

## **Capital Region Water**

Financial Statements and Required  
Supplementary Information and  
Supplementary Information

Years Ended December 31, 2023 and 2022  
with Independent Auditor's Reports

# CAPITAL REGION WATER

YEARS ENDED DECEMBER 31, 2023 AND 2022

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of the business-type activities of Capital Region Water (CRW), as of and for the years ended December 31, 2023, and 2022, and the related notes to the financial statements, which collectively comprise the CRW's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of CRW, as of December 31, 2023, and 2022, and the changes in financial position and cash flows thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CRW, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CRW's

ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise CRW's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is 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 26, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 26, 2024

**CAPITAL REGION WATER**  
2023 Financial Statements  
Management’s Discussion and Analysis

Capital Region Water’s (CRW) comparative 2023 and 2022 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 Sheet, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statement 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 the results of future operations. Future operations will be affected by a range of 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 Sheet presents 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 Statement 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 Statement of Cash Flows has been prepared using the direct method. The statement provides an analysis of CRW’s cash by operating, investing, and capital and related financing activities over the respective fiscal year.

In fiscal year 2022, CRW adopted GASB Statement No. 87, recognizing assets and liabilities of certain lease contracts, both as a lessor of land for a cell phone tower and as a lessee for street cleaning vehicles.

**2023 Financial and Operational Highlights**

- CRW’s Total Assets increased \$35.6 million to \$371.8 million while Total Liabilities increased \$21.4 million to \$210.1 million. Adjusting for deferred inflows and outflows, the Total Net Position for CRW increased \$18.6 million to \$165.9 million.
- Operating Revenues of \$55.5 million were \$2.0 million or 3.7% higher than in 2022. Operating Expenses before depreciation increased \$598 thousand while Administrative Expenses increased \$693 thousand.
- Net Income for 2023 was \$18.6 million, an increase of \$1.1 million from 2022.
- Billed water volume in 2023 of 1.808 billion gallons was slightly lower than in the previous year, by approximately 1.5%.



**CAPITAL REGION WATER**  
**CONDENSED COMPARATIVE BALANCE SHEET**  
**ON DECEMBER 31<sup>ST</sup> OF 2023 AND 2022**  
(Dollars expressed in thousands)

|   | December 31,      |                   | Variance         |                |
|---|-------------------|-------------------|------------------|----------------|
|   | 2023              | 2022              | Dollars          | %              |
| <b>Noncurrent assets:</b>                       |                   |                   |                  |                |
| Lease receivable, net of current portion        | \$ 3,526          | \$ 3,575          | \$ (49)          | -1.37%         |
| Capital assets, not being depreciated           | 40,597            | 53,884            | (13,287)         | -24.66%        |
| Capital assets, net of accumulated depreciation | 247,174           | 201,650           | 45,524           | 22.58%         |
| Net pension asset                               | -                 | 2,160             | (2,160)          | -100.00%       |
| Restricted assets                               | 27,458            | 29,095            | (1,637)          | -5.63%         |
| Current assets                                  | 53,063            | 45,887            | 7,176            | 15.64%         |
| <b>Total Assets</b>                             | <b>371,818</b>    | <b>336,251</b>    | <b>35,567</b>    | <b>10.58%</b>  |
| <b>Deferred Outflows of Resources</b>           | <b>8,465</b>      | <b>6,721</b>      | <b>1,744</b>     | <b>25.95%</b>  |
| <b>Liabilities:</b>                             |                   |                   |                  |                |
| Current liabilities                             | 31,268            | 24,885            | 6,383            | 25.65%         |
| Long-term liabilities                           | 178,821           | 163,780           | 15,041           | 9.18%          |
| <b>Total Liabilities</b>                        | <b>210,089</b>    | <b>188,665</b>    | <b>21,424</b>    | <b>11.36%</b>  |
| <b>Deferred Inflows of Resources</b>            | <b>4,311</b>      | <b>7,008</b>      | <b>(2,697)</b>   | <b>-38.48%</b> |
| <b>Net Position:</b>                            |                   |                   |                  |                |
| Net investment in capital assets                | 120,361           | 107,949           | 12,412           | 11.50%         |
| Restricted                                      | 4,874             | 6,876             | (2,002)          | -29.12%        |
| Unrestricted                                    | 40,648            | 32,474            | 8,174            | 25.17%         |
| <b>Total Net Position</b>                       | <b>\$ 165,883</b> | <b>\$ 147,299</b> | <b>\$ 18,584</b> | <b>12.62%</b>  |

Total Assets increased in 2023 by \$35.6 million to \$371.8 million:

- \$39.7 million in capital assets were constructed in 2023, including \$26.1 million in wastewater projects, \$9.1 million in drinking water projects, and \$4.5 million in storm water projects. The Front St. Interceptor Upgrade project alone recorded \$16.9 million in construction costs while other collection system upgrades recorded \$6.0 million in costs in 2023. Drinking water projects included the Cameron Street main lining program at \$3.4 million and carryover costs of \$2.5 million from the 2022 system improvements program. \$53 million in capital assets were placed in service, thus reducing Construction in Progress by \$13.3 million, while depreciation of \$7.6 million reduced the total increase in depreciable assets to \$45 million.
- Cash and Cash Equivalents were the biggest driver behind the increase in current assets, up \$8.5 million after falling a similar amount the previous year. Maturing investments accounted for a portion of the increased cash balance as favorable bank rates allowed for a return to more liquid funds without jeopardizing interest income opportunities.

- Capital Region Water’s net pension valuation as reported by Pennsylvania Municipal Retirement System (PMRS) changed from an overfunding of \$2.2 million on 12/31/2021 to an underfunding of \$3.4 million on 12/31/2022 – the last available report from PMRS. The cause of the drop was two-fold – (1) the market value of investment income fell over \$3.7 million in 2022 due to a downturn in the market and a spike in interest rates to ward of a possible recession, and (2) the pension liability on 12/31/2022 was \$3.2 million higher than the previous reported value, due in part to a \$1.5 million difference between expected and actual experience, likely the result of payroll increases in excess of expectations.

Total liabilities increased \$21.4 million to \$210.1 million:

- Notes payable increased \$24.2 million over the previous year due to drawdowns of Pennvest loans to help fund the \$39.7 million in capital asset construction in 2023. Notes payable stands at \$61.5 million on 12/31/2023.
- Bond payments reduced outstanding debt balances by \$9.2 million. Bonds Outstanding total \$121.2 million.
- As previously discussed, the PMRS pension evaluation resulted in a liability of \$3.4 million.
- Accounts Payable increased \$2.9 million to \$10.6 million.

**CAPITAL REGION WATER**  
**CONDENSED COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR 2023 AND 2022**

(Dollars expressed in thousands)

|  | Year Ended December 31, |                  | Variance            |              |
|--|-------------------------|------------------|---------------------|--------------|
|  | 2023                    | 2022             | Dollars             | %            |
|  |                         |                  | Increase (Decrease) |              |
| Operating revenues                             | \$ 55,511               | \$ 53,518        | \$ 1,993            | 3.72%        |
| Operating expenses:                            |                         |                  |                     |              |
| Operating                                      | 19,737                  | 19,139           | 598                 | 3.12%        |
| Administrative                                 | 6,683                   | 5,990            | 693                 | 11.57%       |
| Depreciation                                   | 7,572                   | 6,656            | 916                 | 13.76%       |
| <b>Total Operating Expenses</b>                | <b>33,992</b>           | <b>31,785</b>    | <b>2,207</b>        | <b>6.94%</b> |
| Operating income                               | 21,519                  | 21,733           | (214)               | -0.98%       |
| Non-operating revenues (expenses):             |                         |                  |                     |              |
| Investment income                              | 1,979                   | 494              | 1,485               | 300.65%      |
| Grant revenue                                  | 101                     | 279              | (178)               | -63.84%      |
| Miscellaneous income (expense)                 | 100                     | 310              | (211)               | -67.90%      |
| Gain (Loss) on disposal of capital asset       | 155                     | 89               | 66                  | 74.38%       |
| Lease principal revenue                        | 115                     | 114              | 1                   | 1.23%        |
| Lease interest revenue                         | 3                       | 3                | (0)                 | -3.33%       |
| Interest expense                               | (5,389)                 | (5,503)          | 114                 | -2.07%       |
| <b>Total Non-operating Revenues (Expenses)</b> | <b>(2,936)</b>          | <b>(4,214)</b>   | <b>(29)</b>         | <b>0.69%</b> |
| <b>Net Income/(Loss)</b>                       | <b>\$ 18,583</b>        | <b>\$ 17,519</b> | <b>\$ 1,064</b>     | <b>6.08%</b> |

2023 Operating Revenues increased 3.7% over the prior year, from \$53.5 million to \$55.5 million.

- Water and wastewater volumetric and ready-to-serve charges combined were up \$1.6 million. Volumetric rates were increased 8% for wastewater service but remained the same rate as in 2022 for water service. While water revenues declined slightly, wastewater volumetric revenues increased as expected, up \$1.8 million or 8% over the prior year.
- Stormwater revenues are up \$141 thousand or about 2.7% from 2022. Although stormwater fees were unchanged, fee revenues fell slightly, stormwater credits were up, and penalties charged fell. Offsetting these unfavorable variances, the stormwater bad debt allowance entry in 2023 was significantly lower than in 2022, resulting in a favorable variance of \$271 thousand. This is due to the stormwater accounts receivable balance beginning to stabilize after several years of growth following the introduction of stormwater fees in late 2020. While 2021 was the first full year of stormwater fee billing, it wasn't until 2022 that enough billing cycles had taken place to fully mature the receivables balance, resulting in an allowance entry that reflected a doubling of dollars over 270-days past due and an overall increase in the receivables balance that increased by about a half million dollars. By contrast, the 2023 allowance entry was based on a receivable balance increasing only \$128 thousand and an over 270-day balance that was only 43% higher than the previous year.
- Contractor waste hauling fees recovered from a depressed 2022 when operational decisions to protect the plant from high ammonia concentrations resulted in a significant drop in hauling fees. By contrast, 2023 fees were up \$489 thousand, delivering \$853 thousand in revenues compared to \$363 thousand in 2022.
- \$276 thousand in tapping/connection fees were collected in 2023 compared to none in the previous year. As Capital Region Water is landlocked in terms of outward growth opportunities, these fees only occur when older properties within the City are repurposed or expansion opportunities occur, such as what happened at Harrisburg University, the subject of a majority of these fees for 2023.
- Bad debt/Direct write-offs across the three funds were \$1.7 million in 2023 compared to \$1.4 million in 2022, an unfavorable variance of \$251 thousand. An increase in recorded bankruptcies combined with higher past due Commonwealth of Pa balances over 270 days past due account for a large portion difference noted. The Commonwealth has been short-paying invoices since Capital Region Water introduced stormwater fees.

Operating Expenses of \$19.7 million were \$598 thousand or 3.1% higher than in 2022.

- Compensation & Benefits of \$9.4 million were \$679 thousand or 7.8% higher than in 2022. Labor costs and associated benefits were higher due to contractual wage and performance-based salary increases. Capital Region Water's Minimum Municipal Obligation for its pension plan increased \$300 thousand to \$758,930 in 2023, with about \$200 thousand of those additional costs included in these operational expenses. An additional \$215 thousand in healthcare costs were incurred in 2023 over that incurred in 2022.
- Utilities, including water, wastewater, stormwater, electric, gas, and refuse, fell \$530 thousand in 2023 to \$2.9 million.
  - All utility costs for wastewater facilities were lower in 2023 by a cumulative \$476 thousand. Biosolid disposal costs accounted for a majority of the favorable variance as land application returned to normal levels following unfavorable weather and a shortage of farms willing to participate in 2022. Land application is significantly lower in cost than the alternative of landfilling, and the additional availability of farm opportunities in 2023 resulted in a reduction of disposal cost of \$351 thousand.
  - Utility costs at drinking water facilities were fairly similar to 2022 results, with an overall favorable variance to the prior year of \$54 thousand.

- Professional & Contract Services expenditures totaled \$3.5 million in 2023, an increase of \$920 thousand from 2022.
  - Drinking water is overall favorable in this spending category, with favorable variances to prior year spending in SCADA contracted work, minor equipment purchases, and engineering services.
  - Wastewater & stormwater saw significantly higher spending in:
    - asset management development work, a continuation of efforts that began in late 2021,
    - advocacy efforts with respect to federal funding opportunities and Commonwealth stormwater concerns,
    - continued legal, engineering, and financial efforts pertaining to Capital Region Water’s partial consent decree and long-term control plan.
- Chemical costs of \$1 Million were up \$234k over 2022 expenditures, due to increased pricing and additional usage.
- Adjustments to Capital Region Water’s OPEB liability has resulted in significant swings over the past two years, with expenses of \$674 thousand recorded in 2022 followed by a reversal in 2023 of \$223 thousand, providing a favorable variance for 2023 of \$897 thousand.
- CRW’s programs to assist customers include a financial needs-based assistance program that provides up to \$200 annually, and relief of repairs to service lines that occur in the public right-of-way. These programs saw continued growth in 2022 with \$503 thousand in relief provided, up \$41 thousand from 2022.
- The pension valuation resulted in an increase of expenditures in 2023 of \$256 thousand, which was \$400 thousand more than the decrease of \$144 thousand posted in 2022.

Administrative Expenses of \$6.7 million were \$693 thousand or 11.6% higher than the prior year.

- Administrative staffing costs (compensation and benefits) of \$5.3 million were \$289 thousand higher than in 2022. The primary drivers of this increase included performance-based and labor negotiated wage increases, and payroll/benefit impacts of new hires, partially offset by temporary vacancies.
- In addition to the GASB 68 pension adjustment recorded under Other Indirect Fees for operational costs, \$185 thousand in pension expense adjustments were recorded under administrative expenses based on administrative payroll costs. This compares unfavorably to the \$121k credit recorded in 2022, resulting in an unfavorable year over year variance of \$306 thousand.
- Treasury Expenses of \$409 thousand were \$63 thousand higher than in 2022.
- Other costs identified as Administrative have generally lower annual expenditures, and do not individually have a significant impact on the year-over-year analysis.

Depreciation Expense of \$7.6 million was \$916 thousand or 13.8% higher.

Non-Operating Revenues of \$2.5 million were \$1.2 million higher than in 2022.

- CRW continued to enjoy strong earnings on investments and restricted funds, with average interest rates on investments rising to approximately 5.2%. With shorter term money market funds experiencing similar and sometimes better rates than longer term investments, CRW allowed many investments to mature in 2023 and held proceeds liquid, experiencing little loss in investment revenue while increasing liquidity in the event of needed emergency funds.
- Grant revenues of \$101 thousand reflect project costs funded through an Intergovernmental agreement with the City of Harrisburg to finance a portion of a storm water program that included City specific

requests. The requested infrastructure work on curbing and sidewalks was completed by Capital Region Water contractors but paid for with grant funding provided by the City.

- Miscellaneous Income dropped \$211 thousand compared to 2022 due to lower health insurance dividends distributed in 2023 based on unfavorable health experience factors.

Non-Operating (Interest) Expense of \$5.4 million is \$114 thousand lower than in 2022. Interest payments on CRW bonds in total declined \$195 thousand to \$4.9 million, while Pennvest loan interest payments increased \$80 thousand to \$486 thousand due to additional draws for capital project reimbursements. CRW also incurred \$14 thousand in interest expense in 2023 from temporary withdrawals from its sewer line of credit, \$6 thousand less than what was incurred in 2022.

## **2022 Financial and Operational Highlights**

- CRW's Total Assets increased \$11.8 million to \$336.3 million while Total Liabilities fell \$6.5 million to \$188.7 million. Adjusting for deferred inflows and outflows, the Total Net Position for CRW increased \$17.5 million to \$147.3 million.
- Operating Revenues of \$53.5 million were \$969 thousand or 1.8% higher than in 2021. Operating Expenses before depreciation increased \$3.0 million while administrative Expenses increased \$303 thousand.
- Net Income for 2022 was \$17.5 million, a decrease of \$2.6 million from 2021.
- Billed water volume of 1.832 billion gallons was 69 million gallons higher than in the previous year, but still lagged pre-Covid 2019 by 40 million gallons.
- The Authority closed on two additional loans through the Pennsylvania Infrastructure Investment Authority (Pennvest) in 2022. \$41.6 million will be drawn upon over the next several years to fund multi-year water projects, and \$65 million will be utilized to fund wastewater projects. Both loans have 20-year terms, interest rates of 1.0%, and allow the borrower to pay interest only on the drawn down balances during the construction period.

