>11.88%</b>	<b>-0.02%</b>

\* The amounts presented for each fiscal year were determined as of the measurement date, which is the December 31 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, CRW is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information - pension plan.

## CAPITAL REGION WATER

### REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF PENSION CONTRIBUTIONS

	2020*	2019	2018	2017	2016	2015
Actuarially determined contribution under Act 205	\$ 324,568	\$ 334,035	\$ 301,468	\$ 240,302	\$ 204,394	\$ 143,479
Contribution in relation to the actuarially determined contribution	<u>324,888</u>	<u>334,515</u>	<u>501,800</u>	<u>216,967</u>	<u>227,577</u>	<u>143,879</u>
Contribution deficiency (excess)	<u>\$ (320)</u>	<u>\$ (480)</u>	<u>\$ (200,332)</u>	<u>\$ 23,335</u>	<u>\$ (23,183)</u>	<u>\$ (400)</u>
Covered payroll	<u>\$ 7,498,799</u>	<u>\$ 7,165,520</u>	<u>\$ 6,645,051</u>	<u>\$ 6,084,318</u>	<u>\$ 5,255,163</u>	<u>\$ 4,617,165</u>
Contributions as a percentage of covered payroll	4.33%	4.67%	7.55%	3.57%	4.33%	3.12%

\* The amounts presented for each fiscal year were determined as of the measurement date, which is the December 31 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, CRW is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information - pension plan.

# CAPITAL REGION WATER

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN

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### 1. Actuarial Methods and Assumptions

The information presented in the required supplementary information was determined as part of the actuarial valuation at the date indicated. Methods and assumptions used to determine the contribution rate required under Act 205 for the year ended December 31, 2019 are as follows:

Actuarial valuation date	1/1/2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	Based on periods in Act 205
Asset valuation method	Based on the municipal reserves
Actuarial assumptions:	
Investment rate of return	5.25%
Projected salary increases	Age related scale with merit and inflation component
Underlying inflation rate	2.8%
Postretirement cost-of-living adjustment increase	2.8%, subject to plan limitations
Preretirement mortality:	
Males: RP 2000 Non-Annuitant Male table projected 15 years with Scale AA	
Females: RP 2000 Non-Annuitant Female table projected 15 years with Scale AA, set back 5 years	
Postretirement mortality:	
Males: RP 2000 Annuitant Male table projected 5 years with Scale AA	
Females: RP 2000 Annuitant Female table projected 10 years with Scale AA	

### 2. Changes in Actuarial Assumptions

The December 31, 2015 assumptions were based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015 first effective.

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# **CAPITAL REGION WATER**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN**

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The December 31, 2016 investment return assumption for municipal assets decreased from 5.50% to 5.25%.

The December 31, 2019 underlying inflation rate and cost of living adjustment decreased from 5.5% to 5.25% and 3.0% to 2.8%, respectively.



# CAPITAL REGION WATER

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN THE OPEB PLAN'S LIABILITY

	2020	2019	2018
<b>Total OPEB Liability:</b>			
Service cost	\$ 45,349	\$ 48,431	\$ 48,171
Interest	47,235	40,839	46,410
Changes of benefit terms	(100,324)	-	-
Differences between expected and actual experience	(149,337)	-	(108,354)
Changes of assumptions	37,387	(60,399)	67,059
Benefit payments	(23,847)	(16,570)	(6,776)
<b>Net Changes in Total OPEB Liability</b>	(143,537)	12,301	46,510
<b>Total OPEB Liability - Beginning</b>	1,265,235	1,252,934	1,206,424
<b>Total OPEB Liability - Ending</b>	<u>\$ 1,121,698</u>	<u>\$ 1,265,235</u>	<u>\$ 1,252,934</u>

\* The amounts presented for each fiscal year were determined as of the measurement date, which is the December 31 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, CRW is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information - OPEB plan.

# CAPITAL REGION WATER

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLAN

YEAR ENDED DECEMBER 31, 2020

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### 1. Actuarial Methods and Assumptions

The following actuarial methods and assumptions were used to determine contribution rates reported in the OPEB required supplementary schedule:

Actuarial cost method	Entry age normal
Actuarial assumptions:	
Interest rate	3.26% - Based on the Standard & Poor's Municipal Bond 20-Year High Grade Rate Index at January 1, 2020.
Projected salary increases	5.00%
Healthcare cost trend rates	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Mortality	IRS 2017 Static Combined Mortality Table for Small Plans
Actuarial value of assets	Not applicable

#### Factors and Trends Used in the Actuarial Valuation for the Other Post-employment Benefit (OPEB) Plan

Capital Region Water (CRW) has not accumulated assets for the OPEB plan. Benefits are paid on a pay-as-you-go basis.

