

**Northeastern York County  
Sewer Authority**

**Financial Statements and  
Supplementary Information**

**December 31, 2020 and 2019**

# Northeastern York County Sewer Authority

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December 31, 2020 and 2019

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**Northeastern York County Sewer Authority  
PO Box 516  
Mt. Wolf, PA 17347-0516**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Authority's annual financial report represent our analysis of the Authority's financial performance during the fiscal year ended December 31, 2020. Please read it in conjunction with the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- \* The Authority's net assets increased from \$17,015,076 to \$17,292,626 in 2020, an increase of \$277,550, or a 1.63 percent change from 2019.
- \* During the year the Authority's operating revenue decreased from \$2,628,540 to \$2,559,454 in 2020, an decrease of \$69,086 or a 2.62 percent change from 2019.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The balance sheets include all of the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). They also provide the basis for assessing the liquidity and financial flexibility of the Authority. All of the current year's revenue and expenses are accounted for in the statements of revenue and expenses. These statements measure the success of the Authority's operations over the past years and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges. They also establish the Authority's credit worthiness. The final required financial statement is the statements of cash flows. The primary purpose of these statements is to provide information about the Authority's cash receipts and cash payments during the reported period. These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities. They also provide answers to such questions as where did cash come from, what was cash used for an what was the change in cash balance during the reporting period.

**FINANCIAL ANALYSIS OF THE AUTHORITY**

Our analysis of the Authority begins on page seven of the financial statements. The balance sheets and the statements of revenue and expenses report the net assets of the Authority and changes in them. You can think of the Authority's net assets, the difference between assets and liabilities, as one way to measure financial health of financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

## NET ASSETS

To begin our analysis, a summary of the Authority's balance sheets are presented in Table A-1.

**TABLE A-1**  
**Condensed Statement of Net Assets (Balance Sheets)**

|                                    | 2020                        | 2019                        | Dollar Change              | Annual Percent Change |
|------------------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------|
| Unrestricted Assets                | \$ 1,656,847                | \$ 1,923,516                | \$ (266,669)               | -13.86%               |
| Restricted Assets                  | 183                         | 407,267                     | (407,084)                  | -99.96%               |
| Property, Plant and Equipment, Net | 26,672,356                  | 26,798,568                  | (126,212)                  | -0.47%                |
| Other Assets                       | <u>0</u>                    | <u>0</u>                    | <u>-</u>                   | <u>0.00%</u>          |
| <b>Total Assets</b>                | <b><u>\$ 28,329,386</u></b> | <b><u>\$ 29,129,351</u></b> | <b><u>\$ (799,965)</u></b> | <b><u>-2.7%</u></b>   |
| Current Liabilities                | \$ 1,298,760                | \$ 1,227,275                | \$ 71,485                  | 5.82%                 |
| Long-term Debt                     | <u>9,738,000</u>            | <u>10,887,000</u>           | <u>(1,149,000)</u>         | <u>-10.55%</u>        |
| <b>Total Liabilities</b>           | <b><u>11,036,760</u></b>    | <b><u>12,114,275</u></b>    | <b><u>(1,077,515)</u></b>  | <b><u>-8.9%</u></b>   |
| <b>Total Net Assets</b>            | <b><u>\$ 17,292,626</u></b> | <b><u>\$ 17,015,076</u></b> | <b><u>\$ 277,550</u></b>   | <b><u>1.6%</u></b>    |

As can be seen from the table above, net assets increased from \$17,015,076 to \$17,292,626 in 2020; an increase of \$277,550 from 2019.

**TABLE A-2**  
**Condensed Statements of Revenue and Expenses**

|                               | 2020                    | 2019                    | Dollar<br>Change          | Annual<br>Percent<br>Change |
|-------------------------------|-------------------------|-------------------------|---------------------------|-----------------------------|
| Operating Revenue             | \$2,559,454             | \$2,628,540             | (\$69,086)                | -2.6%                       |
| Unrealized Holding Gains      | 0                       | 0                       | -                         | 0.0%                        |
| Other income, Net Gains       | 7,584                   | 126,829                 | (119,245)                 | -94.0%                      |
| <b>Total Revenue</b>          | <b><u>2,567,038</u></b> | <b><u>2,755,369</u></b> | <b><u>(188,331)</u></b>   | <b><u>-6.8%</u></b>         |
| Operating Expenses            | 1,192,630               | 1,141,369               | 51,261                    | 4.5%                        |
| Depreciation and Amortization | 887,583                 | 860,170                 | 27,413                    | 3.2%                        |
| Interest Expense              | 209,275                 | 231,400                 | (22,125)                  | -9.6%                       |
| <b>Total Expenses</b>         | <b><u>2,289,488</u></b> | <b><u>2,232,939</u></b> | <b><u>56,549</u></b>      | <b><u>2.5%</u></b>          |
| <b>Changes in Net Assets</b>  | <b><u>\$277,550</u></b> | <b><u>\$522,430</u></b> | <b><u>(\$244,880)</u></b> | <b><u>-46.9%</u></b>        |

While the balance sheets show changes in financial position of net assets, the statements of revenue and expenses provide answers as to the nature and source of these changes. As seen in Table A-2, total revenue decreased by \$188,331 or 6.80% in 2020, while expenses increased by \$56,549 or 2.50%.

#### **CAPITAL ASSETS**

At the end of 2020, the authority had invested \$26,672,356 in a broad range of infrastructure including the wastewater treatment plant, various pump stations and its collection system and vehicles. More information on the Authority's capital assets is presented in Note 4 of the financial statements.

#### **LONG-TERM DEBT**

At year-end, the Authority had \$10,795,000 in long-term debt, down from \$11,921,000 in 2020 by \$1,126,000.