**CAPITAL REGION WATER**  
**CONDENSED COMPARATIVE BALANCE SHEET**  
**ON DECEMBER 31<sup>ST</sup> OF 2022 AND 2021**  
(Dollars expressed in thousands)

|   | December 31,      |                   | Variance         |               |
|---|-------------------|-------------------|------------------|---------------|
|   | 2022              | 2021              | Dollars          | %             |
| Noncurrent assets:                              |                   |                   |                  |               |
| Lease receivable, net of current portion        | \$ 3,575          | \$ 3,622          | \$ (47)          | -1.30%        |
| Capital assets, not being depreciated           | 53,884            | 47,399            | 6,485            | 13.68%        |
| Capital assets, net of accumulated depreciation | 201,650           | 191,530           | 10,120           | 5.28%         |
| Net pension asset                               | 2,160             | 2,270             | (110)            | -4.85%        |
| Restricted assets                               | 29,095            | 28,689            | 406              | 1.42%         |
| Current assets                                  | 45,887            | 50,991            | (5,104)          | -10.01%       |
| <b>Total Assets</b>                             | <b>336,251</b>    | <b>324,501</b>    | <b>11,750</b>    | <b>3.62%</b>  |
| <b>Deferred Outflows of Resources</b>           | <b>6,721</b>      | <b>6,647</b>      | <b>74</b>        | <b>1.11%</b>  |
| Liabilities:                                    |                   |                   |                  |               |
| Current liabilities                             | 24,885            | 25,210            | (325)            | -1.29%        |
| Long-term liabilities                           | 163,780           | 169,965           | (6,185)          | -3.64%        |
| <b>Total Liabilities</b>                        | <b>188,665</b>    | <b>195,175</b>    | <b>(6,510)</b>   | <b>-3.34%</b> |
| <b>Deferred Inflows of Resources</b>            | <b>7,008</b>      | <b>6,193</b>      | <b>815</b>       | <b>13.16%</b> |
| Net Position:                                   |                   |                   |                  |               |
| Net investment in capital assets                | 107,949           | 84,934            | 23,015           | 27.10%        |
| Restricted                                      | 6,876             | 6,147             | 729              | 11.86%        |
| Unrestricted                                    | 32,474            | 38,699            | (6,225)          | -16.09%       |
| <b>Total Net Position</b>                       | <b>\$ 147,299</b> | <b>\$ 129,780</b> | <b>\$ 17,519</b> | <b>13.50%</b> |

Total Assets increased in 2022 by \$11.8 million to \$336.3 million:

- Construction in Progress totaling \$53.3 million increased \$6.5 million, primarily on multi-year wastewater system projects. \$16.7 million in capital projects were closed in 2022, offset by \$6.5 million in depreciation. Linear infrastructure consisting of water, sewer, and stormwater piping and related appurtenances had the highest value of projects closed at \$13.7 million as CRW continues to focus on upgrades and rehabilitation of aged and undersized infrastructure that has outlived its useful life.
- Net Pension and Restricted Assets saw fairly stable balances year over year, while Current Assets fell by \$5.1 million. Cash and Cash Equivalent balances fell by \$8 million, although \$5 million of that decrease was to fund CRW's laddered portfolios for water and wastewater through the Pennsylvania Local Government Investment Trust, a state administered government investment pool. The remaining draw was related to CRW utilizing cash balances annually to fund certain planned capital projects that are typically lower in value or more annual in nature, such as vehicle replacements and annual planned infrastructure upgrades. The mix of cash and debt funded capital purchases allows CRW to better manage volumetric rate fluctuations through the establishment of reserves whose balance can fluctuate to absorb changes in capital spending from year to year. Accounts Receivable net of Allowances decreased \$1.6 million, due

primarily to suburban wholesale accounts paying their balances in December as opposed to allowing the balances to carry over into the next fiscal year as many did in 2021.

Total liabilities fell \$6.5 million to \$188.7 million. Major differences from prior year include:

- Bond payments reduced outstanding debt balances by \$9 million.
- In early 2022 CRW repaid \$2 million it had borrowed against its wastewater line of credit, and in December 2022 borrowed \$2.9 million as interim financing for several wastewater capital projects.
- Notes Payable increased \$2.4 million as additional Pennvest loans were drawn on to pay for capital projects.
- Other Post Employment Benefits fell by \$418 thousand, Accounts Payable by \$277 thousand, and Accrued Interest Payable by \$166 thousand.

**CAPITAL REGION WATER**  
**CONDENSED COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR 2021 AND 2020**

|  | Year Ended December 31, |                  | Variance            |                |
|--|-------------------------|------------------|---------------------|----------------|
|  | 2022                    | 2021             | Dollars             | %              |
|  |                         |                  | Increase (Decrease) |                |
| Operating revenues                             | \$ 53,518               | \$ 52,549        | \$ 969              | 1.84%          |
| Operating expenses:                            |                         |                  |                     |                |
| Operating                                      | 19,139                  | 16,095           | 3,044               | 18.91%         |
| Administrative                                 | 5,990                   | 5,687            | 303                 | 5.33%          |
| Depreciation                                   | 6,656                   | 6,410            | 246                 | 3.84%          |
| <b>Total Operating Expenses</b>                | <b>31,785</b>           | <b>28,192</b>    | <b>3,593</b>        | <b>12.74%</b>  |
| Operating income                               | 21,733                  | 24,357           | (2,624)             | -10.77%        |
| Non-operating revenues (expenses):             |                         |                  |                     |                |
| Investment income                              | 494                     | 75               | 419                 | 558.67%        |
| Grant revenue                                  | 279                     | 263              | 16                  | 6.08%          |
| Gain on sale of easements                      | -                       | -                | -                   | #DIV/0!        |
| Miscellaneous income (expense)                 | 310                     | 974              | (664)               | -68.17%        |
| Gain (Loss) on disposal of capital asset       | 89                      | -                | 89                  | #DIV/0!        |
| Lease principal revenue                        | 114                     | 26               | 88                  | 338.46%        |
| Lease interest revenue                         | 3                       | 2                | 1                   | 50.00%         |
| Interest expense                               | (5,503)                 | (5,618)          | 115                 | -2.05%         |
| <b>Total Non-operating Revenues (Expenses)</b> | <b>(4,214)</b>          | <b>(4,278)</b>   | <b>(371)</b>        | <b>8.67%</b>   |
| <b>Net Income/(Loss)</b>                       | <b>\$ 17,519</b>        | <b>\$ 20,079</b> | <b>\$ (2,560)</b>   | <b>-12.75%</b> |

(Dollars expressed in thousands)

Operating Revenues grew at a modest 1.8% or just under \$1 million over 2021 results. Some of the more significant year-over-year variances include:

- Water and wastewater volumetric and ready-to-serve charges combined were up \$2.2 million. The increase was the result of a 3% volumetric rate increase for water service, a 4% rate increase for wastewater service, and a 69 million gallons water usage increase over 2021. The increased water usage occurred primarily with non-residential accounts that experienced sharp decreases in 2020 due to Covid closures. These non-residential accounts have been slow to recover, seeing only modest increases in 2021.

- Accounts Receivable allowances for bad debts, leak adjustments, customer refunds, bankruptcy recoveries, and stormwater credits combined to reduce revenues \$1.2 million more than in 2021. Of particular note, CRW booked an additional \$451 thousand in allowances for bad debts due primarily to the Commonwealth's current position related to the payment of stormwater fees. An allowance of \$397 thousand was also booked against a balance due from one of the suburban communities.
- Contractor waste hauling fees were significantly depressed in 2022, down \$285k from the previous year following a decision early in the year to limit the receipt of sludge from several customers due to very high ammonia concentrations that could have damaged the treatment process during the colder months. These fees were slow to recover, although later in 2022 we did see a return to monthly budgeted revenues.
- In 2022 CRW was able to sell nutrient credits to another authority that was struggling to meet its regulatory obligations. \$193 thousand was received in 2022 while no credits were sold in 2021
- Late penalties increased \$62 thousand in 2022, a by-product of the rate increases and higher receivable balances before allowances

Operating Expenses of \$19.1 million were \$3.0 million higher than in 2021. Major components include:

- Compensation & Benefits of \$8.7 million were \$236 thousand or 2.8% higher than in 2021. Labor costs and associated benefits were higher due to contractual wage and performance-based salary increases, however vacancies in operations reduced the impact of wage increases and instead increased overtime costs by \$306 thousand. The temporary vacancies also led to \$172 thousand in reduced health insurance costs.
- Utilities, including water, wastewater, stormwater, electric, gas, and refuse, increased \$758 thousand in 2022 to \$3.4 million. Significant increases include:
  - An additional \$258 thousand in wastewater treatment costs for the water treatment plant. Following a Pennsylvania Department of Environmental Protection inspection in the fall of 2021, it was determined that filter flow rates needed to be increased. This additional filtration resulted in higher wastewater treatment flows, which impacted 2021 costs during the last several months of the year and continued throughout 2022. CRW has retained an engineering firm to review operations for opportunities to reduce this waste by-product of water treatment.
  - An additional \$271 thousand in biosolid disposal costs at CRW's wastewater treatment plant. CRW anticipates land application of biosolids as a relatively inexpensive disposal method which has many benefits to the farming soil. Unfortunately, in late 2021 and 2022 CRW experienced a reduction in the number of farms available to transport biosolids to, and unfavorable weather conditions, resulting in significantly higher costs to landfill the waste.
  - An additional \$171 thousand in electrical costs, primarily at CRW's wastewater treatment plant and pump stations. Although a significant portion of the treatment plant's anticipated energy costs are contracted at a fixed block rate, consumption over that fixed usage is priced to market, which saw significant increases in pricing, along with capacity and transmission costs, which are not under contracted pricing.
- Professional & Contract Services expenditures totaled \$2.4 million in 2022, an increase of \$536 thousand from 2021. Engineering Services costs increased from \$630 thousand to \$1.1 million, accounting for almost half of the total professional & contract services spending, and virtually all of the increase from 2021. These engineering costs were anticipated to be significantly higher than in 2021, which was lower than anticipated due to timing of projects, specifically a delay in the start of asset management development which was in full swing in 2022. Legal and professional services increased by \$177 thousand due to continued challenges to CRW's stormwater fee and consent decree negotiations.



- Chemical costs of \$499 thousand were up \$206k over 2021 expenditures, due to increased pricing and additional usage.
- Recorded OPEB expenses of \$689 thousand in 2022 was \$400 thousand higher than in 2021. A majority of the cost was based on the change of actuarial accrued liabilities from last year, and included two newly added retirees whose accrued liabilities alone increased the expenditure by \$338 thousand.
- CRW's programs to assist customers include a financial needs-based assistance program that provides up to \$200 annually, and relief of repairs to service lines that occur in the public right-of-way. These programs saw continued growth in 2022 with \$462 thousand in relief provided, up \$267 thousand from 2021. This variance is primarily due to increases in water service line and sewer lateral line repairs to address aging infrastructure and reduce leaks.
- The pension valuation resulted in a decrease of expenditures in 2022 of \$144 thousand, which was \$281 thousand less than the decrease posted in 2021.

Administrative Expenses of \$6.0 million in 2022 was up \$303 thousand over 2021 costs:

- Administrative staffing costs (compensation and benefits) of \$5.0 million were \$161 thousand higher than in 2021. The primary drivers of this increase included performance-based and labor negotiated wage increases, and payroll/benefit impacts of new hires, partially offset by temporary vacancies.
- In addition to the GASB 68 pension adjustment recorded under Other Indirect Fees for operational costs, \$121 thousand in favorable pension adjustments were recorded under administrative expenses based on administrative payroll costs. This compares unfavorably to the \$235k recorded in 2021, resulting in an unfavorable year over year variance of \$114 thousand.
- Treasury Expenses of \$346 thousand were \$75 thousand lower than in 2021. CRW moved its lockbox processing to a new banking partner in 2021, reducing lockbox fees by \$47 thousand from 2020 and an additional \$64k in 2022.
- Other costs identified as Administrative have significantly lower annual expenditures and do not individually have a significant impact on the year-over-year analysis.

Depreciation Expense of \$6.7 million was \$246 thousand higher than in the previous year.

Non-Operating Revenues of \$1.3 million were \$51 thousand lower than in 2021.

- CRW responded to rising interest rates in 2022 by beginning to create a laddered portfolio consisting of certificates of deposit and local government investment pools. These investments, along with rising money market rates, resulted in a significant increase in investment income, rising by \$419 thousand to \$494 thousand for the year.
- Health insurance dividends based on CRW's previous year experience rating increased significantly in 2021 as Covid kept many who did not become seriously ill from visiting emergency rooms or scheduling minor surgery. The insurance cost savings realized in 2020 was returned to CRW in the form of \$755 thousand in insurance dividends. Medical procedures were somewhat back to normal by 2021, and the resulting 2022 dividend dropped to \$341 thousand, a year over year unfavorable variance of \$414 thousand.
- Grant revenues of \$263 thousand reflect final costs of \$176k reimbursed under an Impact Harrisburg grant and \$103k of FEMA Covid-19 Emergency Protection cost reimbursement. The grant totals exceed those received in 2021 by \$16 thousand.

Non-Operating (Interest) Expense of \$5.5 million is \$115 thousand lower than in 2021. Interest payments on CRW bonds in total declined \$177 thousand to \$5.1 million, while Pennvest loan interest payments increased \$46 thousand to \$406 thousand due to additional draws for capital project reimbursements. CRW also incurred \$21 thousand in interest expense in 2022 from temporary withdrawals from its sewer line of credit.

**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, 2023 AND 2022

|  | 2023                         | 2022                         |
|--|------------------------------|------------------------------|
| <b>Assets and Deferred Outflows of Resources</b>   |                              |                              |
| <b>Assets:</b>   |                              |                              |
| Current assets:  |                              |                              |
| Cash and cash equivalents  | \$ 33,894,864                | \$ 25,410,234                |
| Investments  | 3,626,713                    | 5,000,000                    |
| Accounts receivable, net of allowance for<br>uncollectible accounts of \$8,664,074 and \$7,465,495 | 11,324,629                   | 11,386,611                   |
| Current portion of lease receivable  | 49,227                       | 47,672                       |
| Due from the City of Harrisburg  | 3,213,665                    | 3,110,046                    |
| Prepaid expenses   | 533,373                      | 512,306                      |
| Inventory  | 420,525                      | 420,144                      |
| Total current assets   | <u>53,062,996</u>            | <u>45,887,013</u>            |
| Restricted assets:   |                              |                              |
| Cash and cash equivalents - restricted under<br>trust indentures and guarantee agreement           | 8,709,226                    | 10,211,157                   |
| Investments - restricted under trust indentures  | <u>18,748,885</u>            | <u>18,883,549</u>            |
| Total restricted assets  | <u>27,458,111</u>            | <u>29,094,706</u>            |
| Noncurrent assets:   |                              |                              |
| Lease receivable, net of current portion   | 3,525,618                    | 3,574,845                    |
| Capital assets, not being depreciated  | 40,597,028                   | 53,883,822                   |
| Capital assets, net of accumulated depreciation  | 247,173,741                  | 201,650,317                  |
| Net pension asset  | -                            | 2,159,758                    |
| Total noncurrent assets  | <u>291,296,387</u>           | <u>261,268,742</u>           |
| Total Assets   | <u>371,817,494</u>           | <u>336,250,461</u>           |
| Deferred Outflows of Resources:  |                              |                              |
| Deferred loss on refunding   | 4,034,882                    | 4,731,128                    |
| Deferred outflows of resources for other<br>postemployment benefits                                | 174,249                      | 218,185                      |
| Deferred outflows of resources for pension   | <u>4,255,789</u>             | <u>1,771,949</u>             |
| Total Deferred Outflows of Resources   | <u>8,464,920</u>             | <u>6,721,262</u>             |
| <b>Total Assets and Deferred Outflows<br/>of Resources</b>   | <u><u>\$ 380,282,414</u></u> | <u><u>\$ 342,971,723</u></u> |