#### Benefit Changes

The premium that CRW paid on behalf of the members changed in the January 1, 2020 actuarial valuation to include the full premium as determined for the purpose of COBRA.

#### Changes in Actuarial Assumptions

The interest rate changed from 4.50% in the January 1, 2016 actuarial valuation to 3.16% in the January 1, 2018 measured at December 31, 2017 actuarial valuation. In addition, the healthcare cost trend rates and mortality tables were updated.

# **CAPITAL REGION WATER**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLAN**

**YEAR ENDED DECEMBER 31, 2020**

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The interest rate changed from 3.16% in the January 1, 2018 measured at December 31, 2017 actuarial valuation to 3.64% in the January 1, 2018 measured at December 31, 2018 actuarial valuation.

The interest rate changed from 3.64% in the January 1, 2018 measured at December 31, 2018 actuarial valuation to 3.26% in the January 1, 2020 measured at December 31, 2019 actuarial valuation.

## **SUPPLEMENTARY INFORMATION**

# CAPITAL REGION WATER

## COMBINING BALANCE SHEET

### DECEMBER 31, 2020

	Water Segment	Sewer Segment	Stormwater Segment	Working Capital Fund	Eliminations	Total
<b>Assets and Deferred Outflows of Resources</b>						
<b>Assets:</b>						
Current assets:						
Cash and cash equivalents	\$ 23,933,234	\$ 7,244,620	\$ 290,769	\$ 1,656,463	\$ -	\$ 33,125,086
Accounts receivable, net of allowance for uncollectible accounts of \$4,689,244, \$1,968,382, \$155,037 and zero	4,568,501	7,827,760	526,964	67,225	-	12,990,450
Grants receivable	-	-	207,125	-	-	207,125
Due from the City of Harrisburg	629,957	1,947,067	226,809	443,595	-	3,247,428
Prepaid expenses	207,348	246,011	10,451	168,081	-	631,891
Inventory	128,679	98,048	-	-	-	226,727
Due from other funds	277,991	1,702,606	-	-	(1,980,597)	-
Total current assets	29,745,710	19,066,112	1,262,118	2,335,364	(1,980,597)	50,428,707
Restricted assets:						
Cash and cash equivalents - restricted under trust indentures and guarantee agreement	3,550,121	6,535,862	3,340	250,000	-	10,339,323
Investments restricted under trust indentures	15,028,080	4,105,302	-	-	-	19,133,382
Total restricted assets	18,578,201	10,641,164	3,340	250,000	-	29,472,705
Noncurrent assets:						
Net pension asset	207,074	277,660	-	309,260	-	793,994
Capital assets, not being depreciated	4,595,716	33,100,701	3,607,779	-	-	41,304,196
Capital assets, being depreciated, net of accumulated depreciation of \$61,580,574, \$75,923,305, \$574,288 and \$234,816	75,778,818	95,146,061	11,804,983	251,190	-	182,981,052
Total noncurrent assets	80,581,608	128,524,422	15,412,762	560,450	-	225,079,242
Total Assets	128,905,519	158,231,698	16,678,220	3,145,814	(1,980,597)	304,980,654
<b>Deferred Outflows of Resources:</b>						
Deferred loss on refunding	6,138,866	-	-	-	-	6,138,866
Deferred outflows of resources for other postemployment benefits	86,015	58,505	-	10,067	-	154,587
Deferred outflows of resources for pension	272,140	341,924	-	404,509	-	1,018,573
Total Deferred Outflows of Resources	6,497,021	400,429	-	414,576	-	7,312,026
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 135,402,540</b>	<b>\$ 158,632,127</b>	<b>\$ 16,678,220</b>	<b>\$ 3,560,390</b>	<b>\$ (1,980,597)</b>	<b>\$ 312,292,680</b>

(Continued)

# CAPITAL REGION WATER

## COMBINING BALANCE SHEET

DECEMBER 31, 2020  
(Continued)

