



# **PENNVEST**

---

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

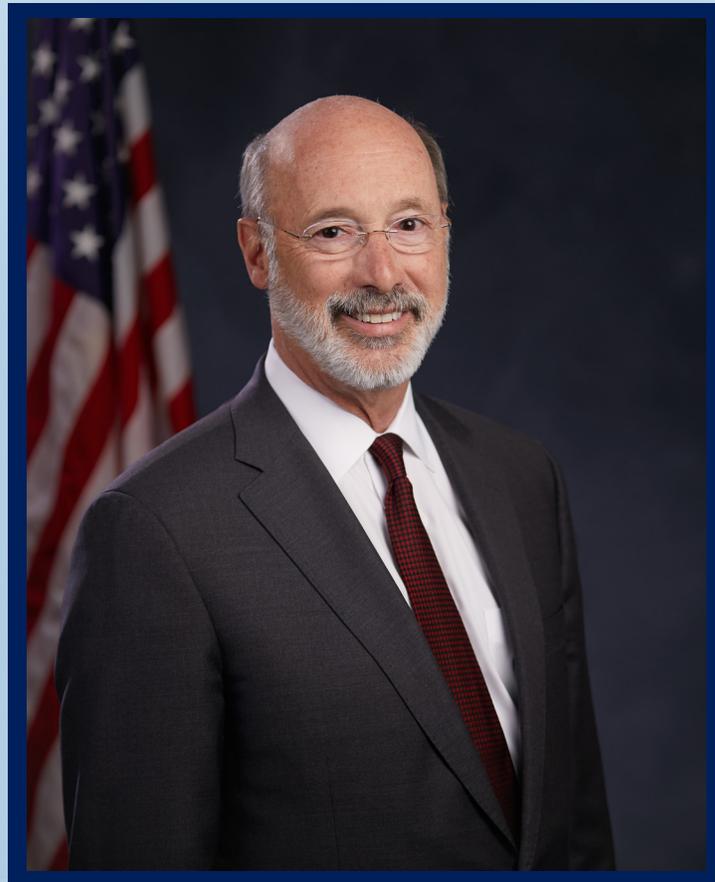
**ANNUAL REPORT  
2020-2021**





# TABLE OF CONTENTS

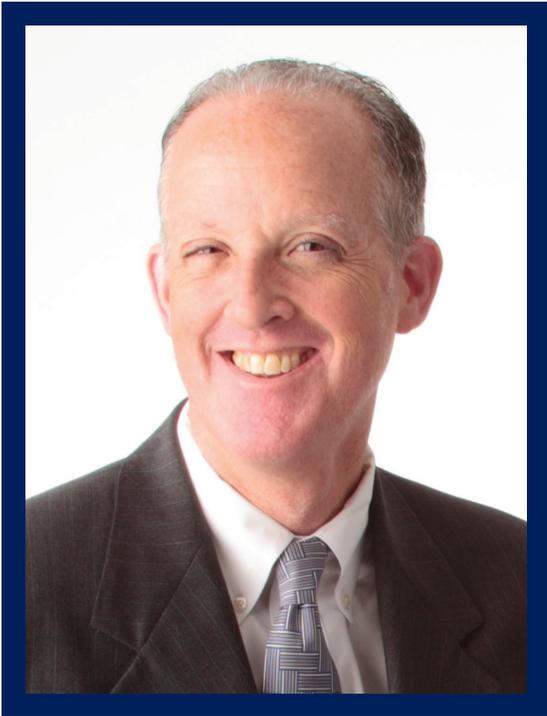
Chairman’s Statement . . . . .	1
Board of Directors . . . . .	3
Staff Pictures . . . . .	5
Program Highlights . . . . .	6
Amounts by Type (2020-2021)	
Amounts by Type (Total)	
Five-Year Project Summary	
Five-Year Homeowner Totals	
Five-Year Total Financing	
Project Funding List (by Meeting) . . . . .	8
Project Distribution Maps . . . . .	10
Project Benefits (by Type) . . . . .	11
Applications Received vs. Approved . . . . .	12
Disbursements . . . . .	13
Funding Sources . . . . .	14
Administrative Improvements . . . . .	15
Approvals by County . . . . .	17
Financial Audit . . . . .	19



**Governor Tom Wolf**



# CHAIRMAN'S STATEMENT



**Eric Menzer**

On behalf of Governor Wolf, I am pleased to report to the citizens of the Commonwealth on the success of the PENNVEST program for the 2020-2021 Fiscal Year.