|   | 2023                         | 2022                         |
|---|------------------------------|------------------------------|
| <b>Liabilities, Deferred Inflows of Resources, and Net Position</b>       |                              |                              |
| <b>Liabilities:</b>   |                              |                              |
| Current liabilities:  |                              |                              |
| Accounts payable and accrued liabilities                                  | \$ 10,635,098                | \$ 7,708,741                 |
| Current portion of compensated absences                                   | 341,851                      | 372,922                      |
| Current portion of line of credit   | 3,476,838                    | -                            |
| Unearned revenue  | 369,876                      | 245,012                      |
| Due to the City of Harrisburg   | 4,119,090                    | 4,046,764                    |
| Total current liabilities   | <u>18,942,753</u>            | <u>12,373,439</u>            |
| Liabilities payable from restricted assets:                               |                              |                              |
| Accrued interest payable  | 2,546,042                    | 2,720,209                    |
| Current portion of notes payable  | 2,057,969                    | 2,035,436                    |
| Current portion of lease payable  | 160,927                      | 156,130                      |
| Current portion of bonds payable  | 7,560,000                    | 7,600,000                    |
| Total liabilities payable from restricted assets                          | <u>12,324,938</u>            | <u>12,511,775</u>            |
| Noncurrent liabilities:   |                              |                              |
| Compensated absences  | 472,936                      | 426,759                      |
| Due to the City of Harrisburg   | 1,012,728                    | 1,293,948                    |
| Notes payable   | 59,479,086                   | 35,282,398                   |
| Lease payable   | 151,120                      | 312,804                      |
| Line of credit  | -                            | 2,876,838                    |
| Bonds outstanding, net  | 113,597,511                  | 122,746,857                  |
| Net pension liability   | 3,406,044                    | -                            |
| Total other postemployment benefit liability                              | <u>702,073</u>               | <u>839,981</u>               |
| Total noncurrent liabilities  | <u>178,821,498</u>           | <u>163,779,585</u>           |
| Total Liabilities   | <u>210,089,189</u>           | <u>188,664,799</u>           |
| <b>Deferred Inflows of Resources:</b>                                     |                              |                              |
| Deferred inflows of resources for other postemployment benefits           | 721,828                      | 687,224                      |
| Deferred inflows of resources for pension                                 | 127,553                      | 2,768,701                    |
| Deferred inflows of resources for leases                                  | 3,461,197                    | 3,551,686                    |
| Total Deferred Inflows of Resources                                       | <u>4,310,578</u>             | <u>7,007,611</u>             |
| <b>Net Position:</b>  |                              |                              |
| Net investment in capital assets  | 120,360,746                  | 107,949,364                  |
| Restricted:   |                              |                              |
| Guarantee agreement   | 250,000                      | 250,000                      |
| Water - restricted under trust indenture requirements                     | 1,803,958                    | 3,605,894                    |
| Sewer - restricted under trust indenture requirements                     | 2,820,000                    | 3,020,000                    |
| Unrestricted  | <u>40,647,943</u>            | <u>32,474,055</u>            |
| Total Net Position  | <u>165,882,647</u>           | <u>147,299,313</u>           |
| <b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b> | <u><u>\$ 380,282,414</u></u> | <u><u>\$ 342,971,723</u></u> |

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, 2023 AND 2022

|   | 2023          | 2022          |
|---|---------------|---------------|
| <b>Operating Revenues:</b>                |               |               |
| User charges                              | \$ 55,510,850 | \$ 53,517,987 |
| Total operating revenues                  | 55,510,850    | 53,517,987    |
| <b>Operating Expenses:</b>                |               |               |
| Operating                                 | 19,736,954    | 19,139,084    |
| Administrative                            | 6,683,072     | 5,989,706     |
| Depreciation                              | 7,571,649     | 6,656,578     |
| Total operating expenses                  | 33,991,675    | 31,785,368    |
| <b>Operating Income</b>                   | 21,519,175    | 21,732,619    |
| <b>Non-Operating Revenues (Expenses):</b> |               |               |
| Investment income                         | 1,979,193     | 493,957       |
| Grant revenue                             | 100,867       | 279,442       |
| Miscellaneous income (expense)            | 99,513        | 310,431       |
| Gain (loss) on disposal of capital assets | 155,234       | 89,272        |
| Lease principal revenue                   | 115,444       | 114,049       |
| Lease interest revenue                    | 2,881         | 2,918         |
| Interest expense                          | (5,388,973)   | (5,503,238)   |
| Total non-operating revenues (expenses)   | (2,935,841)   | (4,213,169)   |
| <b>Change in Net Position</b>             | 18,583,334    | 17,519,450    |
| <b>Net Position:</b>                      |               |               |
| Beginning of year                         | 147,299,313   | 129,779,863   |
| End of year                               | \$165,882,647 | \$147,299,313 |

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

# CAPITAL REGION WATER

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

|   | 2023                 | 2022                 |
|---|----------------------|----------------------|
| <b>Cash Flows From Operating Activities:</b>  |                      |                      |
| Receipts from customers and users   | \$ 55,577,230        | \$ 55,144,460        |
| Payments to employees   | (9,920,397)          | (10,049,911)         |
| Payments to suppliers   | (17,586,219)         | (15,012,594)         |
| Net cash provided by (used in) operating activities   | <u>28,070,614</u>    | <u>30,081,955</u>    |
| <b>Cash Flows From Investing Activities:</b>  |                      |                      |
| Sales (purchases) of investments, net   | 1,507,951            | (5,177,035)          |
| Investment income received  | 1,979,193            | 493,957              |
| Net cash provided by (used in) investing activities   | <u>3,487,144</u>     | <u>(4,683,078)</u>   |
| <b>Cash Flows From Capital and Related Financing Activities:</b>                                  |                      |                      |
| Proceeds from debt issuance   | 29,731,496           | 7,344,861            |
| Acquisition and construction of capital assets  | (35,512,762)         | (23,381,020)         |
| Proceeds from disposal of capital assets  | 155,234              | 139,668              |
| Interest paid   | (6,456,240)          | (6,736,677)          |
| Principal paid on long-term debt  | (12,512,275)         | (11,243,293)         |
| Principal paid on lease payable   | (156,887)            | (155,408)            |
| Lease principal receipts  | 72,627               | 69,722               |
| Lease interest receipts   | 2,881                | 2,918                |
| Intergovernmental revenue   | 100,867              | 739,525              |
| Net cash provided by (used in) capital and related financing activities                           | <u>(24,575,059)</u>  | <u>(33,219,704)</u>  |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>   | <u>6,982,699</u>     | <u>(7,820,827)</u>   |
| <b>Cash and Cash Equivalents:</b>   |                      |                      |
| Beginning of year   | 35,621,391           | 43,442,218           |
| End of year   | <u>\$ 42,604,090</u> | <u>\$ 35,621,391</u> |
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>           |                      |                      |
| Operating income  | \$ 21,519,175        | \$ 21,732,619        |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: |                      |                      |
| Depreciation  | 7,571,649            | 6,656,578            |
| Amortization of deferred outflows and deferred inflows  | 324,354              | (836,124)            |
| Miscellaneous nonoperating income   | 99,513               | 310,431              |
| (Increase) decrease in:   |                      |                      |
| Accounts receivable   | 61,982               | 1,594,686            |
| Due from the City of Harrisburg   | (120,466)            | 31,787               |
| Prepaid expenses  | (21,067)             | (13,157)             |
| Inventory   | (381)                | (30,444)             |
| Net pension asset   | 2,159,758            | 109,966              |
| Deferred outflows of resources for total other postemployment benefit liability                   | 15,630               | 15,048               |
| Deferred outflows of resources for pensions   | (2,961,781)          | (1,073,373)          |
| (Decrease) increase in:   |                      |                      |
| Accounts payable and accrued liabilities  | (1,369,160)          | (207,351)            |
| Unearned revenue  | 124,864              | -                    |
| Due to the City of Harrisburg   | (192,047)            | 115,907              |
| Compensated absences  | 15,106               | 69,934               |
| Total other postemployment benefit liability  | (137,908)            | (418,200)            |
| Net pension liability   | 3,406,044            | -                    |
| Deferred inflows of resources for pensions  | (2,580,716)          | 1,463,502            |
| Deferred inflows of resources for total other postemployment benefit liability                    | 156,065              | 560,146              |
| Net cash provided by (used in) operating activities   | <u>\$ 28,070,614</u> | <u>\$ 30,081,955</u> |

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

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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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 stormwater treatment and conveyance systems services. Operating expenses include the cost of sales and services, administrative expenses,

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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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 or amortized cost, which approximates 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.

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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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, 2023 AND 2022

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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   |

### Leases

As discussed further in Note 4, CRW is a lessor for a noncancellable lease and recognizes a lease receivable and a deferred inflow of resources on the balance sheets.

At the commencement of the lease, CRW initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how CRW determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- CRW uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of incremental payments from the lessee, increasing at the renewal date.

CRW monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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CRW is a lessee for noncancellable leases of equipment and vehicles. CRW recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements.

At the commencement of a lease, CRW initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how CRW determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- CRW uses the interest rate charged by the lessor as the discount rate.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that CRW is reasonably certain to exercise.

CRW monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Right to use assets are reported with capital assets on the balance sheets.

### 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

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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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.

### 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 and such differences may be material.

### Adopted Governmental Accounting Standards Board (GASB) Pronouncements

The following GASB Statements were adopted for the year ended December 31, 2023:

Statement Nos. 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements) and 96 (Subscription-Based Information Technology Arrangements). These statements had no significant impact on CRW's financial statements for the year ended December 31, 2023.

### Pending GASB Pronouncements

GASB has issued statements that will become effective in future years including 100 (Accounting Changes and Error Corrections), 101 (Compensated Absences), 102 (Certain Risk Disclosures) and 103 (Financial Reporting Model Improvements). Management has not yet determined the impact of these statements on the financial statements.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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### 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)

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

#### Deposits

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

|  |                      |                      |
|--|----------------------|----------------------|
| Cash and cash equivalents:                                   | 2023                 | 2022                 |
| Unrestricted   | <u>\$ 33,894,864</u> | <u>\$ 25,410,234</u> |
| Restricted under trust indentures<br>and guarantee agreement | <u>8,709,226</u>     | <u>10,211,157</u>    |
|  | <u>\$ 42,604,090</u> | <u>\$ 35,621,391</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

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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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, 2023 and 2022, CRW's book balances were \$42,604,090 and \$35,621,391, respectively. As of December 31, 2023 and 2022, the bank balances were \$42,942,195 and \$36,270,563, respectively. At December 31, 2023 and 2022, \$250,000 and \$250,000 was covered by FDIC insurance and \$42,692,195 and \$36,020,563 was collateralized under the Act, respectively.

### Investments

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

|                                    | <u>2023</u>          | <u>2022</u>          |
|------------------------------------|----------------------|----------------------|
| Restricted:                        |                      |                      |
| Money market funds                 | \$ 14,609,909        | \$ 14,599,468        |
| U.S. Government Agency obligations | 539,962              | 2,577,449            |
| U.S. Government obligations        | 3,599,014            | 1,706,632            |
| Total Restricted                   | <u>18,748,885</u>    | <u>18,883,549</u>    |
| Unrestricted:                      |                      |                      |
| PLGIT                              | <u>3,626,713</u>     | <u>5,000,000</u>     |
| Total                              | <u>\$ 22,375,598</u> | <u>\$ 23,883,549</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

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

minimum capital equity balance of \$25 million and at least five years of operation. CRW's investment in money market funds and PLGIT Term 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.

| Investment Type                                    | Maximum Allocation<br>(at time of purchase) | Maximum Investment<br>per Issuer<br>(at time of purchase) |
|--|---|---|
| U.S. government securities                         | 100%  | N/A   |
| U.S. government agencies and<br>instrumentalities  | 100%  | 50%   |
| General obligation Pennsylvania<br>municipal bonds | 25%   | 10%   |
| Bank certificates of deposit                       | 100%  | 100%  |
| Commercial Paper (A1-P1 rating)                    | 30%   | 10%   |
| Banker's Acceptances                               | 30%   | 10%   |
| Repurchase Agreements                              | 50%   | 50%   |
| Negotiable certificates of deposit                 | 30%   | 10%   |
| SEC-registered money market                        |   |   |

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, 2023:

|                                    | Fair Value    | Rating  |
|------------------------------------|---------------|---------|
| Money market funds                 | \$ 14,609,909 | AAAm    |
| U.S. Government Agency Obligations | 539,962       | AA+     |
| U.S. Government Obligations        | 3,599,014     | AAA/AA+ |

*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

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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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 CRW's investments mature in 2024.

CRW uses Pennsylvania Local Government Investment Trust (PLGIT), an external investment pool, to ensure safety and maximize efficiency, liquidity, and yield for Authority funds. PLGIT was created to meet the investment needs of local governments, school districts, municipal authorities, and other types of governments in the Commonwealth. PLGIT's investment objective is to seek high current income, consistent with preservation of capital and maintenance of liquidity. PLGIT issues separately audited financial statements that are available to the public. Further information regarding PLGIT and its investment strategies can be found at [www.plgit.com](http://www.plgit.com). The fair value of CRW's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth provides external regulatory oversight for the external investment pool.

CRW is invested in PLGIT-Class shares, which require no minimum balance, no minimum initial investment, and have a one-day minimum investment period. At December 31, 2023, PLGIT carried a AAAM rating and had an average maturity of less than one year. CRW had \$2,105,922 and \$0 invested in PLGIT-Class shares as of December 31, 2023 and 2022, respectively.

CRW is invested in PLGIT/PRIME, which is a variable rate investment portfolio that requires no minimum balance, no minimum initial investment, and limits redemptions or exchanges to two per calendar month. At December 31, 2023, PLGIT carried an AAAM rating and had an average maturity of less than one year. CRW had \$520,791 and \$0 invested in PLGIT/PRIME shares as of December 31, 2023 and 2022, respectively.

CRW is invested in PLGIT/TERM, which is a fixed term investment portfolio that requires a minimum initial investment of \$100,000, a minimum investment period of sixty (60) days and has a premature withdrawal penalty. At December 31, 2023, PLGIT had an average maturity of up to one year, depending upon the termination date of any particular series within the PLGIT/TERM portfolio. CRW had \$1,000,000 and \$5,000,000 invested in PLGIT/TERM shares as of December 31, 2023 and 2022, respectively.



# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

### 3. Capital Assets

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

|   | Balance at<br>January 1,<br>2023 | Additions/<br>Transfers In | Retirements/<br>Transfers Out | Balance at<br>December 31,<br>2023 |
|---|----------------------------------|----------------------------|-------------------------------|------------------------------------|
| Capital assets, not being depreciated:      |                                  |                            |                               |                                    |
| Land  | \$ 595,621                       | \$ -                       | \$ -                          | \$ 595,621                         |
| Construction in progress                    | 53,288,201                       | 28,075,644                 | (41,362,438)                  | 40,001,407                         |
| Total capital assets, not being depreciated | <u>53,883,822</u>                | <u>28,075,644</u>          | <u>(41,362,438)</u>           | <u>40,597,028</u>                  |
| Capital assets, being depreciated:          |                                  |                            |                               |                                    |
| Land improvements                           | 1,542,567                        | -                          | -                             | 1,542,567                          |
| Buildings and improvements                  | 130,313,845                      | 14,604,506                 | -                             | 144,918,351                        |
| Right-to-use leased equipment               | 764,555                          | -                          | -                             | 764,555                            |
| Furniture and fixtures                      | 992,091                          | 47,732                     | -                             | 1,039,823                          |
| Machinery and equipment                     | 219,304,340                      | 38,448,395                 | (214,896)                     | 257,537,839                        |
| Total capital assets, being depreciated     | <u>352,917,398</u>               | <u>53,100,633</u>          | <u>(214,896)</u>              | <u>405,803,135</u>                 |
| Less: accumulated depreciation              | <u>(151,267,081)</u>             | <u>(7,571,649)</u>         | <u>209,336</u>                | <u>(158,629,394)</u>               |
| Total capital assets being depreciated, net | <u>201,650,317</u>               | <u>45,528,984</u>          | <u>(5,560)</u>                | <u>247,173,741</u>                 |
| Total capital assets, net                   | <u>\$ 255,534,139</u>            | <u>\$ 73,604,628</u>       | <u>\$ (41,367,998)</u>        | <u>\$ 287,770,769</u>              |
|   | Balance at<br>January 1,<br>2022 | Additions/<br>Transfers In | Retirements/<br>Transfers Out | Balance at<br>December 31,<br>2022 |
| Capital assets, not being depreciated:      |                                  |                            |                               |                                    |
| Land  | \$ 595,621                       | \$ -                       | \$ -                          | \$ 595,621                         |
| Construction in progress                    | 46,803,428                       | 15,317,971                 | (8,833,198)                   | 53,288,201                         |
| Total capital assets, not being depreciated | <u>47,399,049</u>                | <u>15,317,971</u>          | <u>(8,833,198)</u>            | <u>53,883,822</u>                  |
| Capital assets, being depreciated:          |                                  |                            |                               |                                    |
| Land improvements                           | 1,516,337                        | 26,230                     | -                             | 1,542,567                          |
| Buildings and improvements                  | 130,155,338                      | 158,507                    | -                             | 130,313,845                        |
| Right-to-use leased equipment               | 764,555                          | -                          | -                             | 764,555                            |
| Furniture and fixtures                      | 943,255                          | 71,007                     | (22,171)                      | 992,091                            |
| Machinery and equipment                     | 202,834,450                      | 16,601,839                 | (131,949)                     | 219,304,340                        |
| Total capital assets, being depreciated     | <u>336,213,935</u>               | <u>16,857,583</u>          | <u>(154,120)</u>              | <u>352,917,398</u>                 |
| Less: accumulated depreciation              | <u>(144,683,414)</u>             | <u>(6,656,578)</u>         | <u>72,911</u>                 | <u>(151,267,081)</u>               |
| Total capital assets being depreciated, net | <u>191,530,521</u>               | <u>10,201,005</u>          | <u>(81,209)</u>               | <u>201,650,317</u>                 |
| Total capital assets, net                   | <u>\$ 238,929,570</u>            | <u>\$ 25,518,976</u>       | <u>\$ (8,914,407)</u>         | <u>\$ 255,534,139</u>              |

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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### 4. Leases

In 1997, and amended in 2021, CRW entered into a noncancelable lease with American Towers, LLC, for a parent parcel land. The lease was originally for a term of 30 years. The amendment adjusted the payments and provided the option to extend the lease for 7 additional 5 year terms. Commencing June 2021, CRW receives monthly rental payments of \$4,000 with a 3% increase each annual anniversary commencing on April 2022. During the years ended December 31, 2023 and 2022, CRW recognized \$115,444 and \$114,049 in lease revenue and \$2,881 and \$2,918 of interest revenue related to this lease, respectively.

The following represents CRW's receivable for lease payments and deferred inflows of resources associated that will be recognized as revenue over the term of the lease at December 31, 2023.

| <u>Lease<br/>Term</u> | <u>Lease<br/>Receivable</u> | <u>Deferred Inflow<br/>of Resources</u> |
|-----------------------|-----------------------------|---|
| 6/28/21-3/28/62       | <u>\$ 3,574,845</u>         | <u>\$ 3,461,197</u>                     |

The following represents CRW's receivable for lease payments and deferred inflows of resources associated that will be recognized as revenue over the term of the lease at December 31, 2022.

| <u>Lease<br/>Term</u> | <u>Lease<br/>Receivable</u> | <u>Deferred Inflow<br/>of Resources</u> |
|-----------------------|-----------------------------|---|
| 6/28/21-3/28/62       | <u>\$ 3,622,517</u>         | <u>\$ 3,551,686</u>                     |

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

The expected future payments to be received under the terms of the lease at December 31, 2023 are as follows:

| Years     | Principal           | Interest         | Total               |
|-----------|---------------------|------------------|---------------------|
| 2024      | \$ 49,227           | \$ 2,842         | \$ 52,069           |
| 2025      | 50,829              | 2,802            | 53,631              |
| 2026      | 52,479              | 2,761            | 55,240              |
| 2027      | 54,179              | 2,718            | 56,897              |
| 2028      | 55,930              | 2,674            | 58,604              |
| 2029-2033 | 307,812             | 12,660           | 320,472             |
| 2034-2038 | 360,186             | 11,328           | 371,514             |
| 2039-2043 | 420,915             | 9,771            | 430,686             |
| 2044-2048 | 491,332             | 7,952            | 499,284             |
| 2049-2053 | 572,976             | 5,830            | 578,806             |
| 2054-2058 | 667,638             | 3,357            | 670,995             |
| 2059-2062 | 491,342             | 665              | 492,007             |
|           | <u>\$ 3,574,845</u> | <u>\$ 65,360</u> | <u>\$ 3,640,205</u> |

During the year ended December 31, 2020, CRW entered into a lease for vehicles. The lease requires fixed monthly payments through December 2025. During the year ended December 31, 2021, CRW entered into a lease for a server and support. The lease requires fixed monthly payments through December 2024. The value of the right-to-use assets as of December 31, 2023 was \$764,555 and had accumulated amortization of \$477,890. At December 31, 2023, the future principal and interest lease payments required are as follows:

| Years | Principal         | Interest        | Total             |
|-------|-------------------|-----------------|-------------------|
| 2024  | \$ 160,927        | \$ 6,676        | \$ 167,603        |
| 2025  | 151,120           | 1,995           | 153,115           |
|       | <u>\$ 312,047</u> | <u>\$ 8,671</u> | <u>\$ 320,718</u> |

### 5. 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

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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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, 2023 AND 2022

Amounts due from/to the City consist of the following at December 31, 2023:

|  | Water<br>Segment | Sewer<br>Segment | Stormwater<br>Segment | Admin<br>Segment |
|--|------------------|------------------|-----------------------|------------------|
| Due from City:   |                  |                  |                       |                  |
| Cash   | \$ 368,113       | \$ 279,055       | \$ -                  | \$ -             |
| Investments - workers' compensation                                    | -                | 730,839          | -                     | -                |
| Miscellaneous receivables  | 58,735           | -                | 216,430               | (87,113)         |
| Due from City Capital Projects Fund                                    | 90,332           | -                | -                     | -                |
| 2004 loan and duplicate transfers for<br>payment of cash disbursements | -                | 563,971          | -                     | -                |
| Credit card receipts   | 7,084            | 3,850            | -                     | -                |
| Shared services  | -                | -                | -                     | 491,294          |
| Disaster Grants  | 105,693          | 365,782          | -                     | -                |
| Due from City Other  | 19,600           | -                | -                     | -                |
|  | \$ 649,557       | \$ 1,943,497     | \$ 216,430            | \$ 404,181       |
| Due to the City:   |                  |                  |                       |                  |
| Due to City General Fund   | \$ (104,158)     | \$ (165,878)     | \$ -                  | \$ -             |
| Debit/credit transfer balances   | (1,004,351)      | (8,415)          | -                     | -                |
| Other postemployment benefit liabilities                               | (110,178)        | (2,944,755)      | -                     | -                |
| Disputed accounts  | (226,672)        | (108,420)        | -                     | -                |
| Workers' compensation reserve  | -                | (76,402)         | -                     | -                |
| Utility refunds  | -                | (1,667)          | -                     | -                |
| Shared services  | -                | (380,922)        | -                     | -                |
|  | \$ (1,445,359)   | \$ (3,686,459)   | \$ -                  | \$ -             |

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Amounts due from/to the City consist of the following at December 31, 2022:

|  | Water<br>Segment | Sewer<br>Segment | Stormwater<br>Segment | Admin<br>Segment |
|--|------------------|------------------|-----------------------|------------------|
| <b>Due from City:</b>  |                  |                  |                       |                  |
| Cash   | \$ 368,113       | \$ 279,055       | \$ -                  | \$ -             |
| Investments - workers' compensation                                    | -                | 730,839          | -                     | -                |
| Miscellaneous receivables  | 58,735           | -                | 115,564               | (70,266)         |
| Due from City Capital Projects Fund                                    | 90,332           | -                | -                     | -                |
| 2004 loan and duplicate transfers for<br>payment of cash disbursements | -                | 563,971          | -                     | -                |
| Credit card receipts   | 7,084            | 3,850            | -                     | -                |
| Shared services  | -                | -                | -                     | 491,294          |
| Disaster Grants  | 105,693          | 365,782          | -                     | -                |
|  | \$ 629,957       | \$ 1,943,497     | \$ 115,564            | \$ 421,028       |
| <b>Due to the City:</b>  |                  |                  |                       |                  |
| Due to City General Fund   | \$ (104,158)     | \$ (165,878)     | \$ -                  | \$ -             |
| Debit/credit transfer balances   | (1,004,351)      | (8,415)          | -                     | -                |
| Other postemployment benefit liabilities                               | (110,901)        | (3,152,926)      | -                     | -                |
| Disputed accounts  | (226,672)        | (108,420)        | -                     | -                |
| Workers' compensation reserve  | -                | (76,402)         | -                     | -                |
| Utility refunds  | -                | (1,667)          | -                     | -                |
| Shared services  | -                | (380,922)        | -                     | -                |
|  | \$ (1,446,082)   | \$ (3,894,630)   | \$ -                  | \$ -             |

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, 2023 AND 2022

### 6. 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, 2023 and 2022 follows:

|                                    | <u>Issue Amount</u> | <u>Mandatory Redemption</u> | <u>Interest Rates</u> | <u>Purpose</u>  |
|------------------------------------|---------------------|-----------------------------|-----------------------|---|
| 2022 Sewer Revenue Note            | \$ 65,000,000       | 2027-2047                   | 1.00%                 | Payment of, and reimbursement to CRW, for capital expenditures relating to CRW's Sewer fund. This is a drawdown loan. As of December 31, 2023 and 2022, \$15,406,021 and \$0, has been drawn down on this note, respectively.                           |
| 2022 Water Revenue Note            | \$ 41,622,000       | 2027-2047                   | 1.00%                 | Payment of, and reimbursement to CRW, for capital expenditures relating to CRW's Water fund. This is a drawdown loan. As of December 31, 2023 and 2022, \$3,776,746 and \$105,348, has been drawn down on this note, respectively.                      |
| 2021 Sewer Revenue Note            | \$ 21,000,000       | 2025-2045                   | 1.00%                 | Payment of, and reimbursement to CRW, for capital expenditures relating to CRW's Sewer fund. This is a drawdown loan. As of December 31, 2023 and 2022, \$6,023,430 and \$3,292,257, has been drawn down on this note, respectively.                    |
| 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, 2023 and 2022, \$6,324,750 and \$1,878,684, 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. |

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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|   | <u>Issue Amount</u> | <u>Maturity/<br/>Mandatory<br/>Redemption</u> | <u>Interest Rates</u> | <u>Purpose</u>  |
|---|---------------------|---|-----------------------|---|
| 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, 2023 and 2022 \$10,580,055 has been drawn down on this note.   |
| 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.  |
| 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. |

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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|   | <u>Issue Amount</u> | <u>Maturity/<br/>Mandatory<br/>Redemption</u> | <u>Interest Rates</u> | <u>Purpose</u>   |
|---|---------------------|---|-----------------------|--|
| 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.  |

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# CAPITAL REGION WATER

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

The following table presents annual principal and interest payments for long-term debt outstanding at December 31, 2023:

|  | 2024          | 2025          | 2026          | 2027          |
|--|---------------|---------------|---------------|---------------|
| Bonds outstanding:                         |               |               |               |               |
| Water Revenue Bonds:                       |               |               |               |               |
| Series of 2018                             | \$ 2,966,000  | \$ 8,826,000  | \$ 8,823,000  | \$ 8,825,500  |
| Series A of 2016                           | 7,298,000     | 299,250       | 299,250       | 299,250       |
| Sewer Revenue Bonds:                       |               |               |               |               |
| Series of 2017                             | 2,851,000     | 2,851,750     | 2,850,250     | 2,851,500     |
| Total principal and interest, bonds        | \$ 13,115,000 | \$ 11,977,000 | \$ 11,972,500 | \$ 11,976,250 |
| Less:                                      |               |               |               |               |
| Interest                                   |               |               |               |               |
| Plus:                                      |               |               |               |               |
| Unamortized premium                        |               |               |               |               |
| Total bonds outstanding, plus premium      |               |               |               |               |
| Notes payable (all are direct borrowings): |               |               |               |               |
| Water System Improvement General           |               |               |               |               |
| Obligation Note, Series of 2022            | \$ 56,207     | \$ 60,761     | \$ 60,761     | \$ 1,365,238  |
| Obligation Note, Series of 2015            | 265,478       | 265,478       | 265,478       | 265,478       |
| Sewer Revenue Notes:                       |               |               |               |               |
| Series of 2022                             | 160,895       | 163,970       | 163,970       | 2,160,840     |
| Series of 2021                             | 66,373        | 159,965       | 1,158,933     | 1,158,934     |
| Series of 2018                             | 614,616       | 614,616       | 614,616       | 614,616       |
| Series of 2017                             | 196,455       | 200,165       | 200,165       | 200,165       |
| Series C of 2014                           | 1,210,158     | 1,210,158     | 1,210,158     | 1,210,158     |
| Series of 2009                             | 114,120       | 114,119       | 114,119       | 114,119       |
| Stormwater Revenue Note, Series of 2020    | 54,956        | 610,167       | 717,435       | 717,435       |
| Total principal and interest, notes        | \$ 2,739,258  | \$ 3,399,399  | \$ 4,505,635  | \$ 7,806,983  |
| Less:                                      |               |               |               |               |
| Interest                                   |               |               |               |               |
| Total notes payable                        |               |               |               |               |

| <u>2028</u>          | <u>2029 to 2033</u>  | <u>2034 to 2038</u>  | <u>2039 to 2043</u>  | <u>2044 to 2047</u>  | <u>Total</u>          |
|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| \$ 8,822,500         | \$ 34,920,250        | \$ 4,926,000         | \$ -                 | \$ -                 | \$ 78,109,250         |
| 299,250              | 6,284,250            | -                    | -                    | -                    | 14,779,250            |
| <u>2,850,250</u>     | <u>14,240,250</u>    | <u>14,245,000</u>    | <u>14,243,500</u>    | <u>11,404,500</u>    | <u>68,388,000</u>     |
| <u>\$ 11,972,000</u> | <u>\$ 55,444,750</u> | <u>\$ 19,171,000</u> | <u>\$ 14,243,500</u> | <u>\$ 11,404,500</u> | 161,276,500           |
|                      |                      |                      |                      |                      | 49,976,500            |
|                      |                      |                      |                      |                      | <u>9,857,511</u>      |
|                      |                      |                      |                      |                      | <u>\$ 121,157,511</u> |
| \$ 2,297,007         | \$ 211,432           | \$ -                 | \$ -                 | \$ -                 | \$ 4,051,406          |
| 265,478              | 1,327,390            | 663,698              | -                    | -                    | 3,318,478             |
| 3,587,176            | 10,118,169           | -                    | -                    | -                    | 16,355,020            |
| 1,158,933            | 2,664,406            | -                    | -                    | -                    | 6,367,544             |
| 614,616              | 3,073,079            | 3,073,075            | 422,931              | -                    | 9,642,165             |
| 200,165              | 1,000,825            | 1,000,825            | 116,760              | -                    | 3,115,525             |
| 1,210,158            | 6,050,790            | 3,731,326            | -                    | -                    | 15,832,906            |
| 114,119              | 69,884               | -                    | -                    | -                    | 640,480               |
| 717,435              | 3,587,175            | 391,109              | -                    | -                    | 6,795,712             |
| <u>\$ 10,165,087</u> | <u>\$ 28,103,150</u> | <u>\$ 8,860,033</u>  | <u>\$ 539,691</u>    | <u>\$ -</u>          | 66,119,236            |
|                      |                      |                      |                      |                      | 4,582,181             |
|                      |                      |                      |                      |                      | <u>\$ 61,537,055</u>  |