	Water Segment	Sewer Segment	Stormwater Segment	Working Capital Fund	Eliminations	Total
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>						
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 1,972,017	\$ 6,419,051	\$ 495,651	\$ 332,886	\$ -	\$ 9,219,605
Current portion of compensated absences	58,653	120,083	2,053	96,459	-	277,248
Due to the City of Harrisburg	1,441,259	2,278,920	207,125	-	-	3,927,304
Due to other funds	-	-	954,031	1,026,566	(1,980,597)	-
Total current liabilities	3,471,929	8,818,054	1,658,860	1,455,911	(1,980,597)	13,424,157
Liabilities payable from restricted assets:						
Accrued interest payable	2,087,480	945,977	-	-	-	3,033,457
Current portion of notes payable	228,419	1,799,694	-	-	-	2,028,113
Current portion of lease payable	-	-	137,135	-	-	137,135
Current portion of bonds payable	6,125,000	785,000	-	-	-	6,910,000
Total liabilities payable from restricted assets	8,440,899	3,530,671	137,135	-	-	12,108,705
Noncurrent liabilities:						
Compensated absences	87,918	179,989	3,078	144,579	-	415,564
Due to the City of Harrisburg	121,316	677,779	-	-	-	799,095
Notes payable	3,581,979	27,096,276	343,445	-	-	31,021,700
Lease payable	-	-	583,078	-	-	583,078
Bonds outstanding, plus premiums of \$10,204,200, \$4,949,127, zero and zero	95,369,200	45,914,127	-	-	-	141,283,327
Total other postemployment benefit liability	531,223	522,440	-	68,035	-	1,121,698
Total noncurrent liabilities	99,691,636	74,390,611	929,601	212,614	-	175,224,462
Total Liabilities	111,604,464	86,739,336	2,725,596	1,668,525	(1,980,597)	200,757,324
<b>Deferred Inflows of Resources:</b>						
Deferred inflows of resources for other postemployment benefits	86,704	31,672	-	142,589	-	260,965
Deferred inflows of resources for pension	433,903	564,259	-	576,461	-	1,574,623
Total Deferred Inflows of Resources	520,607	595,931	-	719,050	-	1,835,588
<b>Net Position:</b>						
Net investment in capital assets	(6,995,791)	54,317,073	13,892,349	236,311	-	61,449,942
Restricted:						
Guarantee agreement	-	-	-	250,000	-	250,000
Water- restricted under trust indenture requirements	3,550,121	-	-	-	-	3,550,121
Sewer- restricted under trust indenture requirements	-	2,340,000	-	-	-	2,340,000
Unrestricted	26,723,139	14,639,787	60,275	686,504	-	42,109,705
Total Net Position	23,277,469	71,296,860	13,952,624	1,172,815	-	109,699,768
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 135,402,540</b>	<b>\$ 158,632,127</b>	<b>\$ 16,678,220</b>	<b>\$ 3,560,390</b>	<b>\$ (1,980,597)</b>	<b>\$ 312,292,680</b>

**CAPITAL REGION WATER**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2020**

	Water Segment	Sewer Segment	Stormwater Segment	Working Capital Fund	Eliminations	Total
<b>Operating Revenues:</b>						
User charges	\$ 24,172,821	\$ 20,760,851	\$ 1,283,659	\$ -	\$ (164,050)	\$ 46,053,281
Administrative fees	-	-	-	5,608,248	(5,608,248)	-
Total operating revenues	24,172,821	20,760,851	1,283,659	5,608,248	(5,772,298)	46,053,281
<b>Operating Expenses:</b>						
Operating	5,757,839	9,098,991	463,859	-	(242,447)	15,078,242
Administrative	2,744,411	2,863,837	-	5,832,986	(5,608,248)	5,832,986
Depreciation	2,718,312	3,062,244	236,711	41,304	-	6,058,571
Total operating expenses	11,220,562	15,025,072	700,570	5,874,290	(5,850,695)	26,969,799
<b>Operating Income (Loss)</b>	12,952,259	5,735,779	583,089	(266,042)	78,397	19,083,482
<b>Non-Operating Revenues (Expenses):</b>						
Investment income	245,678	162,339	-	18,472	-	426,489
Grant revenue	-	-	177,024	-	-	177,024
Gain on sale of easements	191,516	-	-	-	-	191,516
Miscellaneous income	567,592	142,096	-	290,651	(78,397)	921,942
Gain on disposal of capital assets	2,000	-	-	-	-	2,000
Interest expense	(3,661,866)	(2,060,587)	(3,105)	-	-	(5,725,558)
Transfers in (out)	-	(13,195,616)	13,195,616	-	-	-
Total non-operating revenues (expenses)	(2,655,080)	(14,951,768)	13,369,535	309,123	(78,397)	(4,006,587)
<b>Change in Net Position</b>	10,297,179	(9,215,989)	13,952,624	43,081	-	15,076,895
<b>Net Position:</b>						
Beginning of year	12,980,290	80,512,849	-	1,129,734	-	94,622,873
End of year	\$ 23,277,469	\$ 71,296,860	\$ 13,952,624	\$ 1,172,815	\$ -	\$ 109,699,768