All outstanding bonds carry an Aaa and AAA rating from Moody's and Standard & Poor's, respectively, based upon a Municipal Bond Insurance Policy.

The Debt Service Coverage Ratio of 1.22 represents that the Authority has enough Net Operating Income to cover 122% of their debt service payments.

**TABLE A-3  
Debt Coverage Ratio**

|  | <b>2020</b>         | <b>2019</b>         | <b>Annual<br/>Percent<br/>Change</b> |
|--|---------------------|---------------------|--------------------------------------|
| <b>Total Operating Revenue</b>   | \$ 2,559,454        | \$ 2,628,540        | -2.6%                                |
| <b>Total Operating Expenses</b>  | <u>1,192,630</u>    | <u>1,141,369</u>    | <u>4.5%</u>                          |
| <b>Operating Surplus before<br/>Depreciation and Amortization<br/>and Other Income</b> | 1,366,824           | 1,487,171           | -8.1%                                |
| <b>Depreciation and Amortization</b>   | (887,583)           | (860,170)           | 3.2%                                 |
| <b>Interest Expense</b>  | (209,275)           | (231,400)           | -9.6%                                |
| <b>Other Income (Net)</b>  | <u>7,584</u>        | <u>126,829</u>      | <u>-94.0%</u>                        |
| <b>Net Surplus</b>   | \$ 277,550          | \$ 522,430          | -46.9%                               |
| <b>Cash Flow Available For Debt<br/>Service 1)</b>                                     | <u>\$ 1,374,408</u> | <u>\$ 1,614,000</u> | <u>-14.8%</u>                        |
| <b>Annual Debt Service</b>   | <u>\$ 1,126,000</u> | <u>\$ 1,103,000</u> | <u>2.1%</u>                          |
| <b>Debt Service Coverage Ratio 2)</b>  | <u>1.22</u>         | <u>1.46</u>         | <u>-16.6%</u>                        |
| <b>Rolling Coverage 3)</b>   | <u>2.92</u>         | <u>3.31</u>         | <u>-11.7%</u>                        |

1) Cash Flow Available for Debt Service = Current period surplus + Interest + Depreciation

2) Debt Service Coverage Ratio = Cash Flow Available for Debt Service/Annual Debt Service

3) Rolling Coverage = (Cash Flow Available for Debt Service + Cash on hand from prior year end)/Annual Debt Service

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Authority and management considered many factors when setting the fiscal year 2020 budget. The 2020 budget was prepared with sensitivity to the economy.

### **CONTACTING THE AUTHORITY'S ADMINISTRATIVE MANAGER**

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority at PO Box 516, Mt, Wolf, PA 17347.

# KOCHENOUR, EARNEST, SMYSER & BURG

Certified Public Accountants  
710 South George Street  
York, Pa. 17401

Philip G. Lauer, CPA  
Mark R. Kephart, CPA

Phone: 717-843-8855  
Fax: 717-843-8857

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Northeastern York County Sewer Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Northeastern York County Sewer Authority, as of and for the year ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information listed on page 24-25 is presented for purposes of additional analysis and is not a required part of the financial statements of the Northeastern York County Sewer Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Board of Directors  
Northeastern York County Sewer Authority

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Northeastern York County Sewer Authority as of December 31, 2020 and 2019, and the respective changes in financial position, and cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Information**

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Northeastern York County Sewer Authority's basic financial statements. The supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Northeastern York County Sewer Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Kochenour, Earnest, Smyser & Burg*

Certified Public Accountants

York, Pennsylvania  
June 18, 2021



**Northeastern York County Sewer Authority**

## Balance Sheet

December 31, 2020 and 2019

|  | <u>2020</u>                | <u>2019</u>                 |
|--|----------------------------|-----------------------------|
| <b>Assets</b>  |                            |                             |
| <b>Current Assets</b>  |                            |                             |
| Cash   | \$ 1,655,351               | \$ 1,918,824                |
| Accounts Receivable, net of allowance for doubtful accounts of \$35,049 and \$50,329, respectively | 1,496                      | 4,692                       |
| Grants receivable  | <u>0</u>                   | <u>0</u>                    |
| Total current assets   | 1,656,847                  | 1,923,516                   |
| <b>Restricted Assets</b>   |                            |                             |
| Certificates of deposit  | 0                          | 0                           |
| Trust fund investments   | <u>183</u>                 | <u>407,267</u>              |
| Total restricted assets  | 183                        | 407,267                     |
| <b>Property, Plant and Equipment, Net</b>  | 26,672,356                 | 26,798,568                  |
| Total assets   | <u><u>\$28,329,386</u></u> | <u><u>\$ 29,129,351</u></u> |
| <b>Liabilities and Net Assets</b>  |                            |                             |
| <b>Current Liabilities</b>   |                            |                             |
| Current maturities of long-term debt   | \$ 1,057,000               | \$ 1,034,000                |
| Accounts payable   | 21,159                     | 18,486                      |
| Sewer rent received in advance   | 168,408                    | 162,472                     |
| Security escrow  | 50,480                     | 10,524                      |
| Payroll withholding  | 1,713                      | 1,793                       |
| Interest payable   | <u>0</u>                   | <u>0</u>                    |
| Total current liabilities  | 1,298,760                  | 1,227,275                   |
| <b>Long-Term Debt</b>  | 9,738,000                  | 10,887,000                  |
| <b>Obligations under Capital Leases</b>  | <u>0</u>                   | <u>0</u>                    |
| Total liabilities  | 11,036,760                 | 12,114,275                  |
| <b>Net Assets</b>  |                            |                             |
| Invested in capital assets, net of related debt  | 15,877,356                 | 14,877,568                  |
| Restricted for capital activity and debt service   | 183                        | 407,267                     |
| Unrestricted   | <u>1,415,087</u>           | <u>1,730,241</u>            |
| Total net assets   | <u>17,292,626</u>          | <u>17,015,076</u>           |
| Total liabilities and net assets   | <u><u>\$28,329,386</u></u> | <u><u>\$ 29,129,351</u></u> |