**CAPITAL REGION WATER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
YEARS ENDED DECEMBER 31, 2023 AND 2022

The following table presents annual principal and interest payments for long-term debt outstanding at December 31, 2022:

|  | <u>2023</u>          | <u>2024</u>          | <u>2025</u>          | <u>2026</u>          |
|--|----------------------|----------------------|----------------------|----------------------|
| Bonds outstanding:                         |                      |                      |                      |                      |
| Water Revenue Bonds:                       |                      |                      |                      |                      |
| Series of 2018                             | \$ 2,966,000         | \$ 2,966,000         | \$ 8,826,000         | \$ 8,823,000         |
| Series A of 2016                           | 7,715,750            | 7,298,000            | 299,250              | 299,250              |
| Sewer Revenue Bonds:                       |                      |                      |                      |                      |
| Series of 2017                             | 2,853,250            | 2,851,000            | 2,851,750            | 2,850,250            |
| Total principal and interest, bonds        | <u>\$ 13,535,000</u> | <u>\$ 13,115,000</u> | <u>\$ 11,977,000</u> | <u>\$ 11,972,500</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 2022            | \$ 3,025             | \$ 3,461             | \$ 3,461             | \$ 3,461             |
| Obligation Note, Series of 2015            | 265,478              | 265,478              | 265,478              | 265,478              |
| Sewer Revenue Notes:                       |                      |                      |                      |                      |
| Series of 2021                             | 32,923               | 32,923               | 126,757              | 1,158,934            |
| Series of 2018                             | 614,616              | 614,616              | 614,616              | 614,616              |
| Series of 2017                             | 193,805              | 196,455              | 200,165              | 200,165              |
| Series C of 2014                           | 1,210,158            | 1,210,158            | 1,210,158            | 1,210,158            |
| Series of 2009                             | 114,120              | 114,120              | 114,119              | 114,119              |
| Stormwater Revenue Note, Series of 2020    | 25,863               | 26,842               | 602,336              | 717,435              |
| Total principal and interest, notes        | <u>\$ 2,459,988</u>  | <u>\$ 2,464,053</u>  | <u>\$ 3,137,090</u>  | <u>\$ 4,284,366</u>  |
| Less:                                      |                      |                      |                      |                      |
| Interest                                   |                      |                      |                      |                      |
| Total notes payable                        |                      |                      |                      |                      |

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| <u>2027</u>          | <u>2028 to 2032</u>  | <u>2033 to 2037</u>  | <u>2038 to 2042</u>  | <u>2043 to 2047</u>  | <u>Total</u>          |
|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| \$ 8,825,500         | \$ 43,004,500        | \$ 4,677,250         | \$ 987,000           | \$ -                 | \$ 81,075,250         |
| 299,250              | 6,583,500            | -                    | -                    | -                    | 22,495,000            |
| <u>2,851,500</u>     | <u>14,241,750</u>    | <u>14,243,500</u>    | <u>14,246,750</u>    | <u>14,251,500</u>    | <u>71,241,250</u>     |
| <u>\$ 11,976,250</u> | <u>\$ 63,829,750</u> | <u>\$ 18,920,750</u> | <u>\$ 15,233,750</u> | <u>\$ 14,251,500</u> | <u>174,811,500</u>    |
|                      |                      |                      |                      |                      | 55,911,500            |
|                      |                      |                      |                      |                      | <u>11,446,857</u>     |
|                      |                      |                      |                      |                      | <u>\$ 130,346,857</u> |
| \$ 107,208           | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ 120,616            |
| 265,478              | 1,327,390            | 929,177              | -                    | -                    | 3,583,957             |
| 1,158,934            | 926,879              | -                    | -                    | -                    | 3,437,350             |
| 614,616              | 3,073,080            | 3,073,080            | 1,037,543            | -                    | 10,256,783            |
| 200,165              | 1,000,825            | 1,000,825            | 316,925              | -                    | 3,309,330             |
| 1,210,158            | 6,050,790            | 4,941,484            | -                    | -                    | 17,043,064            |
| 114,119              | 184,003              | -                    | -                    | -                    | 754,600               |
| 612,293              | -                    | -                    | -                    | -                    | 1,984,769             |
| <u>\$ 4,282,971</u>  | <u>\$ 12,562,967</u> | <u>\$ 9,944,566</u>  | <u>\$ 1,354,468</u>  | <u>\$ -</u>          | <u>40,490,469</u>     |
|                      |                      |                      |                      |                      | 3,172,635             |
|                      |                      |                      |                      |                      | <u>\$ 37,317,834</u>  |

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

CRW's outstanding 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, 2023 and 2022 were as follows:

|                             | January 1, 2023       | Additions            | Amortization          | Reductions             | December 31, 2023     | One Year             |
|-----------------------------|-----------------------|----------------------|-----------------------|------------------------|-----------------------|----------------------|
| Notes payable               | \$ 37,317,834         | \$ 26,254,658        | \$ -                  | \$ (2,035,437)         | \$ 61,537,055         | \$ 2,057,969         |
| Bonds payable               | 118,900,000           | -                    | -                     | (7,600,000)            | 111,300,000           | 7,560,000            |
| Lease payable               | 468,934               | -                    | -                     | (156,887)              | 312,047               | 160,927              |
| Line of Credit              | 2,876,838             | 3,476,838            | -                     | (2,876,838)            | 3,476,838             | 3,476,838            |
| Compensated absences        | 799,681               | 1,415,091            | -                     | (1,399,985)            | 814,787               | 341,851              |
| Total long-term liabilities | 160,363,287           | 31,146,587           | -                     | (14,069,147)           | 177,440,727           | 13,597,585           |
| Plus:                       |                       |                      |                       |                        |                       |                      |
| Unamortized premium         | 11,446,857            | -                    | (1,589,346)           | -                      | 9,857,511             | -                    |
|                             | <u>\$ 171,810,144</u> | <u>\$ 31,146,587</u> | <u>\$ (1,589,346)</u> | <u>\$ (14,069,147)</u> | <u>\$ 187,298,238</u> | <u>\$ 13,597,585</u> |

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

|                                | Beginning<br>Balance at<br>January 1, 2022 | Additions           | Amortization          | Reductions             | Ending<br>Balance at<br>December 31, 2022 | Amounts<br>Due Within<br>One Year |
|--------------------------------|--|---------------------|-----------------------|------------------------|---|-----------------------------------|
| Notes payable                  | \$ 34,863,104                              | \$ 4,468,023        | \$ -                  | \$ (2,013,293)         | \$ 37,317,834                             | \$ 2,035,436                      |
| Bonds payable                  | 126,130,000                                | -                   | -                     | (7,230,000)            | 118,900,000                               | 7,600,000                         |
| Lease payable                  | 624,342                                    | -                   | -                     | (155,408)              | 468,934                                   | 156,130                           |
| Line of Credit                 | 2,000,000                                  | 2,876,838           | -                     | (2,000,000)            | 2,876,838                                 | -                                 |
| Compensated<br>absences        | 729,745                                    | 1,196,122           | -                     | (1,126,186)            | 799,681                                   | 372,922                           |
| Total long-term<br>liabilities | 164,347,191                                | 8,540,983           | -                     | (12,524,887)           | 160,363,287                               | 10,164,488                        |
| Plus:                          |  |                     |                       |                        |   |                                   |
| Unamortized<br>premium         | 13,216,021                                 | -                   | (1,769,164)           | -                      | 11,446,857                                | -                                 |
|                                | <u>\$ 177,563,212</u>                      | <u>\$ 8,540,983</u> | <u>\$ (1,769,164)</u> | <u>\$ (12,524,887)</u> | <u>\$ 171,810,144</u>                     | <u>\$ 10,164,488</u>              |

### 7. 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. As amended, both credit lines have a variable interest rate, with an initial rate of 2.75% subject to change based on the SOFR (secured overnight financing rate) interest period. The note requires monthly interest payments beginning July 20, 2020. The principal outstanding balance is due on the amended maturity date of October 20, 2024. The outstanding balance on Sewer's Line of Credit was \$3,476,838 and \$2,876,838 as of December 31, 2023 and 2022, respectively. The outstanding balance on Water's Line of Credit was zero as of December 31, 2023 and 2022.

### 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

# **CAPITAL REGION WATER**

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2023 AND 2022**

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maintaining storm drains. Selected segment information as of and for the years ended December 31, 2023 and 2022 are as follows:



# CAPITAL REGION WATER

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Segment information for the year ended December 31, 2023:

| <b>CONDENSED BALANCE SHEET</b>  | Water Segment         | Sewer Segment         | Stormwater Segment   |
|---|-----------------------|-----------------------|----------------------|
| <b>Assets:</b>  |                       |                       |                      |
| Current assets:   |                       |                       |                      |
| Other current assets  | \$ 27,774,597         | \$ 16,159,241         | \$ 4,157,422         |
| Due from the City of Harrisburg   | 649,557               | 1,943,497             | 216,430              |
| Due from other funds  | 252,361               | 933,417               | -                    |
| Total current assets  | 28,676,515            | 19,036,155            | 4,373,852            |
| Restricted assets   | 16,325,168            | 10,882,943            | -                    |
| Lease receivable  | 3,525,618             | -                     | -                    |
| Capital assets  | 97,542,696            | 166,413,232           | 23,587,364           |
| <b>Total Assets</b>   | <b>146,069,997</b>    | <b>196,332,330</b>    | <b>27,961,216</b>    |
| Deferred Outflows of Resources  | 5,188,809             | 1,492,400             | 139,822              |
| <b>Total Assets and Deferred Outflows of Resources</b>                            | <b>\$ 151,258,806</b> | <b>\$ 197,824,730</b> | <b>\$ 28,101,038</b> |
| <b>Liabilities:</b>   |                       |                       |                      |
| Current liabilities:  |                       |                       |                      |
| Other current liabilities   | \$ 2,699,874          | \$ 10,584,804         | \$ 1,123,041         |
| Due to the City of Harrisburg   | 1,445,359             | 2,673,731             | -                    |
| Due to other funds  | -                     | -                     | 136,159              |
| Total current liabilities   | 4,145,233             | 13,258,535            | 1,259,200            |
| Liabilities payable from restricted assets  | 8,562,048             | 3,615,395             | 147,495              |
| Due to the City of Harrisburg   | -                     | 1,012,728             | -                    |
| Noncurrent liabilities  | 78,967,770            | 90,664,904            | 6,612,172            |
| <b>Total Liabilities</b>  | <b>91,675,051</b>     | <b>108,551,562</b>    | <b>8,018,867</b>     |
| Deferred Inflows of Resources   | 3,832,376             | 416,214               | (92,169)             |
| <b>Net Position:</b>  |                       |                       |                      |
| Net investment in capital assets  | 27,854,599            | 76,127,695            | 16,150,975           |
| Restricted  | 1,803,958             | 2,820,000             | -                    |
| Unrestricted  | 26,092,822            | 9,909,259             | 4,023,365            |
| <b>Total Net Position</b>   | <b>55,751,379</b>     | <b>88,856,954</b>     | <b>20,174,340</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>         | <b>\$ 151,258,806</b> | <b>\$ 197,824,730</b> | <b>\$ 28,101,038</b> |
| <b>CONDENSED STATEMENT OF REVENUES,<br/>EXPENSES, AND CHANGES IN NET POSITION</b> |                       |                       |                      |
| Operating revenues  | \$ 25,770,997         | \$ 24,476,581         | \$ 5,353,848         |
| Operating expenses:   |                       |                       |                      |
| Operating   | 7,279,500             | 9,711,189             | 2,936,824            |
| Administration  | 3,093,514             | 2,412,941             | 958,923              |
| Depreciation  | 3,212,854             | 3,826,373             | 471,690              |
| Total operating expenses  | 13,585,868            | 15,950,503            | 4,367,437            |
| Operating Income  | 12,185,129            | 8,526,078             | 986,411              |
| Non-operating revenues (expenses):  |                       |                       |                      |
| Investment income   | 1,272,075             | 557,488               | 115,260              |
| Gain on Sale of Asset   | 82,866                | 72,368                | -                    |
| Grant revenue   | -                     | -                     | 100,867              |
| Miscellaneous income  | 69,879                | 3,934                 | 2,081                |
| Lease principal and interest revenue  | 218,308               | -                     | -                    |
| Transfers   | 109,037               | (109,037)             | -                    |
| Interest expense  | (3,212,153)           | (2,132,024)           | (44,796)             |
| Total non-operating revenues (expenses)   | (1,459,988)           | (1,607,271)           | 173,412              |
| Change in Net Position  | 10,725,141            | 6,918,807             | 1,159,823            |
| Net position - January 1, 2023  | 45,026,238            | 81,938,147            | 19,014,517           |
| <b>Net position - December 31, 2023</b>   | <b>\$ 55,751,379</b>  | <b>\$ 88,856,954</b>  | <b>\$ 20,174,340</b> |

# CAPITAL REGION WATER

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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|   | Water Segment        | Sewer Segment        | Stormwater Segment  |
|---|----------------------|----------------------|---------------------|
| <hr/> <b>CONDENSED STATEMENT OF CASH FLOWS</b> <hr/>      |                      |                      |                     |
| Net cash provided by operating activities                 | \$ 15,153,346        | \$ 10,910,181        | \$ 1,271,062        |
| Net cash provided by investing activities                 | 2,355,842            | 981,672              | 115,260             |
| Net cash used in capital and related financing activities | <u>(15,790,066)</u>  | <u>(8,604,641)</u>   | <u>(70,233)</u>     |
| Increase (decrease) in cash and cash equivalents          | 1,719,122            | 3,287,212            | 1,316,089           |
| Cash and cash equivalents, January 1, 2023                | <u>18,613,528</u>    | <u>13,497,831</u>    | <u>2,289,327</u>    |
| Cash and cash equivalents, December 31, 2023              | <u>\$ 20,332,650</u> | <u>\$ 16,785,043</u> | <u>\$ 3,605,416</u> |

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# CAPITAL REGION WATER

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Segment information for the year ended December 31, 2022:

| <b>CONDENSED BALANCE SHEET</b>  | Water Segment         | Sewer Segment         | Stormwater Segment   |
|---|-----------------------|-----------------------|----------------------|
| <b>Assets:</b>  |                       |                       |                      |
| Current assets:   |                       |                       |                      |
| Other current assets  | \$ 24,911,095         | \$ 13,743,479         | \$ 2,995,562         |
| Due from the City of Harrisburg   | 629,957               | 1,943,497             | 115,564              |
| Due from other funds  | -                     | 718,743               | -                    |
| Total current assets  | 25,541,052            | 16,405,719            | 3,111,126            |
| Restricted assets   | 18,337,579            | 10,507,127            | -                    |
| Net pension asset   | 526,333               | 740,149               | 62,633               |
| Lease receivable, net of current portion  | 3,574,845             | -                     | -                    |
| Capital assets  | 91,659,169            | 144,113,525           | 19,483,372           |
| <b>Total Assets</b>   | <b>139,638,978</b>    | <b>171,766,520</b>    | <b>22,657,131</b>    |
| Deferred Outflows of Resources  | 5,275,999             | 697,623               | 36,019               |
| <b>Total Assets and Deferred Outflows of Resources</b>                            | <b>\$ 144,914,977</b> | <b>\$ 172,464,143</b> | <b>\$ 22,693,150</b> |
| <b>Liabilities:</b>   |                       |                       |                      |
| Current liabilities:  |                       |                       |                      |
| Other current liabilities   | \$ 2,345,768          | \$ 4,463,024          | \$ 1,120,489         |
| Due to the City of Harrisburg   | 1,446,082             | 2,600,682             | -                    |
| Due to other funds  | 15,079                | -                     | 222,405              |
| Total current liabilities   | 3,806,929             | 7,063,706             | 1,342,894            |
| Liabilities payable from restricted assets  | 8,793,879             | 3,573,938             | 143,958              |
| Due to the City of Harrisburg   | -                     | 1,293,948             | -                    |
| Noncurrent liabilities  | 82,715,572            | 77,332,200            | 2,178,833            |
| <b>Total Liabilities</b>  | <b>95,316,380</b>     | <b>89,263,792</b>     | <b>3,665,685</b>     |
| Deferred Inflows of Resources   | 4,572,359             | 1,262,204             | 12,948               |
| <b>Net Position:</b>  |                       |                       |                      |
| Net investment in capital assets  | 18,332,626            | 72,842,304            | 16,496,361           |
| Restricted  | 3,605,894             | 3,020,000             | -                    |
| Unrestricted  | 23,087,718            | 6,075,843             | 2,518,156            |
| <b>Total Net Position</b>   | <b>45,026,238</b>     | <b>81,938,147</b>     | <b>19,014,517</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>         | <b>\$ 144,914,977</b> | <b>\$ 172,464,143</b> | <b>\$ 22,693,150</b> |
| <b>CONDENSED STATEMENT OF REVENUES,<br/>EXPENSES, AND CHANGES IN NET POSITION</b> |                       |                       |                      |
| Operating revenues  | \$ 26,435,714         | \$ 21,957,302         | \$ 5,212,355         |
| Operating expenses:   |                       |                       |                      |
| Operating   | 7,251,696             | 10,247,987            | 1,824,715            |
| Administration  | 2,846,026             | 2,305,252             | 784,139              |
| Depreciation  | 2,985,389             | 3,164,290             | 449,480              |
| Total operating expenses  | 13,083,111            | 15,717,529            | 3,058,334            |
| <b>Operating Income</b>   | <b>13,352,603</b>     | <b>6,239,773</b>      | <b>2,154,021</b>     |
| Non-operating revenues (expenses):  |                       |                       |                      |
| Investment income   | 336,655               | 131,476               | 16,522               |
| Gain on Sale of Asset   | (2,442)               | 91,714                | -                    |
| Grant revenue   | -                     | -                     | 176,184              |
| Miscellaneous income  | 116,009               | 67,556                | 12,797               |
| Lease principal and interest revenue  | 214,897               | -                     | -                    |
| Interest expense  | (3,361,598)           | (2,126,538)           | (15,102)             |
| Total non-operating revenues (expenses)   | (2,696,479)           | (1,835,792)           | 190,401              |
| <b>Change in Net Position</b>   | <b>10,656,124</b>     | <b>4,403,981</b>      | <b>2,344,422</b>     |
| Net position - January 1, 2022  | 34,370,114            | 77,534,166            | 16,670,095           |
| <b>Net position - December 31, 2022</b>   | <b>\$ 45,026,238</b>  | <b>\$ 81,938,147</b>  | <b>\$ 19,014,517</b> |