# CAPITAL REGION WATER

## COMBINING SCHEDULE OF CASH FLOWS

### YEAR ENDED DECEMBER 31, 2020

	Water Segment	Sewer Segment	Stormwater Segment	Working Capital Fund	Eliminations	Total
<b>Cash Flows From Operating Activities:</b>						
Receipts from customers and users	\$ 24,396,923	\$ 19,498,106	\$ 529,886	\$ (35,534)	\$ -	\$ 44,389,381
Receipts for interfund services	-	-	-	4,216,943	(4,216,943)	-
Payments to employees	(2,222,321)	(3,240,162)	(128,689)	(3,250,675)	-	(8,841,847)
Payments to suppliers	(3,326,414)	(5,267,344)	(97,809)	(2,205,539)	-	(10,897,106)
Payments for interfund services	(1,300,498)	(3,870,476)	954,031	-	4,216,943	-
Net cash provided by (used in) operating activities	17,547,690	7,120,124	1,257,419	(1,274,805)	-	24,650,428
<b>Cash Flows From Investing Activities:</b>						
Purchase (sale) of investments, net	4,666,048	(7,411)	-	-	-	4,658,637
Investment income received	245,678	162,339	-	18,472	-	426,489
Net cash provided by investing activities	4,911,726	154,928	-	18,472	-	5,085,126
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Proceeds from debt issuance	-	5,998,126	343,445	-	-	6,341,571
Acquisition and construction of capital assets	(6,682,769)	(18,352,522)	(1,273,549)	(69,505)	-	(26,378,345)
Gain on disposal of capital assets	2,000	-	-	-	-	2,000
Interest paid	(4,885,480)	(2,373,337)	(3,105)	-	-	(7,261,922)
Principal paid on long-term debt	(6,066,147)	(2,098,157)	-	-	-	(8,164,304)
Intergovernmental revenue	-	481,413	(30,101)	-	-	451,312
Proceeds from sale of easements	191,516	-	-	-	-	191,516
Net cash used in capital and related financing activities	(17,440,880)	(16,344,477)	(963,310)	(69,505)	-	(34,818,172)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	5,018,536	(9,069,425)	294,109	(1,325,838)	-	(5,082,618)
<b>Cash and Cash Equivalents:</b>						
Beginning of year	22,464,819	22,849,907	-	3,232,301	-	48,547,027
End of year	\$ 27,483,355	\$ 13,780,482	\$ 294,109	\$ 1,906,463	\$ -	\$ 43,464,409

(Continued)