See notes to financial statements

**Northeastern York County Sewer Authority**

## Statement of Revenue and Expenses

Years Ended December 31, 2020 and 2019

|  | <u>2020</u>       | <u>%</u>      | <u>2019</u>       | <u>%</u>      |
|--|-------------------|---------------|-------------------|---------------|
| Operating Revenue  | \$ 2,559,454      | 100.00        | \$ 2,628,540      | 100.00        |
| Operating Expenses                                       | <u>1,192,630</u>  | <u>46.60</u>  | <u>1,141,369</u>  | <u>43.42</u>  |
| Operating income before<br>depreciation and amortization | 1,366,824         | 53.40         | 1,487,171         | 56.58         |
| Depreciation   | 887,583           | 34.68         | 860,170           | 32.72         |
| Amortization of Bond Discount                            | <u>0</u>          | <u>0.00</u>   | <u>0</u>          | <u>0.00</u>   |
| Operating income   | <u>479,241</u>    | <u>18.72</u>  | <u>627,001</u>    | <u>23.85</u>  |
| Other Income (Expenses)                                  |                   |               |                   |               |
| Other income, net  | 7,584             | 0.30          | 126,829           | 4.83          |
| Unrealized holding loss on trust fund<br>investments     | 0                 | 0.00          | 0                 | 0.00          |
| Bond issue costs   | 0                 | 0.00          | 0                 | 0.00          |
| Debt Service / Interest expense                          | <u>(209,275)</u>  | <u>(8.18)</u> | <u>(231,400)</u>  | <u>(8.80)</u> |
| Total other expenses, net                                | <u>(201,691)</u>  | <u>(7.88)</u> | <u>(104,571)</u>  | <u>(3.98)</u> |
| Changes in net assets                                    | <u>\$ 277,550</u> | <u>10.84</u>  | <u>\$ 522,430</u> | <u>19.88</u>  |

See notes to financial statements

**Northeastern York County Sewer Authority**

Statement of Changes in Net Assets

Years Ended December 31, 2020 and 2019

|   | <u>2020</u>          | <u>2019</u>          |
|---|----------------------|----------------------|
| <b>Net Assets, Beginning</b>                                  | \$ 17,015,076        | \$ 16,492,646        |
| Cumulative effect of Change in Accounting Principle (Note 12) | -                    | -                    |
| Changes in net assets   | <u>277,550</u>       | <u>522,430</u>       |
| <b>Net Assets, Ending</b>                                     | <u>\$ 17,292,626</u> | <u>\$ 17,015,076</u> |

See notes to financial statements

**Northeastern York County Sewer Authority**

## Statement of Cash Flows

Years Ended December 31, 2020 and 2019

|   | <u>2020</u>                | <u>2019</u>                |
|---|----------------------------|----------------------------|
| <b>Cash Flows from Operating Activities</b>                     |                            |                            |
| Cash received from customers                                    | \$ 2,568,586               | \$ 2,606,816               |
| Cash paid to suppliers and employees                            | <u>(1,150,081)</u>         | <u>(1,149,120)</u>         |
| Net cash provided by operating activities                       | 1,418,505                  | 1,457,696                  |
| <b>Cash Flows from Investing Activities</b>                     |                            |                            |
| Investment income received                                      | 3,707                      | 33,169                     |
| Other income received   | 3,877                      | 93,660                     |
| Purchase of trust fund investments                              | <u>407,084</u>             | <u>1,394,945</u>           |
| Net cash provided by investing activities                       | 414,668                    | 1,521,774                  |
| <b>Cash Flows from Capital and Related Financing Activities</b> |                            |                            |
| Capital expenditures  | (761,371)                  | (1,767,154)                |
| Principal repayments of long-term debt                          | (1,126,000)                | (1,103,000)                |
| Bond issue costs  | 0                          | 0                          |
| Proceeds from long-term debt                                    | 0                          | 0                          |
| Interest paid   | <u>(209,275)</u>           | <u>(231,400)</u>           |
| Net cash used in capital and related financing activities       | <u>(2,096,646)</u>         | <u>(3,101,554)</u>         |
| Net increase in cash  | (263,473)                  | (122,084)                  |
| <b>Cash, Beginning</b>  | <u>1,918,824</u>           | <u>2,040,908</u>           |
| <b>Cash, Ending</b>   | <u><u>\$ 1,655,351</u></u> | <u><u>\$ 1,918,824</u></u> |

See notes to financial statements

**Northeastern York County Sewer Authority**

## Statement of Cash Flows

Years Ended December 31, 2020 and 2019

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| <b>Reconciliation of Operating Income to Net Cash Provided<br/>by Operating Activities</b> |                     |                     |
| Operating income   | \$ 479,241          | \$ 627,001          |
| Adjustments to reconcile operating income to net cash<br>provided by operating activities: |                     |                     |
| Depreciation   | 887,583             | 860,170             |
| Amortization of bond issuance costs  | 0                   | 0                   |
| Provision for doubtful accounts  | 0                   | 0                   |
| (Increase) decrease in assets:   |                     |                     |
| Accounts receivable  | 3,196               | (570)               |
| Grants receivable  | 0                   | 0                   |
| Increase (decrease) in liabilities:  |                     |                     |
| Accounts payable   | 2,673               | (8,104)             |
| Sewer rent received in advance   | 5,936               | (21,154)            |
| Security escrow  | 39,956              | 0                   |
| Payroll withholdings   | (80)                | 353                 |
| Miscellaneous income   | <u>0</u>            | <u>0</u>            |
| Net cash provided by operating activities  | <u>\$ 1,418,505</u> | <u>\$ 1,457,696</u> |