# CAPITAL REGION WATER

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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|   | Water Segment        | Sewer Segment        | Stormwater Segment  |
|---|----------------------|----------------------|---------------------|
| <hr/> <b>CONDENSED STATEMENT OF CASH FLOWS</b> <hr/>      |                      |                      |                     |
| Net cash provided by operating activities                 | \$ 16,237,734        | \$ 12,657,580        | \$ 1,571,239        |
| Net cash provided by investing activities                 | (4,294,397)          | (414,507)            | 16,552              |
| Net cash used in capital and related financing activities | <u>(19,406,024)</u>  | <u>(12,157,688)</u>  | <u>(1,599,367)</u>  |
|   |                      |                      |                     |
| Increase (decrease) in cash and cash equivalents          | (7,462,687) -        | 85,385 -             | (11,576)            |
|   |                      |                      |                     |
| Cash and cash equivalents, January 1, 2022                | <u>26,076,215</u>    | <u>13,412,446</u>    | <u>2,300,933</u>    |
|   |                      |                      |                     |
| Cash and cash equivalents, December 31, 2022              | <u>\$ 18,613,528</u> | <u>\$ 13,497,831</u> | <u>\$ 2,289,357</u> |

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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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, 2023.

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 \$199,106 and \$234,240 at June 30, 2023 and 2022, 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, 2023, excluding amounts in accounts payable, was approximately \$29.0 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.

Grants received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. CRW believes disallowances, if any, will be immaterial.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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### 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 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.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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*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 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, 2023:

|   |                   |
|---|-------------------|
| Active employees  | 143               |
| Inactive employees and beneficiaries currently receiving benefits | 21                |
| Inactive employees entitled to but not yet receiving benefits     | <u>22</u>         |
| Total   | <u><u>186</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, 2022 CRW made a contribution of \$455,637 and the MMO was \$455,637. During the year ended December 31, 2023 CRW made a contribution of \$758,930 and the MMO was \$758,930. The 2023 contribution is reported as a deferred outflow of resources at December 31, 2023.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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

The changes in the net pension liability (asset) of CRW for the years ended December 31, 2023 and 2022 were as follows:

|  | Increase (Decrease)        |                                |                                  |
|--|----------------------------|--------------------------------|----------------------------------|
|  | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability (Asset) |
| Balances at December 31, 2022 (based on the measurement date of December 31, 2021) | \$ 19,837,723              | \$ 21,997,480                  | \$ (2,159,757)                   |
| Estimated changes for the year:  |                            |                                |                                  |
| Service cost   | 1,206,962                  | -                              | 1,206,962                        |
| Interest   | 1,085,800                  | -                              | 1,085,800                        |
| Differences between expected and actual experience                                 | 1,508,066                  | -                              | 1,508,066                        |
| Contributions - employer   | -                          | 452,197                        | (452,197)                        |
| Contributions - PMRS assessment  | -                          | 3,800                          | (3,800)                          |
| Contributions - employees  | -                          | 579,736                        | (579,736)                        |
| PMRS investment income   | -                          | 986,357                        | (986,357)                        |
| Market value investment income (loss)  | -                          | (3,731,147)                    | 3,731,147                        |
| Benefit payments   | (614,951)                  | (614,951)                      | -                                |
| Administrative expense   | -                          | (55,916)                       | 55,916                           |
| Net changes  | <u>3,185,877</u>           | <u>(2,379,924)</u>             | <u>5,565,801</u>                 |
| Balances at December 31, 2023 (based on the measurement date of December 31, 2022) | <u>\$ 23,023,600</u>       | <u>\$ 19,617,556</u>           | <u>\$ 3,406,044</u>              |
| Plan fiduciary net position as a percentage of the total pension liability         |                            |                                | <u>85.21%</u>                    |



# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

|  | Increase (Decrease)        |                                |                                  |
|--|----------------------------|--------------------------------|----------------------------------|
|  | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability (Asset) |
| Balances at December 31, 2021 (based on the measurement date of December 31, 2019 updated with estimated changes for the year) | \$ 17,042,124              | \$ 19,311,848                  | \$ (2,269,724)                   |
| Changes for the year:  |                            |                                |                                  |
| Service cost   | 1,156,780                  | -                              | 1,156,780                        |
| Interest   | 995,378                    | -                              | 995,378                          |
| Change in estimate   | 991,722                    | (339,784)                      | 1,331,506                        |
| Contributions - employer   | -                          | 425,545                        | (425,545)                        |
| Contributions - employees  | -                          | 555,477                        | (555,477)                        |
| PMRS investment income   | -                          | 914,306                        | (914,306)                        |
| Market value investment income   | -                          | 1,533,634                      | (1,533,635)                      |
| Benefit payments   | (348,281)                  | (348,281)                      | -                                |
| Administrative expense   | -                          | (55,265)                       | 55,265                           |
| Net changes  | <u>2,795,599</u>           | <u>2,685,632</u>               | <u>109,966</u>                   |
| Balances at December 31, 2022 (based on the measurement date of December 31, 2021)   | <u>\$ 19,837,723</u>       | <u>\$ 21,997,480</u>           | <u>\$ (2,159,758)</u>            |
| Plan fiduciary net position as a percentage of the total pension liability   |                            |                                | <u>110.9%</u>                    |

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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*Actuarial Assumptions* - The total pension liability was determined by an actuarial valuation performed on January 1, 2023, with liabilities rolled forward to December 31, 2022, 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% - 6.2%*                      |
| * includes inflation rate of 2.2% |                                   |
| Cost-of-living adjustments        | 2.2%, subject to plan limitations |

Actuarial assumptions based on PMRS Experience Study for the period January 1, 2014 to December 31, 2018

Pre-retirement mortality:

Males: PUB 2010 General Employees male table

Females: PUB 2010 General Employees female table

Post-retirement mortality:

Males: RP 2006 Male Annuitant table

Females: RP 2006 Female Annuitant table

*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 7.43%. 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, 2022 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 sponsor contributions will be made at rates equal to the difference between actuarially

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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:

| <u>December 31, 2023</u>  | <u>1% Decrease<br/>4.25%</u> | <u>Current Discount<br/>Rate (5.25%)</u> | <u>1% Increase<br/>(6.25%)</u> |
|---------------------------|------------------------------|--|--------------------------------|
| Pension Liability (Asset) | <u>\$ 6,801,238</u>          | <u>\$ 3,406,044</u>                      | <u>\$ 569,650</u>              |
| <br>                      |                              |  |                                |
| <u>December 31, 2022</u>  | <u>1% Decrease<br/>4.25%</u> | <u>Current Discount<br/>Rate (5.25%)</u> | <u>1% Increase<br/>(6.25%)</u> |
| Pension Liability (Asset) | <u>\$ 838,669</u>            | <u>\$ (2,159,758)</u>                    | <u>\$ (4,667,351)</u>          |

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

For the years ended December 31, 2023 and 2022, CRW recognized pension expense of \$1,206,146 and \$190,890, respectively.

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

At December 31, 2023, CRW reported deferred outflows of resources and deferred inflows of resources related to its pension from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience                               | \$ 1,956,340                              | \$ 107,498                               |
| Changes of assumptions   | 448,770                                   | 20,055                                   |
| CRW contributions subsequent to the measurement date                             | 758,930                                   | -  |
| Net difference between projected and actual earnings on pension plan investments | <u>1,091,749</u>                          | <u>-</u>                                 |
| Total  | <u>\$ 4,255,789</u>                       | <u>\$ 127,553</u>                        |

At December 31, 2022, CRW reported deferred outflows of resources and deferred inflows of resources related to its pension from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience                               | \$ 750,654                                | \$ 161,244                               |
| Changes of assumptions   | 565,658                                   | 26,741                                   |
| CRW contributions subsequent to the measurement date                             | 455,637                                   | -  |
| Net difference between projected and actual earnings on pension plan investments | <u>-</u>                                  | <u>2,580,716</u>                         |
| Total  | <u>\$ 1,771,949</u>                       | <u>\$ 2,768,701</u>                      |

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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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 2023 and 2022 (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, 2023 will be recognized in pension expense as follows:

| <u>Year ending December 31,</u> |                     |
|---------------------------------|---------------------|
| 2024                            | \$ 110,886          |
| 2025                            | 512,780             |
| 2026                            | 806,724             |
| 2027                            | 1,120,132           |
| 2028                            | 316,106             |
| Thereafter                      | <u>502,678</u>      |
|                                 | <u>\$ 3,369,306</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 premium for single coverage for member only. The member and spouse are eligible until

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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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.

|                |        |
|----------------|--------|
| 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, 2023 and 2022, CRW contributed \$30,772 and \$66,825 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.

### Plan Membership

At January 1, 2022, 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><u>29</u></u> |

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

### Changes in Total OPEB Liability

The changes in total OPEB liability of CRW for the years ended December 31, 2023 (based on the measurement date December 31, 2022) and 2022 (based on the measurement date of December 31, 2021) were as follows:

|   |                   |                   |
|---|-------------------|-------------------|
| Total OPEB Liability                                  | <u>2023</u>       | <u>2022</u>       |
| Service cost  | \$ 29,736         | \$ 49,817         |
| Interest  | 19,193            | 27,090            |
| Differences between expected<br>and actual experience | -                 | (531,397)         |
| Changes of assumptions                                | (156,065)         | (28,749)          |
| Benefit payments                                      | <u>(30,772)</u>   | <u>(66,825)</u>   |
| Net changes   | (137,908)         | (550,064)         |
| OPEB Liability at January 1                           | <u>839,981</u>    | <u>1,390,045</u>  |
| OPEB Liability at December 31                         | <u>\$ 702,073</u> | <u>\$ 839,981</u> |

At December 31, 2023, CRW reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ -                                      | \$ 530,766                               |
| Changes of assumptions                             | 159,107                                   | 191,062                                  |
| CRW payments subsequent to the measurement date    | <u>15,142</u>                             | <u>-</u>                                 |
| Total  | <u>\$ 174,249</u>                         | <u>\$ 721,828</u>                        |

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

At December 31, 2022, CRW reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ -                              | \$ 623,634                       |
| Changes of assumptions                             | 187,413                           | 63,590                           |
| CRW payments subsequent to the measurement date    | 30,772                            | -                                |
| Total  | <u>\$ 218,185</u>                 | <u>\$ 687,224</u>                |

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, 2023 will be recorded as a reduction to the OPEB liability during the year ending December 31, 2022. The amount recorded at December 31, 2022 was recognized as a reduction of the net OPEB liability for the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at December 31, 2023 will be recognized in OPEB expense as follows:

| <u>Year ending December 31,</u> |                     |
|---------------------------------|---------------------|
| 2024                            | \$ (93,155)         |
| 2025                            | (93,155)            |
| 2026                            | (93,155)            |
| 2027                            | (93,155)            |
| 2028                            | (93,155)            |
| Thereafter                      | <u>(96,946)</u>     |
|                                 | <u>\$ (562,721)</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-



# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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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.

The total OPEB liability was determined by an actuarial valuation performed on January 1, 2022 measured at December 31, 2022 using the following actuarial assumptions, applied to all periods in the measurement:

|                             |   |
|-----------------------------|---|
| Actuarial cost method       | Entry age normal  |
| Actuarial assumptions:      |   |
| Interest rate               | 4.31% - Based on the Standard & Poor's Municipal Bond 20-Year High Grade Rate Index at January 1, 2023.   |
| Projected salary increases  | 5.00%   |
| Healthcare cost trend rates | 7.0% in 2023 with 0.5% decrease per year until 5.5% in 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model |
| Mortality                   | PubG-2010 mortality table, including rated for disabled retirees and contingent survivors.  |
| 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. The interest rate changed from 3.26% to 1.93% in the actuarial valuation as of January 1, 2020 for December 31, 2021. The interest rate changed from 1.93% to 2.25% in the actuarial valuation as of January 1, 2022 for December 31, 2022. The interest rate changed from 2.25% in the January 1, 2022 measured at December 31,

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# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

2022 actuarial valuation to 4.31%. The mortality assumptions were updated from IRS 2017 Static Combined Mortality Table for Small Plans to PubG-2010 mortality table with measurement date of December 31, 2022. Trend assumptions are also updated annually.

### Discount Rate

The discount rate used to measure the December 31, 2023 and 2022 total OPEB liability was 4.31% and 2.25%, 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.