Despite what has undoubtedly been a difficult year because of a crippling global pandemic and associated aftereffects, PENNVEST has continued to deliver on our mission, providing record funding to clean water projects across the Commonwealth, while also opening new doors to unique programs specifically tailored to Pennsylvania's diverse landscape.

I am proud to say that PENNVEST has utilized its innovative revolving loan program to help address both new and legacy challenges, providing more than \$543 million in capital for 70 drinking water, wastewater, stormwater and non-point source projects across the Commonwealth this fiscal year. Expanding on a track record of innovation, investments for non-point source (NPS) projects increased by nearly \$2 million over last year's total, along with significant investment growth in wastewater and drinking water project awards. Following the direction of the PENNVEST Board in 2019, staff implemented two new major initiatives – the Center for Water Quality Excellence, and a statewide lead testing program for schools and child care facilities. The Center for Water Quality

Excellence now is fully operational and serves as a one-stop shop for customized NPS funding packages, offering collaborative opportunities with PENNVEST and other state and federal stakeholders. Lead testing activities also begin in 2021, utilizing grant funding from the U.S. Environmental Protection Agency (EPA) to support a public-private partnership with a third-party contractor to deliver and evaluate lead testing kits to over 3,000 Pennsylvania schools and child care facilities. This program has already been used by EPA as a model for future lead testing and eradication efforts nationwide and will continue until 2023.

The Board's leadership is also exemplified by major investments in lead remediation through the Water Infrastructure Fund Transfer Act (WIFTA), which was federal legislation passed in 2019 that allows for a one-time transfer of funding from the Clean Water State Revolving Fund (CWSRF) to the Drinking Water State Revolving Fund (DWSRF). With a transfer of more than \$90 million, Pennsylvania ranks fourth highest in the nation for investment in lead service line replacement. Not only will this effort play a major role in Governor Tom Wolf's Lead Free PA Initiative, but it will also address long-standing legacy contamination issues in some of our oldest and most densely populated areas.

The Board also approved two capitalization grant applications for federal funding in January, and authorized staff to proceed with these application submittals to the EPA. The first application was for the Clean Water State Revolving Fund for a capitalization grant of \$62.9 million. The second was for a capitalization grant for the Drinking Water State Revolving Fund in the amount of \$33.9 million. These approved applications will allow PENNVEST to continue to fund innovative projects that improve Pennsylvania's waterways, community drinking water, and stormwater mitigation efforts.

This year's outreach to municipalities, the professional environmental community, and prospective applicants continued to embrace new technologies and alternative messaging platforms as a result of the COVID-19 pandemic. Despite an inability to provide in-person presentations, PENNVEST staff relied on a series of online seminars that not only focused on traditional and emerging funding programs through the authority, but also allowed for dynamic conversation about needs and concerns across the Commonwealth. These online exchanges were also an opportunity to provide updates on programs that PENNVEST



# CHAIRMAN'S STATEMENT

developed in response to specific needs within the Commonwealth. During FY 2019-2020, PENNVEST was developing opportunities to address polyfluoroalkyl substances (PFAS), a group of potentially harmful man-made chemicals that are present in varying levels in many of Pennsylvania's waterways. While no maximum contamination level has been identified by either EPA or the Pennsylvania Department of Environmental Protection, these chemicals were present in a number of commonly used products, such as non-stick cookware, food packaging, firefighting foam, and stain-repellent fabrics. In order to proactively address the potential threat of these chemicals, PENNVEST established the PFAS Remediation Program, which offers funding for PFAS remediation and elimination in water systems, and serves as the first dedicated funding stream for this effort in Pennsylvania.