See notes to financial statements

## **Northeastern York County Sewer Authority**

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Notes to Financial Statements

December 31, 2020 and 2019

### **1. Nature of Operations**

Northeastern York County Sewer Authority (a Pennsylvania municipal authority) (Authority) was incorporated on April 1, 1987 for the purpose of expanding and operating a sanitary sewer collection system and treatment plant. The Authority was created by the municipalities of East Manchester Township, Manchester Borough and Mt. Wolf Borough. The Authority derives substantially all of its revenue from sewer rental, tapping fees, reservation fees and grant revenue.

### **2. Estimates and Summary of Significant Accounting Policies**

The preparation on financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reports amounts of assets and liabilities and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

#### **Basis of Presentation**

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to local governments. In addition to complying with all applicable Governmental Accounting Standards Board (GASB) pronouncements, the Authority's financial statements comply with the guidance provided by the Financial Accounting Standards Board (FASB) *Statements and Interpretations*, *Accounting Principles Board Opinions*, *Emerging Issue Task Force Opinions* (EITF) and the Committee on Accounting Procedure issued on or before November 30, 1989. GASB pronouncements take precedence when there is a conflict or contradiction between pronouncements. The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

#### **Accounts Receivable**

Accounts receivable are stated at outstanding balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on past experience, aging of the receivable, adverse situations that may affect a client's ability to pay, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due.

**Northeastern York County Sewer Authority**

Notes to Financial Statements  
December 31, 2020 and 2019

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**2. Estimates and Summary of Significant Accounting Policies (Continued)**

**Grants Receivable**

Grants receivable are stated at outstanding balances. The authority considers grant receivables to be fully collectible. If collection becomes doubtful, an allowance of doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

**Trust Fund Investments**

Trust Fund investments in debt securities are stated at fair value. Realized and unrealized gains and losses are reported as increases or decreases in income. Realizes gains and losses, if any, on the sale or disposal of Trust Fund investments are computed on a specific identification basis.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost and depreciated on the straight-line method over the estimated average useful lives of the assets as follows: Sewer system, twenty years; new sewer system, forty years; building, forty years; pump station, twenty years; collection system, forty years; and equipment, five to seven years.

Maintenance, repairs or minor renewals which do not significantly improve or extend the lives of the respective assets are charged against operations when incurred. Additions, improvements and major renewals are capitalized.

**Bond Issuance Costs**

Costs related to the issuance of bonds payable are expensed when incurred.

**Bond Discount**

Bond discount is amortized to interest expense over the life of the bonds.

**Revenue Recognition**

Certain grant revenue is deemed to be in respect of exchange transactions classified as unrestricted revenue when received or receivable. Such grant revenue is not deemed to be a contribution, since the proceeds thereof are used to pursue objectives of the grantor.

**Northeastern York County Sewer Authority**

Notes to Financial Statements  
December 31, 2020 and 2019

**3. Cash, Certificates of Deposit and Trust Fund Investments**

Restricted certificates of deposit represent the proceeds of the Guaranteed Sewer Revenue Note of 2005 and are held by Susquehanna Bank. Payments are distributed for costs relating to the note and costs relating to the plant modifications and sewer line improvements. Trust fund investments represent the proceeds of the Sewer Revenue Bonds and are held by Metro Bank as Trustees. Payments are distributed only upon delivery of properly executed requisitions to the Trustee, in accordance with the related Trust Indenture. All monies held by the Trustee, in funds established under the indenture, are pledged as collateral for the bonds.

The cost, gross unrealized holding gains and losses and fair value for cash and trust fund investments consist of the following as of December 31:

|   | <b>2020</b>         |                         |               |                     |
|---|---------------------|-------------------------|---------------|---------------------|
|   | <b>Cost</b>         | <b>Gross Unrealized</b> |               | <b>Fair Value</b>   |
|   |                     | <b>Gains</b>            | <b>Losses</b> |                     |
| Unrestricted Cash:                          |                     |                         |               |                     |
| Checking account                            | \$ 1,264,036        | \$ 0                    | \$ 0          | \$ 1,264,036        |
| US Gov. Obligation # 468                    | 0                   | 0                       | 0             | 0                   |
| Money market                                | 391,315             | 0                       | 0             | 391,315             |
|   | <u>1,655,351</u>    | <u>0</u>                | <u>0</u>      | <u>1,655,351</u>    |
| Restricted assets:                          |                     |                         |               |                     |
| Money market funds                          | 183                 | 0                       | 0             | 183                 |
| Trust fund investments:                     |                     |                         |               |                     |
| U.S. Government<br>and agency<br>securities | 0                   | 0                       | 0             | 0                   |
|   | <u>183</u>          | <u>0</u>                | <u>0</u>      | <u>183</u>          |
|   | <u>\$ 1,655,534</u> | <u>\$ 0</u>             | <u>\$ 0</u>   | <u>\$ 1,655,534</u> |