### 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<br>(3.31%) | Current Discount<br>Rate (4.31%) | 1% Increase<br>(5.31%) |
|--------------------------|------------------------|----------------------------------|------------------------|
| <u>December 31, 2023</u> |                        |                                  |                        |
| Total OPEB Liability     | <u>\$ 789,654</u>      | <u>\$ 702,073</u>                | <u>\$ 626,130</u>      |
|                          | 1% Decrease<br>(1.25%) | Current Discount<br>Rate (2.25%) | 1% Increase<br>(3.25%) |
| <u>December 31, 2022</u> |                        |                                  |                        |
| Total OPEB Liability     | <u>\$ 936,320</u>      | <u>\$ 839,981</u>                | <u>\$ 754,519</u>      |

# CAPITAL REGION WATER

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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### 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:

| <u>December 31, 2023</u> | <u>1% Decrease</u> | <u>Current<br/>Trend Rate</u> | <u>1% Increase</u> |
|--------------------------|--------------------|-------------------------------|--------------------|
| Total OPEB Liability     | <u>\$ 631,590</u>  | <u>\$ 702,073</u>             | <u>\$ 758,635</u>  |

  

| <u>December 31, 2022</u> | <u>1% Decrease</u> | <u>Current<br/>Trend Rate</u> | <u>1% Increase</u> |
|--------------------------|--------------------|-------------------------------|--------------------|
| Total OPEB Liability     | <u>\$ 754,423</u>  | <u>\$ 839,981</u>             | <u>\$ 906,692</u>  |

### OPEB Expense

For the years ended December 31, 2023 and 2022, CRW recognized OPEB expense of \$(44,226) and \$86,215, respectively.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

# CAPITAL REGION WATER

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

|   | 2023*                | 2022                  | 2021                 | 2020                 | 2019                 | 2018                  | 2017                 | 2016                 | 2015                |
|---|----------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|---------------------|
| <b>Total Pension Liability:</b>   |                      |                       |                      |                      |                      |                       |                      |                      |                     |
| Service cost  | \$ 1,206,962         | \$ 1,156,780          | \$ 926,525           | \$ 865,699           | \$ 830,682           | \$ 764,171            | \$ 654,728           | \$ 613,689           | \$ 334,095          |
| Interest  | 1,085,800            | 995,378               | 850,863              | 780,614              | 691,100              | 635,428               | 603,374              | 542,606              | 401,252             |
| Changes of assumptions  | -                    | -                     | 573,382              | -                    | -                    | -                     | 406,858              | (73,543)             | -                   |
| Differences between expected and actual experience                                | 1,508,066            | -                     | 614,962              | -                    | 520,179              | -                     | (483,726)            | -                    | 1,637               |
| Transfers   | -                    | -                     | -                    | -                    | -                    | (101,807)             | -                    | -                    | 3,135,289           |
| Benefit payments, including refunds   | (614,951)            | (348,281)             | (520,630)            | (223,576)            | (509,787)            | (189,492)             | (22,836)             | (2,949)              | (16,536)            |
| <b>Net Changes in Total Pension Liability</b>                                     | <b>3,185,877</b>     | <b>1,803,877</b>      | <b>2,445,102</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>19,837,723</b>    | <b>18,033,846</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>5,431,595</b>    |
| <b>Total Pension Liability - Ending (a)</b>                                       | <b>\$ 23,023,600</b> | <b>\$ 19,837,723</b>  | <b>\$ 18,033,846</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  | \$ 455,997           | \$ 425,545            | \$ 387,613           | \$ 324,888           | \$ 334,515           | \$ 501,800            | \$ 216,967           | \$ 227,577           | \$ 143,879          |
| Contributions - employees   | 579,736              | 555,477               | 505,191              | 480,204              | 455,329              | 416,181               | 388,245              | 324,831              | 251,842             |
| Net investment income (loss)  | (2,744,790)          | 2,447,940             | 2,256,564            | 2,788,573            | (847,765)            | 1,958,868             | 794,593              | (71,180)             | 416,222             |
| Transfers   | -                    | -                     | -                    | -                    | -                    | (101,807)             | -                    | -                    | 3,135,289           |
| Benefit payments, including refunds   | (614,951)            | (348,281)             | (520,630)            | (223,576)            | (509,787)            | (189,492)             | (22,836)             | (2,949)              | (16,536)            |
| Administrative expense  | (55,916)             | (55,265)              | (39,412)             | (30,010)             | (33,124)             | (30,681)              | (31,035)             | (24,032)             | (20,178)            |
| <b>Net Change in Plan Fiduciary Net Position</b>                                  | <b>(2,379,924)</b>   | <b>3,025,416</b>      | <b>2,589,326</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>21,997,480</b>    | <b>18,972,064</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>5,377,923</b>    |
| <b>Plan Fiduciary Net Position - Ending (b)</b>                                   | <b>\$ 19,617,556</b> | <b>\$ 21,997,480</b>  | <b>\$ 18,972,064</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>\$ 3,406,044</b>  | <b>\$ (2,159,757)</b> | <b>\$ (938,218)</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>85.2%</b>         | <b>110.9%</b>         | <b>105.2%</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>\$ 9,396,679</b>  | <b>\$ 8,965,710</b>   | <b>\$ 8,119,793</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>36.25%</b>        | <b>-24.09%</b>        | <b>-11.55%</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**

|   | <u>2023*</u>        | <u>2022</u>         | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution under Act 205                   | \$ 455,637          | \$ 425,185          | \$ 387,213          | \$ 324,568          | \$ 334,035          | \$ 301,468          | \$ 240,302          | \$ 204,394          | \$ 143,479          |
| Contribution in relation to the actuarially determined contribution | <u>455,997</u>      | <u>425,545</u>      | <u>387,613</u>      | <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>\$ (360)</u>     | <u>\$ (360)</u>     | <u>\$ (400)</u>     | <u>\$ (320)</u>     | <u>\$ (480)</u>     | <u>\$ (200,332)</u> | <u>\$ 23,335</u>    | <u>\$ (23,183)</u>  | <u>\$ (400)</u>     |
| Covered payroll   | <u>\$ 9,396,679</u> | <u>\$ 8,965,710</u> | <u>\$ 8,119,793</u> | <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                    | 4.85%               | 4.75%               | 4.77%               | 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, 2022 are as follows:

|  |  |
|--|--|
| Actuarial valuation date   | 1/1/2019   |
| 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  | 5.3%   |
| Projected salary increases   | Age related scale with merit and inflation component |
| Underlying inflation rate  | 2.8%   |
| Postretirement cost-of-living adjustment increase  | 2.2%, 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                       |  |

# CAPITAL REGION WATER

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN

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### **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.

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.

Effective with the December 31, 2020 measurement date were the following assumption changes: the experience study was updated from period covering January 1, 2009 through December 31, 2013 to January 1, 2014 through December 31, 2018; mortality tables were updated from RP 2000 to PUB-2010 for pre-retirement and RP 2006 for post-retirement; post-retirement cost of living decreased from 2.8% to 2.2%; and projected salary increases were also adjusted.



**CAPITAL REGION WATER**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE OPEB PLAN'S LIABILITY**

|  | 2023*             | 2022              | 2021                | 2020                | 2019                | 2018                |
|--|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total OPEB Liability:</b>                       |                   |                   |                     |                     |                     |                     |
| Service cost                                       | \$ 29,736         | \$ 49,817         | \$ 30,837           | \$ 45,349           | \$ 48,431           | \$ 48,171           |
| Interest   | 19,193            | 27,090            | 36,291              | 47,235              | 40,839              | 46,410              |
| Changes of benefit terms                           | -                 | -                 | -                   | (100,324)           | -                   | -                   |
| Differences between expected and actual experience | -                 | (531,397)         | -                   | (149,337)           | -                   | (108,354)           |
| Changes of assumptions                             | (156,065)         | 103,115           | 141,938             | 37,387              | (60,399)            | 67,059              |
| Benefit payments                                   | (30,772)          | (66,825)          | (72,583)            | (23,847)            | (16,570)            | (6,776)             |
| <b>Net Changes in Total OPEB Liability</b>         | <b>(137,908)</b>  | <b>(418,200)</b>  | <b>136,483</b>      | <b>(143,537)</b>    | <b>12,301</b>       | <b>46,510</b>       |
| <b>Total OPEB Liability - Beginning</b>            | <b>839,981</b>    | <b>1,258,181</b>  | <b>1,121,698</b>    | <b>1,265,235</b>    | <b>1,252,934</b>    | <b>1,206,424</b>    |
| <b>Total OPEB Liability - Ending</b>               | <b>\$ 702,073</b> | <b>\$ 839,981</b> | <b>\$ 1,258,181</b> | <b>\$ 1,121,698</b> | <b>\$ 1,265,235</b> | <b>\$ 1,252,934</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 - OPEB plan.

# CAPITAL REGION WATER

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLAN

YEAR ENDED DECEMBER 31, 2023

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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               | 4.31% - Based on the Standard & Poor's Municipal Bond 20-Year High Grade Rate Index at January 1, 2023.   |
| Projected salary increases  | 5.00%   |
| Healthcare cost trend rates | 7.0% in 2023 with 0.5% decrease per year until 5.5% in 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model |
| Mortality                   | PubG-2010 Mortality Table, including rated for disabled retirees and contingent survivors.  |
| 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.

# CAPITAL REGION WATER

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLAN

YEAR ENDED DECEMBER 31, 2023

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### 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.

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.

The interest rate changed from 3.26% in the January 1, 2020 measured at December 31, 2019 actuarial valuation to 1.93% in the January 1, 2020 measured at December 31, 2021 actuarial valuation.

The interest rate changed from 1.93% in the January 1, 2020 measured at December 31, 2021 actuarial valuation to 2.25% in the January 1, 2022 measured at December 31, 2022 actuarial valuation.

The interest rate changed from 2.25% in the January 1, 2022 measured at December 31, 2022 actuarial valuation to 4.31% in the January 1, 2022 for Fiscal Year Ending December 31, 2023 actuarial valuation. The mortality assumptions were updated from IRS 2017 Static Combined Mortality Table for Small Plans to PubG-2010 mortality table with measurement date of December 31, 2022. Trend assumptions are also updated annually.

## **SUPPLEMENTARY INFORMATION**

# CAPITAL REGION WATER

## COMBINING BALANCE SHEET

YEAR ENDED DECEMBER 31, 2023

| Assets and Deferred Outflows of Resources   | Water Segment         | Sewer Segment         | Stormwater Segment   | Working Capital Fund | Eliminations          | Total                 |
|---|-----------------------|-----------------------|----------------------|----------------------|-----------------------|-----------------------|
| <b>Assets:</b>  |                       |                       |                      |                      |                       |                       |
| Current assets:   |                       |                       |                      |                      |                       |                       |
| Cash and cash equivalents   | \$ 18,528,692         | \$ 10,129,775         | \$ 3,605,416         | \$ 1,630,981         | \$ -                  | \$ 33,894,864         |
| Investments   | 3,626,713             | -                     | -                    | -                    | -                     | 3,626,713             |
| Accounts receivable, net of allowance for uncollectible accounts of \$4,782,250, \$2,721,551, \$1,160,273 and zero          | 5,044,153             | 5,710,498             | 535,290              | 34,688               | -                     | 11,324,629            |
| Current portion of lease receivable   | 49,227                | -                     | -                    | -                    | -                     | 49,227                |
| Due from the City of Harrisburg   | 649,557               | 1,943,497             | 216,430              | 404,181              | -                     | 3,213,665             |
| Prepaid expenses  | 208,156               | 216,099               | 16,716               | 92,402               | -                     | 533,373               |
| Inventory   | 317,656               | 102,869               | -                    | -                    | -                     | 420,525               |
| Due from other funds  | 252,361               | 933,417               | -                    | -                    | (1,185,778)           | -                     |
| Total current assets  | <u>28,676,515</u>     | <u>19,036,155</u>     | <u>4,373,852</u>     | <u>2,162,252</u>     | <u>(1,185,778)</u>    | <u>53,062,996</u>     |
| Restricted assets:  |                       |                       |                      |                      |                       |                       |
| Cash and cash equivalents - restricted under trust indentures and guarantee agreement                                       | 1,803,958             | 6,655,268             | -                    | 250,000              | -                     | 8,709,226             |
| Investments restricted under trust indentures   | 14,521,210            | 4,227,675             | -                    | -                    | -                     | 18,748,885            |
| Total restricted assets   | <u>16,325,168</u>     | <u>10,882,943</u>     | <u>-</u>             | <u>250,000</u>       | <u>-</u>              | <u>27,458,111</u>     |
| Noncurrent assets:  |                       |                       |                      |                      |                       |                       |
| Lease receivable, net of current portion  | 3,525,618             | -                     | -                    | -                    | -                     | 3,525,618             |
| Capital assets, not being depreciated   | 5,153,788             | 31,126,829            | 4,316,411            | -                    | -                     | 40,597,028            |
| Capital assets, being depreciated, net of accumulated depreciation of \$70,446,728, \$85,909,350, \$1,869,525 and \$403,792 | 92,388,908            | 135,286,403           | 19,270,953           | 227,477              | -                     | 247,173,741           |
| Total noncurrent assets   | <u>101,068,314</u>    | <u>166,413,232</u>    | <u>23,587,364</u>    | <u>227,477</u>       | <u>-</u>              | <u>291,296,387</u>    |
| Total Assets  | <u>146,069,997</u>    | <u>196,332,330</u>    | <u>27,961,216</u>    | <u>2,639,729</u>     | <u>(1,185,778)</u>    | <u>371,817,494</u>    |
| <b>Deferred Outflows of Resources:</b>  |                       |                       |                      |                      |                       |                       |
| Deferred loss on refunding  | 4,034,882             | -                     | -                    | -                    | -                     | 4,034,882             |
| Deferred outflows of resources for other postemployment benefits  | 77,060                | 81,128                | -                    | 16,061               | -                     | 174,249               |
| Deferred outflows of resources for pension  | 1,076,867             | 1,411,272             | 139,822              | 1,627,828            | -                     | 4,255,789             |
| Total Deferred Outflows of Resources  | <u>5,188,809</u>      | <u>1,492,400</u>      | <u>139,822</u>       | <u>1,643,889</u>     | <u>-</u>              | <u>8,464,920</u>      |
| <b>Total Assets and Deferred Outflows of Resources</b>  | <u>\$ 151,258,806</u> | <u>\$ 197,824,730</u> | <u>\$ 28,101,038</u> | <u>\$ 4,283,618</u>  | <u>\$ (1,185,778)</u> | <u>\$ 380,282,414</u> |

(Continued)

**CAPITAL REGION WATER**  
**COMBINING BALANCE SHEET**  
**YEAR ENDED DECEMBER 31, 2023**  
**(Continued)**

| <b>Liabilities, Deferred Inflows of Resources,<br/>and Net Position</b>        | <b>Water Segment</b>  | <b>Sewer Segment</b>  | <b>Stormwater<br/>Segment</b> | <b>Working<br/>Capital<br/>Fund</b> | <b>Eliminations</b>   | <b>Total</b>          |
|--|-----------------------|-----------------------|-------------------------------|-------------------------------------|-----------------------|-----------------------|
| <b>Liabilities:</b>  |                       |                       |                               |                                     |                       |                       |
| Current liabilities:   |                       |                       |                               |                                     |                       |                       |
| Accounts payable and accrued liabilities                                       | \$ 2,484,264          | \$ 6,762,619          | \$ 1,122,505                  | \$ 265,710                          | \$ -                  | \$ 10,635,098         |
| Current portion of compensated absences  | 70,099                | 120,982               | 536                           | 150,234                             | -                     | 341,851               |
| Current portion of line of credit  | -                     | 3,476,838             | -                             | -                                   | -                     | 3,476,838             |
| Unearned revenue   | 145,511               | 224,365               | -                             | -                                   | -                     | 369,876               |
| Due to the City of Harrisburg  | 1,445,359             | 2,673,731             | -                             | -                                   | -                     | 4,119,090             |
| Due to other funds   | -                     | -                     | 136,159                       | 1,049,619                           | (1,185,778)           | -                     |
| Total current liabilities  | <u>4,145,233</u>      | <u>13,258,535</u>     | <u>1,259,200</u>              | <u>1,465,563</u>                    | <u>(1,185,778)</u>    | <u>18,942,753</u>     |
| Liabilities payable from restricted assets:                                    |                       |                       |                               |                                     |                       |                       |
| Accrued interest payable   | 1,644,959             | 901,083               | -                             | -                                   | -                     | 2,546,042             |
| Current portion of notes payable   | 235,373               | 1,822,596             | -                             | -                                   | -                     | 2,057,969             |
| Current portion of lease payable   | 6,716                 | 6,716                 | 147,495                       | -                                   | -                     | 160,927               |
| Current portion of bonds payable   | 6,675,000             | 885,000               | -                             | -                                   | -                     | 7,560,000             |
| Total liabilities payable from restricted assets                               | <u>8,562,048</u>      | <u>3,615,395</u>      | <u>147,495</u>                | <u>-</u>                            | <u>-</u>              | <u>12,324,938</u>     |
| Noncurrent liabilities:  |                       |                       |                               |                                     |                       |                       |
| Compensated absences   | 96,979                | 167,373               | 742                           | 207,842                             | -                     | 472,936               |
| Due to the City of Harrisburg  | -                     | 1,012,728             | -                             | -                                   | -                     | 1,012,728             |
| Notes payable  | 6,659,605             | 46,494,731            | 6,324,750                     | -                                   | -                     | 59,479,086            |
| Lease payable  | -                     | -                     | 151,120                       | -                                   | -                     | 151,120               |
| Bonds outstanding, plus premiums of<br>\$5,769,204, \$4,088,307, zero and zero | 71,074,204            | 42,523,307            | -                             | -                                   | -                     | 113,597,511           |
| Net pension liability  | 856,961               | 1,127,401             | 135,560                       | 1,286,122                           | -                     | 3,406,044             |
| Total other postemployment benefit liability                                   | 280,021               | 352,092               | -                             | 69,960                              | -                     | 702,073               |
| Total noncurrent liabilities   | <u>78,967,770</u>     | <u>91,677,632</u>     | <u>6,612,172</u>              | <u>1,563,924</u>                    | <u>-</u>              | <u>178,821,498</u>    |
| Total Liabilities  | <u>91,675,051</u>     | <u>108,551,562</u>    | <u>8,018,867</u>              | <u>3,029,487</u>                    | <u>(1,185,778)</u>    | <u>210,089,189</u>    |
| Deferred Inflows of Resources:   |                       |                       |                               |                                     |                       |                       |
| Deferred inflows of resources for other postemployment<br>benefits             | 305,259               | 295,510               | -                             | 121,059                             | -                     | 721,828               |
| Deferred inflows of resources for pensior                                      | 65,920                | 120,704               | (92,169)                      | 33,098                              | -                     | 127,553               |
| Lease related  | 3,461,197             | -                     | -                             | -                                   | -                     | 3,461,197             |
| Total Deferred Inflows of Resources  | <u>3,832,376</u>      | <u>416,214</u>        | <u>(92,169)</u>               | <u>154,157</u>                      | <u>-</u>              | <u>4,310,578</u>      |
| Net Position:  |                       |                       |                               |                                     |                       |                       |
| Net investment in capital assets   | 27,854,599            | 76,127,695            | 16,150,975                    | 227,477                             | -                     | 120,360,746           |
| Restricted:  |                       |                       |                               |                                     |                       |                       |
| Guarantee agreement  | -                     | -                     | -                             | 250,000                             | -                     | 250,000               |
| Water- restricted under trust indenture requirements                           | 1,803,958             | -                     | -                             | -                                   | -                     | 1,803,958             |
| Sewer- restricted under trust indenture requirements                           | -                     | 2,820,000             | -                             | -                                   | -                     | 2,820,000             |
| Unrestricted   | 26,092,822            | 9,909,259             | 4,023,365                     | 622,497                             | -                     | 40,647,943            |
| Total Net Position   | <u>55,751,379</u>     | <u>88,856,954</u>     | <u>20,174,340</u>             | <u>1,099,974</u>                    | <u>-</u>              | <u>165,882,647</u>    |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources, and Net Position</b>  | <u>\$ 151,258,806</u> | <u>\$ 197,824,730</u> | <u>\$ 28,101,038</u>          | <u>\$ 4,283,618</u>                 | <u>\$ (1,185,778)</u> | <u>\$ 380,282,414</u> |