**CAPITAL REGION WATER**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2020**  
**(Continued)**

	Water Segment	Sewer Segment	Stormwater Segment	Working Capital Fund	Eliminations	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>						
Operating income (loss)	\$ 12,952,259	\$ 5,735,779	\$ 583,089	\$ (266,042)	\$ 78,397	\$ 19,083,482
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:						
Depreciation	2,718,312	3,062,244	236,711	41,304	-	6,058,571
Amortization of deferred outflows and inflows of resources	(69,036)	(83,846)	-	(110,708)	-	(263,590)
Miscellaneous nonoperating income	567,592	142,096	-	290,651	(78,397)	921,942
(Increase) decrease in accounts receivable	224,102	(1,259,175)	(526,964)	(35,534)	-	(1,597,571)
Increase in due from the City of Harrisburg	-	(3,570)	(226,809)	-	-	(230,379)
(Increase) in prepaid expenses	(76,718)	(82,690)	(10,451)	(54,653)	-	(224,512)
(Increase) decrease in inventory	(128,679)	121,627	-	-	-	(7,052)
(Increase) in net pension asset	(207,074)	(277,660)	-	(309,260)	-	(793,994)
Increase in deferred outflows of resources for other postemployment benefits	(46,036)	(37,925)	-	(2,162)	-	(86,123)
Increase in deferred outflows of resources for pensions	107,893	140,533	-	148,005	-	396,431
(Increase) decrease in due from (to) other funds	1,443,913	(1,006,639)	954,031	(1,391,305)	-	-
Increase (decrease) in accounts payable and accrued liabilities	(131,256)	833,697	35,556	129,957	-	867,954
Increase (decrease) in due to the City of Harrisburg	67,606	(371,105)	207,125	13,291	-	(83,083)
Increase in compensated absences	13,748	78,236	5,131	78,386	-	175,501
(Decrease) increase in total other postemployment benefit liability	(53,668)	11,661	-	(101,530)	-	(143,537)
(Decrease) in net pension liability	(308,584)	(399,463)	-	(415,301)	-	(1,123,348)
Increase in deferred inflows of resources for pensions	404,344	542,174	-	603,881	-	1,550,399
Increase in deferred inflows of resources for other postemployment benefits	68,972	(25,850)	-	106,215	-	149,337
Net cash provided by (used in) operating activities	<u>\$ 17,547,690</u>	<u>\$ 7,120,124</u>	<u>\$ 1,257,419</u>	<u>\$ (1,274,805)</u>	<u>\$ -</u>	<u>\$ 24,650,428</u>
<b>Noncash Capital Financing and Related Financing Activities:</b>						
Capital lease proceeds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 720,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 720,213</u>

(Concluded)

# CAPITAL REGION WATER

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Federal CFDA Number</u>	<u>Grant/ Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<b>Environmental Protection Agency:</b>				
Passed through Pennsylvania Infrastructure Investment Authority:				
Clean Water State Revolving Fund Cluster:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	71436	\$ -	\$ 7,278,225
Clean Water State Revolving Fund Cluster:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	72819	-	975,072
Subtotal 66.458			-	8,253,297
<b>General Services Administration:</b>				
Passed through the Commonwealth of Pennsylvania Department of General Services:				
Donation of Federal Surplus Personal Property	39.003	N/A	-	619
Total Expenditures of Federal Awards			\$ -	\$ 8,253,916

See accompanying notes to schedule of expenditures of federal awards.

# CAPITAL REGION WATER

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

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### **1. Basis of Presentation and Summary of Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (schedule) presents the expenditures of all federal awards programs of Capital Region Water (CRW) using the accrual basis of accounting. Expenditures reported on the schedule are recognized following the cost principles contained in the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

### **2. Relationship to Basic Financial Statements**

The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, CRW's basic financial statements.

### **3. Determination of Federal Expenditures**

The amount of federal expenditures for the Environmental Protection Agency loans represents the expenditures incurred under the loans during the year ended December 31, 2020. The Environmental Protection Agency requires that the current year expenditures incurred under the loans be reported on the schedule rather than the beginning balance of the loans.

# CAPITAL REGION WATER

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

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### 4. Reconciliation of PENNVEST Draws and Expenditures

The following is a reconciliation of the draws made during the year ended December 31, 2020 to the total expenditures, as presented on the schedule for loan 71436:

Draws received during year ended December 31, 2020	\$ 5,998,125
Retainage payable as of December 31, 2020	211,659
Expenditures paid prior to year ended December 31, 2019, draw received subsequent to December 31, 2019	(461,735)
Expenditures paid prior to year ended December 31, 2020, draw received subsequent to December 31, 2020	<u>1,530,176</u>
Current year expenditures, as reported on the Schedule of Expenditures of Federal Awards	<u><u>\$ 7,278,225</u></u>

The balance of the loan outstanding as of December 31, 2020 was \$7,116,083.

The following is a reconciliation of the draws made during the year ended December 31, 2020 to the total expenditures, as presented on the schedule for loan 72819:

Draws received during year ended December 31, 2020	\$ 343,445
Retainage payable as of December 31, 2020	97,508
Expenditures paid prior to year ended December 31, 2020, draw received subsequent to December 31, 2020	<u>534,119</u>
Current year expenditures, as reported on the Schedule of Expenditures of Federal Awards	<u><u>\$ 975,072</u></u>

The balance of the loan outstanding as of December 31, 2020 was \$343,445.

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