**Northeastern York County Sewer Authority**

Notes to Financial Statements

December 31, 2020 and 2019

**3. Cash, Certificates of Deposit and Trust Fund Investments (Continued)**

|                                       | 2019                |                  |             | Fair Value          |
|---------------------------------------|---------------------|------------------|-------------|---------------------|
|                                       | Cost                | Gross Unrealized |             |                     |
|                                       |                     | Gains            | Losses      |                     |
| <b>Unrestricted Cash:</b>             |                     |                  |             |                     |
| Checking account                      | \$ 1,528,039        | \$ 0             | \$ 0        | \$ 1,528,039        |
| US Gov. Obligation # 468              | 0                   | 0                | 0           | 0                   |
| Money market                          | 390,785             | 0                | 0           | 390,785             |
|                                       | <u>1,918,824</u>    | <u>0</u>         | <u>0</u>    | <u>1,918,824</u>    |
| <b>Restricted assets:</b>             |                     |                  |             |                     |
| Money market funds                    |                     |                  |             |                     |
| Trust fund investments:               | 12,401              | 0                | 0           | 12,401              |
| U.S. Government and agency securities |                     |                  |             |                     |
|                                       | <u>394,866</u>      | <u>0</u>         | <u>0</u>    | <u>394,866</u>      |
|                                       | <u>407,267</u>      | <u>0</u>         | <u>0</u>    | <u>407,267</u>      |
|                                       | <u>\$ 2,326,091</u> | <u>\$ 0</u>      | <u>\$ 0</u> | <u>\$ 2,326,091</u> |

Investment income consists of the following for the years ended December 31:

|                        | 2020            | 2019             |
|------------------------|-----------------|------------------|
| Interest and dividends | \$ 3,707        | \$ 33,169        |
|                        | <u>\$ 3,707</u> | <u>\$ 33,169</u> |

**Interest Rate Risk**

The Authority's investments consist of the following as of:

|   | December 31, 2020                              |             |             |              |
|---|--|-------------|-------------|--------------|
|   | Fair Value of Investment Maturities (in Years) |             |             |              |
| Maturity Dates                          | Less Than 1                                    | 1 - 5       | 6 - 10      | More Than 10 |
| <b>Cash equivalents:</b>                |  |             |             |              |
| Money market funds                      | \$ 183   | \$ 0        | \$ 0        | \$ 0         |
| <b>Debt securities:</b>                 |  |             |             |              |
| U. S. Governments and agency securities | 0  | 0           | 0           | 0            |
|   | <u>\$ 183</u>                                  | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u>  |

**Northeastern York County Sewer Authority**

Notes to Financial Statements  
December 31, 2020 and 2019

**3. Cash, Certificates of Deposit and Trust Fund Investments (Continued)**

| Maturity Dates             | December 31, 2019                              |             |             |              |
|----------------------------|--|-------------|-------------|--------------|
|                            | Fair Value of Investment Maturities (in Years) |             |             |              |
|                            | Less Than 1                                    | 1 - 5       | 6 - 10      | More Than 10 |
| Cash equivalents:          |  |             |             |              |
| Money market funds         | \$ 12,401                                      | \$ 0        | \$ 0        | \$ 0         |
| Debt securities:           |  |             |             |              |
| U. S. Treasury obligations | 394,866  | 0           | 0           | 0            |
|                            | <u>\$ 407,267</u>                              | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u>  |

**Credit Risk**

As of December 31, 2020 and 2019, all of the Authority's rated investments in U.S. Treasury securities were rated Aaa by Moody's and AAAm by Standard & Poor's.

**Custodial Credit Risk**

All cash and investments are held in the Authority's name. The Authority currently has no formal deposit or investment policy. At times during the years ended December 31, 2020 and 2019, the Authority's cash balances may have exceeded the federally insured limit of \$250,000. For deposits and investments, custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2020 and 2019, the Authority had \$183 and \$157,267, respectively, of federally uninsured cash, which was exposed to custodial credit risk. The excess is covered by collateral held by the pledging financial institution's trust department. Pennsylvania Act 72 allows for bank owned securities to be pledged on a pooled basis to service public funds.

**Concentration of Credit Risk**

The Authority places no limit on the amount that may be invested in any one issuer. As of December 31, 2020, more than 5% of the Authority's investments are in a money market account and U.S. Treasury securities. These investments are 100.00% and 100.00% respectively, of the Authority's total investments. As of December 31, 2019, more than 5% of the Authority's investments are in a money market account and U.S. Treasury securities. These investments are 100.00% and 100.00% respectively, of the Authority's total investments.

**Northeastern York County Sewer Authority**

Notes to Financial Statements  
December 31, 2020 and 2019

**4. Property, Plant and Equipment**

Property, plant and equipment consist of the following as of December 31:

|                                       | <u>2019</u>          | <u>Additions</u>    | <u>Disposals and<br/>Reclassification</u> | <u>2020</u>          |
|---------------------------------------|----------------------|---------------------|---|----------------------|
| *CIP - Chesapeake                     | \$ 0                 | \$ 0                | \$ 0                                      | \$ 0                 |
| Pump station and<br>collection system | 22,467,459           | 761,371             | 0   | 23,228,830           |
| Sewer system and building             | 15,155,430           | 0                   | 0   | 15,155,430           |
| Equipment                             | 841,768              | 0                   | 0   | 841,768              |
| *Land                                 | 3,326,105            | 0                   | 0   | 3,326,105            |
|                                       | <u>41,790,762</u>    | <u>761,371</u>      | <u>0</u>                                  | <u>42,552,133</u>    |
| Accumulated depreciation              | <u>(14,992,194)</u>  | <u>(887,583)</u>    | <u>0</u>                                  | <u>(15,879,777)</u>  |
|                                       | <u>\$ 26,798,568</u> | <u>\$ (126,212)</u> | <u>\$ 0</u>                               | <u>\$ 26,672,356</u> |