# CAPITAL REGION WATER

## COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2023

|  | Water Segment        | Sewer Segment        | Stormwater Segment   | Working Capital Fund | Eliminations       | Total                 |
|--|----------------------|----------------------|----------------------|----------------------|--------------------|-----------------------|
| <b>Operating Revenues:</b>                     |                      |                      |                      |                      |                    |                       |
| User charges                                   | \$ 25,770,997        | \$ 24,476,581        | \$ 5,353,848         | \$ -                 | \$ (90,576)        | \$ 55,510,850         |
| Administrative fees                            | -                    | -                    | -                    | 6,465,378            | (6,465,378)        | -                     |
| <b>Total operating revenues</b>                | <b>25,770,997</b>    | <b>24,476,581</b>    | <b>5,353,848</b>     | <b>6,465,378</b>     | <b>(6,555,954)</b> | <b>55,510,850</b>     |
| <b>Operating Expenses:</b>                     |                      |                      |                      |                      |                    |                       |
| Operating                                      | 7,279,500            | 9,711,189            | 2,936,824            | -                    | (190,559)          | 19,736,954            |
| Administrative                                 | 3,093,514            | 2,412,941            | 958,923              | 6,683,072            | (6,465,378)        | 6,683,072             |
| Depreciation                                   | 3,212,854            | 3,826,373            | 471,690              | 60,732               | -                  | 7,571,649             |
| <b>Total operating expenses</b>                | <b>13,585,868</b>    | <b>15,950,503</b>    | <b>4,367,437</b>     | <b>6,743,804</b>     | <b>(6,655,937)</b> | <b>33,991,675</b>     |
| <b>Operating Income (Loss)</b>                 | <b>12,185,129</b>    | <b>8,526,078</b>     | <b>986,411</b>       | <b>(278,426)</b>     | <b>99,983</b>      | <b>21,519,175</b>     |
| <b>Non-Operating Revenues (Expenses):</b>      |                      |                      |                      |                      |                    |                       |
| Investment income                              | 1,272,075            | 557,488              | 115,260              | 34,370               | -                  | 1,979,193             |
| Grant revenue                                  | -                    | -                    | 100,867              | -                    | -                  | 100,867               |
| Gain/loss on sale of asset                     | 82,866               | 72,368               | -                    | -                    | -                  | 155,234               |
| Miscellaneous income                           | 69,879               | 3,934                | 2,081                | 23,619               | -                  | 99,513                |
| Lease principal revenue                        | 215,427              | -                    | -                    | -                    | (99,983)           | 115,444               |
| Lease interest revenue                         | 2,881                | -                    | -                    | -                    | -                  | 2,881                 |
| Transfers                                      | 109,037              | (109,037)            | -                    | -                    | -                  | -                     |
| Interest expense                               | (3,212,153)          | (2,132,024)          | (44,796)             | -                    | -                  | (5,388,973)           |
| <b>Total non-operating revenues (expenses)</b> | <b>(1,459,988)</b>   | <b>(1,607,271)</b>   | <b>173,412</b>       | <b>57,989</b>        | <b>(99,983)</b>    | <b>(2,935,841)</b>    |
| <b>Change in Net Position</b>                  | <b>10,725,141</b>    | <b>6,918,807</b>     | <b>1,159,823</b>     | <b>(220,437)</b>     | <b>-</b>           | <b>18,583,334</b>     |
| <b>Net Position:</b>                           |                      |                      |                      |                      |                    |                       |
| Beginning of year                              | 45,026,238           | 81,938,147           | 19,014,517           | 1,320,411            | -                  | 147,299,313           |
| End of year                                    | <u>\$ 55,751,379</u> | <u>\$ 88,856,954</u> | <u>\$ 20,174,340</u> | <u>\$ 1,099,974</u>  | <u>\$ -</u>        | <u>\$ 165,882,647</u> |

**CAPITAL REGION WATER**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2023**

|   | Water Segment        | Sewer Segment        | Stormwater Segment  | Working Capital Fund | Eliminations    | Total                |
|---|----------------------|----------------------|---------------------|----------------------|-----------------|----------------------|
| <b>Cash Flows From Operating Activities:</b>                            |                      |                      |                     |                      |                 |                      |
| Receipts from customers and users                                       | \$ 25,688,632        | \$ 24,569,599        | \$ 5,409,200        | \$ 375               | \$ (90,576)     | \$ 55,577,230        |
| Receipts for interfund services   | -                    | -                    | -                   | 7,033,738            | (7,033,738)     | -                    |
| Payments to employees   | (2,492,969)          | (2,731,663)          | (961,416)           | (3,734,349)          | -               | (9,920,397)          |
| Payments to suppliers   | (4,681,363)          | (8,300,140)          | (2,131,553)         | (2,663,722)          | 190,559         | (17,586,219)         |
| Payments for interfund services   | (3,360,954)          | (2,627,615)          | (1,045,169)         | -                    | 7,033,738       | -                    |
| Net cash provided by (used in) operating activities                     | <u>15,153,346</u>    | <u>10,910,181</u>    | <u>1,271,062</u>    | <u>636,042</u>       | <u>99,983</u>   | <u>28,070,614</u>    |
| <b>Cash Flows From Investing Activities:</b>                            |                      |                      |                     |                      |                 |                      |
| Sale (purchase) of investments, net                                     | 1,083,767            | 424,184              | -                   | -                    | -               | 1,507,951            |
| Investment income received  | 1,272,075            | 557,488              | 115,260             | 34,370               | -               | 1,979,193            |
| Net cash provided by (used in) investing activities                     | <u>2,355,842</u>     | <u>981,672</u>       | <u>115,260</u>      | <u>34,370</u>        | <u>-</u>        | <u>3,487,144</u>     |
| <b>Cash Flows from Capital and Related Financing Activities:</b>        |                      |                      |                     |                      |                 |                      |
| Proceeds from debt issuance   | 3,671,398            | 21,614,032           | 4,446,066           | -                    | -               | 29,731,496           |
| Acquisition and construction of capital assets                          | (8,856,761)          | (22,217,453)         | (4,428,412)         | (10,136)             | -               | (35,512,762)         |
| Proceeds from disposal of capital assets                                | 82,866               | 72,368               | -                   | -                    | -               | 155,234              |
| Interest paid   | (3,977,600)          | (2,433,843)          | (44,797)            | -                    | -               | (6,456,240)          |
| Principal paid on long-term debt  | (6,988,032)          | (5,524,243)          | -                   | -                    | -               | (12,512,275)         |
| Principal paid on lease payable   | (6,465)              | (6,465)              | (143,957)           | -                    | -               | (156,887)            |
| Lease principal receipts  | 172,610              | -                    | -                   | -                    | (99,983)        | 72,627               |
| Lease interest receipts   | 2,881                | -                    | -                   | -                    | -               | 2,881                |
| Interfund transfers   | 109,037              | (109,037)            | 100,867             | -                    | -               | 100,867              |
| Net cash provided by (used in) capital and related financing activities | <u>(15,790,066)</u>  | <u>(8,604,641)</u>   | <u>(70,233)</u>     | <u>(10,136)</u>      | <u>(99,983)</u> | <u>(24,575,059)</u>  |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>                 | <u>1,719,122</u>     | <u>3,287,212</u>     | <u>1,316,089</u>    | <u>660,276</u>       | <u>-</u>        | <u>6,982,699</u>     |
| <b>Cash and Cash Equivalents:</b>                                       |                      |                      |                     |                      |                 |                      |
| Beginning of year   | 18,613,528           | 13,497,831           | 2,289,327           | 1,220,705            | -               | 35,621,391           |
| End of year   | <u>\$ 20,332,650</u> | <u>\$ 16,785,043</u> | <u>\$ 3,605,416</u> | <u>\$ 1,880,981</u>  | <u>\$ -</u>     | <u>\$ 42,604,090</u> |

(Continued)



**CAPITAL REGION WATER**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2023**  
**(Continued)**

|  | Water Segment        | Sewer Segment        | Stormwater Segment  | Working Capital Fund | Eliminations     | Total                |
|--|----------------------|----------------------|---------------------|----------------------|------------------|----------------------|
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b> |                      |                      |                     |                      |                  |                      |
| Operating income (loss)  | \$ 12,185,129        | \$ 8,526,078         | \$ 986,411          | \$ (278,426)         | \$ 99,983        | \$ 21,519,175        |
| Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:     |                      |                      |                     |                      |                  |                      |
| Depreciation   | 3,212,854            | 3,826,373            | 471,690             | 60,732               | -                | 7,571,649            |
| Amortization of deferred outflows and inflows of resources   | 66,457               | 103,546              | 16,618              | 137,733              | -                | 324,354              |
| Miscellaneous nonoperating income  | 69,879               | 3,934                | 2,081               | 23,619               | -                | 99,513               |
| (Increase) decrease in accounts receivable   | (149,428)            | 54,817               | 156,218             | 375                  | -                | 61,982               |
| (Increase) decrease in due from the City of Harrisburg   | (19,600)             | -                    | (100,866)           | -                    | -                | (120,466)            |
| (Increase) decrease in prepaid expenses  | (41,426)             | (6,313)              | (1,989)             | 28,661               | -                | (21,067)             |
| (Increase) decrease in inventory   | (23,327)             | 22,946               | -                   | -                    | -                | (381)                |
| (Increase) decrease in net pension asset   | 526,333              | 740,149              | 62,633              | 830,643              | -                | 2,159,758            |
| (Increase) decrease in deferred outflows of resources for other postemployment benefits                  | 7,180                | 8,796                | -                   | (346)                | -                | 15,630               |
| (Increase) decrease in deferred outflows of resources for pensions                                       | (748,751)            | (975,037)            | (122,825)           | (1,115,168)          | -                | (2,961,781)          |
| (Increase) decrease in due from (to) other funds   | (267,440)            | (214,674)            | (86,246)            | 568,360              | -                | -                    |
| Increase (decrease) in accounts payable and accrued liabilities  | 33,525               | (1,284,700)          | (143,912)           | 25,927               | -                | (1,369,160)          |
| Increase (decrease) in unearned revenue  | 86,663               | 38,201               | -                   | -                    | -                | 124,864              |
| Increase (decrease) in due to the City of Harrisburg   | (723)                | (208,171)            | -                   | 16,847               | -                | (192,047)            |
| Increase (decrease) in compensated absences  | 4,532                | (7,928)              | (1,598)             | 20,100               | -                | 15,106               |
| Increase (decrease) in total other postemployment benefit liability                                      | (62,036)             | (67,165)             | -                   | (8,707)              | -                | (137,908)            |
| Increase (decrease) in net pension liability   | 856,961              | 1,127,401            | 135,560             | 1,286,122            | -                | 3,406,044            |
| Increase (decrease) in deferred inflows of resources for other postemployment benefits                   | 65,872               | 76,144               | -                   | 14,049               | -                | 156,065              |
| Increase (decrease) in deferred inflows of resources for pensions  | (649,308)            | (854,217)            | (102,712)           | (974,478)            | -                | (2,580,716)          |
| <b>Net cash provided by (used in) operating activities</b>   | <b>\$ 15,153,346</b> | <b>\$ 10,910,181</b> | <b>\$ 1,271,062</b> | <b>\$ 636,042</b>    | <b>\$ 99,983</b> | <b>\$ 28,070,614</b> |

(Concluded)

# CAPITAL REGION WATER

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2023

| Federal Grantor/Pass-Through Grantor/Project Title                             | Federal<br>ALN | Grant/<br>Pass-Through<br>Grantor's Number | Passed Through<br>to Subrecipients | Expenditures        |
|--|----------------|--|------------------------------------|---------------------|
| <b>Environmental Protection Agency:</b>  |                |  |                                    |                     |
| Passed through Pennsylvania Infrastructure<br>Investment Authority:            |                |  |                                    |                     |
| Clean Water State Revolving Fund Cluster:                                      |                |  |                                    |                     |
| Capitalization Grants for Clean Water State<br>Revolving Funds                 | 66.458         | 72819                                      | -                                  | \$ 3,727,896        |
| Capitalization Grants for Clean Water State<br>Revolving Funds                 | 66.458         | 71449                                      | -                                  | <u>3,524,349 #</u>  |
| Subtotal 66.458 and Clean Water State Revolving Fund Cluster                   |                |  | <u>-</u>                           | <u>7,252,245</u>    |
| Total Environmental Protection Agency and Total Expenditures of Federal Awards |                |  | <u>-</u>                           | <u>\$ 7,252,245</u> |

# - A portion of this relates to expenditures that were incurred in 2022, but funds were not drawn down until 2023 and they were not included on the 2022 SEFA and therefore, are included on the 2023 SEFA.

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, 2023

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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, 2023. 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, 2023

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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, 2023 to the total expenditures, as presented on the schedule for loan 72819:

|   |                     |
|---|---------------------|
| Draws received during year ended December 31, 2023  | \$ 3,640,592        |
| Retainage payable as of December 31, 2023   | 36,377              |
| State funding received during year ended December 31, 2023  | (434,692)           |
| Expenditures paid prior to year ended December 31, 2022,<br>draw received subsequent to December 31, 2022 | (572,454)           |
| Expenditures paid prior to year ended December 31, 2023,<br>draw received subsequent to December 31, 2023 | <u>1,058,073</u>    |
| Current year expenditures, as reported on<br>the Schedule of Expenditures of Federal Awards               | <u>\$ 3,727,896</u> |

The balance of the loan outstanding as of December 31, 2023 was \$6,324,750.

The following is a reconciliation of the draws made during the year ended December 31, 2023 to the total expenditures, as presented on the schedule for loan 71449:

|   |                     |
|---|---------------------|
| Draws received during year ended December 31, 2023  | \$ 2,731,173        |
| Retainage payable as of December 31, 2023   | 82,555              |
| State funding received during year ended December 31, 2023  | (180,878)           |
| Expenditures paid prior to year ended December 31, 2023,<br>draw received subsequent to December 31, 2023 | <u>891,499</u>      |
| Current year expenditures, as reported on<br>the Schedule of Expenditures of Federal Awards               | <u>\$ 3,524,349</u> |

The balance of the loan outstanding as of December 31, 2023 was \$6,023,430.

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