|                                       | <u>2018</u>          | <u>Additions</u>  | <u>Disposals and<br/>Reclassification</u> | <u>2019</u>          |
|---------------------------------------|----------------------|-------------------|---|----------------------|
| *CIP - Chesapeake                     | \$ 0                 | \$ 0              | \$ 0                                      | \$ 0                 |
| Pump station and<br>collection system | 22,467,459           | 0                 | 0   | 22,467,459           |
| Sewer system and building             | 13,388,339           | 1,767,091         | 0   | 15,155,430           |
| Equipment                             | 841,768              | 0                 | 0   | 841,768              |
| *Land                                 | 3,326,105            | 0                 | 0   | 3,326,105            |
|                                       | <u>40,023,671</u>    | <u>1,767,091</u>  | <u>0</u>                                  | <u>41,790,762</u>    |
| Accumulated depreciation              | <u>(14,132,087)</u>  | <u>(860,107)</u>  | <u>0</u>                                  | <u>(14,992,194)</u>  |
|                                       | <u>\$ 25,891,584</u> | <u>\$ 906,984</u> | <u>\$ 0</u>                               | <u>\$ 26,798,568</u> |

\* Not being depreciated

**Northeastern York County Sewer Authority**

Notes to Financial Statements

December 31, 2020 and 2019

**5. In-Kind Contributions**

Contributed property is reported in the accompanying financial statements at its fair market value as of the date the assets were received.

In-kind contributions consist of the following for the years ended December 31:

| <u>2020</u> | <u>2019</u> |
|-------------|-------------|
| \$ 0        | \$ 0        |

**6. Bond Issuance Costs**

Bond issuance costs consist of the following as of December 31:

|                                      | <u>2020</u> | <u>2019</u> |
|--------------------------------------|-------------|-------------|
| Bond issuance costs - Series of 2005 | \$ 0        | \$ 0        |
| Bond issuance costs - Series of 2009 | 0           | 0           |
|                                      | 0           | 0           |
| Accumulated amortization             | 0           | 0           |
|                                      | <u>\$ 0</u> | <u>\$ 0</u> |

**Northeastern York County Sewer Authority**

Notes to Financial Statements  
December 31, 2020 and 2019

**7. Long-term Debt**

Long-term debt consists of the following as of December 31:

|  | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| Sewer Revenue Bonds - Series of 2005; collateralized under a Trust Indenture by and between the Authority and Metro Bank; due 2006 through 2027, with interest rates ranging from 3.10% to 4.50%   | \$ 0        | \$ 0        |
| Sewer Revenue Bonds - Series of 2009; dated July 30, 2009; collateralized under a Trust Indenture by and between the Authority and Susquehanna Bank; Bond is structured as a draw down sewer revenue note with a maximum draw amount of \$5,000,000; draw down period no longer than twenty-four months after the date of sewer revenue note agreement; interest at a taxable rate not to exceed 8.00% per annum and not below 4.00% per annum; interest only payments during the draw down period; interest payable on January 15, April 15, July 15 and October 15; after draw down period expires, the remaining twenty-year term of the Series 2009 bond shall bear interest at a taxable rate equal to the five year Federal Home Loan Bank borrowing rate plus 2.75%, adjusted every five years, not to exceed 10%; principal amortized over a twenty-year period, plus interest shall be payable quarterly on January 15, April 15, July 15 and October 15; interest was 4.00% as of December 31, 2012. | 0           | 0           |
| Unamortized bond discount, net of accumulated amortization of \$247,817  | <u>0</u>    | <u>0</u>    |
| Current maturities   | <u>0</u>    | <u>0</u>    |
|  | <u>\$ 0</u> | <u>\$ 0</u> |

**Northeastern York County Sewer Authority**

Notes to Financial Statements  
December 31, 2020 and 2019

**7. Long-term Debt (Continued)**

In September 2013, Northeastern York County Sewer Authority issued Sewer Revenue Bonds, Series of 2013 A & B ,for the amount \$4,700,000. The purpose of these bonds is to refund the Series of 2009, Sewer Revenue Bonds; provide for capital additions for the sewer system; and pay for the costs of the bonds.

The Series of 2013 Sewer Revenue Bonds mature as follows:

|             |      |         |      |    |         |
|-------------|------|---------|------|----|---------|
| Year ended: | 2021 | 170,000 | 2032 | \$ | 119,000 |
|             | 2022 | 176,000 | 2033 |    | 123,000 |
|             | 2023 | 180,000 | 2034 |    | 127,000 |
|             | 2024 | 186,000 | 2035 |    | 130,000 |
|             | 2025 | 192,000 | 2036 |    | 134,000 |
|             | 2026 | 197,000 | 2037 |    | 138,000 |
|             | 2027 | 203,000 | 2038 |    | 143,000 |
|             | 2028 | 209,000 | 2039 |    | 147,000 |
|             | 2029 | 215,000 | 2040 |    | 151,000 |
|             | 2030 | 222,000 | 2041 |    | 156,000 |
|             | 2031 | 230,000 | 2042 |    | 72,000  |

\$ 3,620,000

The Authority has negotiated the sale of the 2013 Bonds to the Delaware Valley Regional Finance Authority ("Del Val"). Del Val is a public authority that has issued Local Government Revenue Bonds (Del Val Bonds) to provide funds for loans to be made to local government units. Del Val has entered into interest rate swap agreements related to the Del Val Bonds in order to provide a cost effective Loan Program for local government units. Del Val created a loan program which enables funding to local government units for capitol projects. Northeastern York County Sewer Authority has decided to participate in this loan program related to the 2013 Bond Issue.

The Authority expects to fix the interest rate on the Series B of 2013 for a period of 3 years or more prior to closing. The Authority expects to set the interest rate on the Series A of 2013 at a variable rate until the proceeds have been the expended on the capital additions. Under the terms of the Loan Agreement the Authority may request a conversion of the Series A 2013 Bonds and the Series B 2013 Bonds to a fixed rate at any time.

Participants in the Loan Program have the option to pay a variable rate of interest, a fixed rate of interest, or a combination of variable or fixed rates. Fixed rates can be set for any period of time on all or a portion of the loan. At the end of the scheduled term for the fixed rate, the participant can set the loan to a new fixed rate or can allow the loan to revert to a variable rate. The variable loan rate, based upon the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA Index), adjusts weekly. The maximum rate of interest is 15%. The fixed loan rate is based upon a new, offsetting interest rate swap transaction under the Del Val Swap Agreement, tailored to satisfy the terms requested by the participant.

**Northeastern York County Sewer Authority**

Notes to Financial Statements  
December 31, 2020 and 2019

**7. Long-term Debt (Continued)**

Termination Risk: - The Authority is obligated to pay any termination payment associated with the termination of the swap transactions under the Del Val Swap Agreement allocable to the 2013 Bonds. All or a portion of the swap transactions allocable to the 2013 Bonds may be terminated with the mutual consent of the Authority and the related Counterparties to the swap transaction. A termination could also be triggered in the event of a payment default by the Authority or a payment default by the counterparties to the transaction. A termination could also be triggered by the downgrade of credit ratings for debt of Del Val or the counterparties. The most likely causes for a termination are under control of the Authority. They are: the Authority elects to prepay a fixed rate portion of the 2013 Bonds before the end of its scheduled term or option date or the Authority defaults on payments under the 2013 Bonds.

As long as the aggregate market value of the swap transactions subject to termination is positive, no participant in the Loan Program would be assessed a termination charge.

**Market Value of the Swap Transactions related to the 2013 and 2015 Bonds**

| <u>Authority Bonds</u>                        | <u>Outstanding<br/>Principal<br/>Amount</u> | <u>Fixed<br/>Loan Rate<br/>Swap</u> | <u>Allocable<br/>Bond<br/>Swap</u> | <u>Net<br/>Value</u> |
|---|---|-------------------------------------|------------------------------------|----------------------|
| Guaranteed Sewer Revenue Bonds, 2013 A Series | \$ 2,572,000                                | \$ (98,930)                         | \$ 422,562                         | \$ 323,632           |
| Guaranteed Sewer Revenue Bonds, 2013 B Series | 1,048,000                                   | (212)                               | 172,179                            | 171,967              |
| Guaranteed Sewer Revenue Bonds, 2015 Series A | 6,618,000                                   | (5,387)                             | 1,087,292                          | 1,081,905            |
| Guaranteed Sewer Revenue Bonds, 2015 Series B | 557,000                                     | (454)                               | 91,511                             | 91,057               |
|   | <u>\$ 10,795,000</u>                        | <u>\$ (104,983)</u>                 | <u>\$ 1,773,544</u>                | <u>\$ 1,668,561</u>  |

The above is the most recent information available.

## Northeastern York County Sewer Authority

Notes to Financial Statements

December 31, 2020 and 2019

### 7. Long-term Debt (Continued)

In August 12 2015, Northeastern York County Sewer Authority issued Sewer Revenue Bonds, Series of 2015 A & B ,for the amount \$10,370,000. The purpose of these bonds is to refund the Series of 2005, Sewer Revenue Bonds; provide for capital additions for the sewer system; and pay for the costs of the bonds.

The Series of 2015 Sewer Revenue Bonds mature as follows:

|             |      | <u>Series A</u>     | <u>Series B</u>   | <u>Total</u>        |
|-------------|------|---------------------|-------------------|---------------------|
| Year ended: | 2021 | \$ 887,000          | \$ 75,000         | \$ 962,000          |
|             | 2022 | 905,000             | 76,000            | 981,000             |
|             | 2023 | 925,000             | 78,000            | 1,003,000           |
|             | 2024 | 945,000             | 79,000            | 1,024,000           |
|             | 2025 | 965,000             | 81,000            | 1,046,000           |
|             | 2026 | 985,000             | 83,000            | 1,068,000           |
|             | 2027 | 1,006,000           | 85,000            | 1,091,000           |
|             |      | <u>\$ 6,618,000</u> | <u>\$ 557,000</u> | <u>\$ 7,175,000</u> |

The Authority has negotiated the sale of the 2015 Bonds to the Delaware Valley Regional Finance Authority ("Del Val"). Del Val is a public authority that has issued Local Government Revenue Bonds (Del Val Bonds) to provide funds for loans to be made to local government units. Del Val has entered into interest rate swap agreements related to the Del Val Bonds in order to provide a cost effective Loan Program for local government units. Del Val created a loan program which enables funding to local government units for capitol projects. Northeastern York County Sewer Authority has decided to participate in this loan program related to the 2015 Bond Issue.

Participants in the Loan Program have the option to pay a variable rate of interest, a fixed rate of interest, or a combination of variable or fixed rates. Fixed rates can be set for any period of time on all or a portion of the loan. At the end of the scheduled term for the fixed rate, the participant can set the loan to a new fixed rate or can allow the loan to revert to a variable rate. The variable loan rate, based upon the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA Index), adjusts weekly. The maximum rate of interest is 15%. The fixed loan rate is based upon a new, offsetting interest rate swap transaction under the Del Val Swap Agreement, tailored to satisfy the terms requested by the participant.

Termination Risk: - The Authority is obligated to pay any termination payment associated with the termination of the swap transactions under the Del Val Swap Agreement allocable to the 2015 Bonds. All or a portion of the swap transactions allocable to the 2015 Bonds may be terminated with the mutual consent of the Authority and the related Counterparties to the swap transaction. A termination could also be triggered in the event of a payment default by the Authority or a payment default by the counterparties to the transaction. A termination could also be triggered by the downgrade of credit ratings for debt of Del Val or the counterparties. The most likely causes for a termination are under control of the Authority. They are: the Authority elects to prepay a fixed rate portion of the 2015 Bonds before the end of its scheduled term or option date or the Authority defaults on payments under the 2015 Bonds.

As long as the aggregate market value of the swap transactions subject to termination is positive, no participant in the Loan Program would be assessed a termination charge.



## **Northeastern York County Sewer Authority**

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Notes to Financial Statements

December 31, 2020 and 2019

### **8. Subsequent Events**

Management of the Authority has evaluated subsequent events through the date of the audit report. The Authority issued Guaranteed Sewer Revenue Bonds, Series of 2021 on April 1, 2021 for the purpose of paying the costs and expenses of the 2021 Capital Additions and to pay the costs and expenses of issuance of the 2021 Bonds.

### **9. Retirement Plan**

The Authority sponsors a 457(b) retirement saving plan for all full-time employees. The Authority matches up to 30% to 70% of employees' contributions based on years of service to a maximum of \$3,900 per year. Retirement plan expense amounted to \$5,490 and \$8,707 for the years ended December 31, 2020 and 2019, respectively.

### **10. Contingencies**

The Authority is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Each of these matters is subject to various uncertainties, and some of these matters may be resolved unfavorably to the Authority. Management does not believe that there would be a materially adverse effect on the company's financial statements for any of these claims.

## **Supplementary Information**

**Northeastern York County Sewer Authority****Operating Revenue and Operating Expenses**  
Years Ended December 31, 2020 and 2019

|                                 | <u>2020</u>         | <u>%</u>      | <u>2019</u>         | <u>%</u>      |
|---------------------------------|---------------------|---------------|---------------------|---------------|
| <b>Operating Revenue</b>        |                     |               |                     |               |
| Grant revenue                   | \$ 0                | 0.00          | \$ 0                | 0.00          |
| Sewer rentals                   | 2,355,330           | 92.02         | 2,399,033           | 91.27         |
| Rental income                   | 87,154              | 3.41          | 66,513              | 2.53          |
| Tapping fees                    | 110,000             | 4.30          | 155,000             | 5.90          |
| Reservation fees                | 1,045               | 0.04          | 2,144               | 0.08          |
| Inspections                     | 5,925               | 2.32          | 5,850               | 2.23          |
|                                 | <u>\$ 2,559,454</u> | <u>100.00</u> | <u>\$ 2,628,540</u> | <u>100.00</u> |
| <b>Operating Expenses</b>       |                     |               |                     |               |
| Salaries and benefits           | \$ 358,805          | 14.02         | \$ 308,901          | 11.75         |
| Insurance expense               | 183,981             | 7.19          | 151,260             | 5.75          |
| Electricity                     | 121,747             | 4.76          | 127,522             | 4.85          |
| Repairs and maintenance         | 183,034             | 7.15          | 265,228             | 10.09         |
| Provision for doubtful accounts | (15,280)            | (0.60)        | (34,931)            | (1.33)        |
| Collection expenses             | 768                 | 0.03          | 9,529               | 0.36          |
| Office expenses                 | 47,344              | 1.85          | 49,779              | 1.89          |
| Engineering fees                | 117,790             | 4.60          | 62,263              | 2.37          |
| Payroll taxes                   | 29,861              | 1.17          | 24,649              | 0.94          |
| Chemical analysis               | 68,283              | 2.67          | 72,889              | 2.77          |
| Lab expenses                    | 38,064              | 1.49          | 26,901              | 1.02          |
| Accounting fees                 | 9,800               | 0.38          | 9,650               | 0.37          |
| Legal fees                      | 19,219              | 0.75          | 16,361              | 0.62          |
| Retirement expenses             | 5,490               | 0.21          | 8,707               | 0.33          |
| Farm expenses                   | 5,141               | 0.20          | 4,967               | 0.19          |
| Billing expenses                | 6,810               | 0.27          | 5,930               | 0.23          |
| Miscellaneous expenses          | 3,692               | 0.14          | 23,728              | 0.90          |
| Authority members' fees         | 3,570               | 0.14          | 3,525               | 0.13          |
| Trustee fees                    | 4,500               | 0.18          | 4,500               | 0.17          |
| Right-of-way rentals            | 11                  | 0.00          | 11                  | 0.00          |
|                                 | <u>\$ 1,192,630</u> | <u>46.60</u>  | <u>\$ 1,141,369</u> | <u>43.42</u>  |

**Northeastern York County Sewer Authority**

Other Income (Loss)

Years Ended December 31, 2020 and 2019

|   | <u>2020</u>     | <u>%</u>    | <u>2019</u>       | <u>%</u>    |
|---|-----------------|-------------|-------------------|-------------|
| Interest and dividends                    | \$ 3,707        | 0.14        | \$ 33,169         | 1.26        |
| Miscellaneous income                      | 3,877           | 0.15        | 93,660            | 3.56        |
| FEMA/PEMA Flood Payments                  | 0               | 0.00        | 0                 | 0.00        |
| Sale of Fixed Assets                      | 0               | 0.00        | 0                 | 0.00        |
| Gain on sale of trust fund<br>investments | 0               | 0.00        | 0                 | 0.00        |
|   | <u>\$ 7,584</u> | <u>0.30</u> | <u>\$ 126,829</u> | <u>4.83</u> |