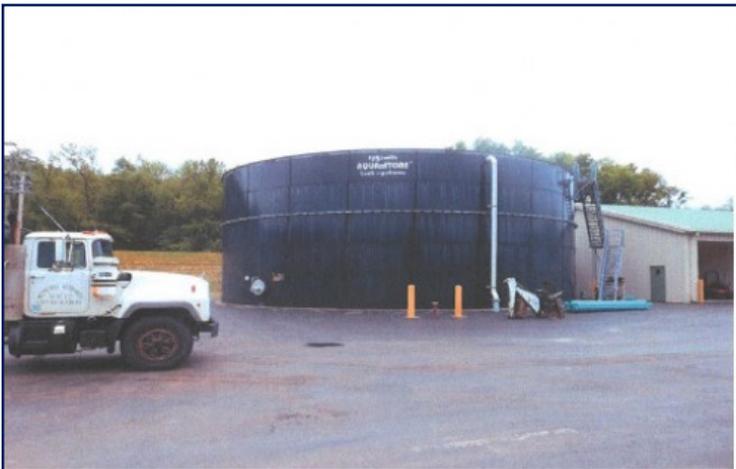
PENNVEST maintains significant focus on traditional drinking and wastewater projects, while we continue to expand and promote additional opportunities through new innovative programs. Both through a concentrated focus on emerging non-point source opportunities and the Center for Water Quality Excellence, significant investments have been made to agricultural producers and farm owners, ensuring that Pennsylvania's top industry continues to play a vital role in restoring and protecting our watersheds. These efforts will only continue to grow in the coming years as a greater

focus on rural regions of Pennsylvania examines more opportunities for ecological stewardship. In turn, the lead testing for schools program and the WIFTA transfer, which allows for lead service line replacement, targets issues that plague our oldest communities.

At the heart of each of these programs is the revolving fund, which is what makes PENNVEST so unique and successful. This fund has proven to be enormously effective with addressing Pennsylvania's clean water goals, providing nearly \$10 billion for project funding in the program's thirty-two-year history. With a reputedly strong record of success, and ongoing efforts to improve water quality and sound environmental stewardship, I am pleased to see PENNVEST continue to address existing issues and prepare to contribute support for future emerging challenges.

**Eric Menzer**

*Chairman of the Board of Directors*





# BOARD OF DIRECTORS



**Eric Menzer**

*Chair*



**Patrick McDonnell**

*Vice Chair*

Secretary of  
Environmental Protection



**Dennis Davin**

*Secretary-Treasurer*

Secretary of Community and  
Economic Development



**M. Joel Bolstein**

Water and Sewer Industry



**Lisa Boscola**

Senate of Pennsylvania



**Margo Davidson**

Pennsylvania House of  
Representatives



# BOARD OF DIRECTORS



**Donald Genusso**  
Engineering Community



**Tim Moury**  
Local Government



**Joe Pittman**  
Senate of Pennsylvania



**Jim Struzzi**  
Pennsylvania House of  
Representatives



**Jen Swails**  
Secretary of the Budget



**Curt Topper**  
Secretary of  
General Services



# STAFF



Ken Anderson



Steve Anspach



Dawn Bigham



Jayne Blake



Loren Blickstein



Robert Boos



Heather Brookmyer



Leeann Brown



Qing Cheema



Michael Chiarkas



Leslie Cote



Patrick Crowell



Ellen Dunlap



Hannah George



Robert Gill



Rod Glass



Earl Goldsborough



Brad Gorter



Rebecca Hayden



Dave Henning



Brion Johnson



Kathy Klinger



Laura Lewis



Dan Mikesic



Kyle Mooney



John Moore



Heather Myers



Brent Sailhamer



Alice Sanders



Tesra Schlupp



Michelle Seltzer



Melissa Smith



Shawn Weis



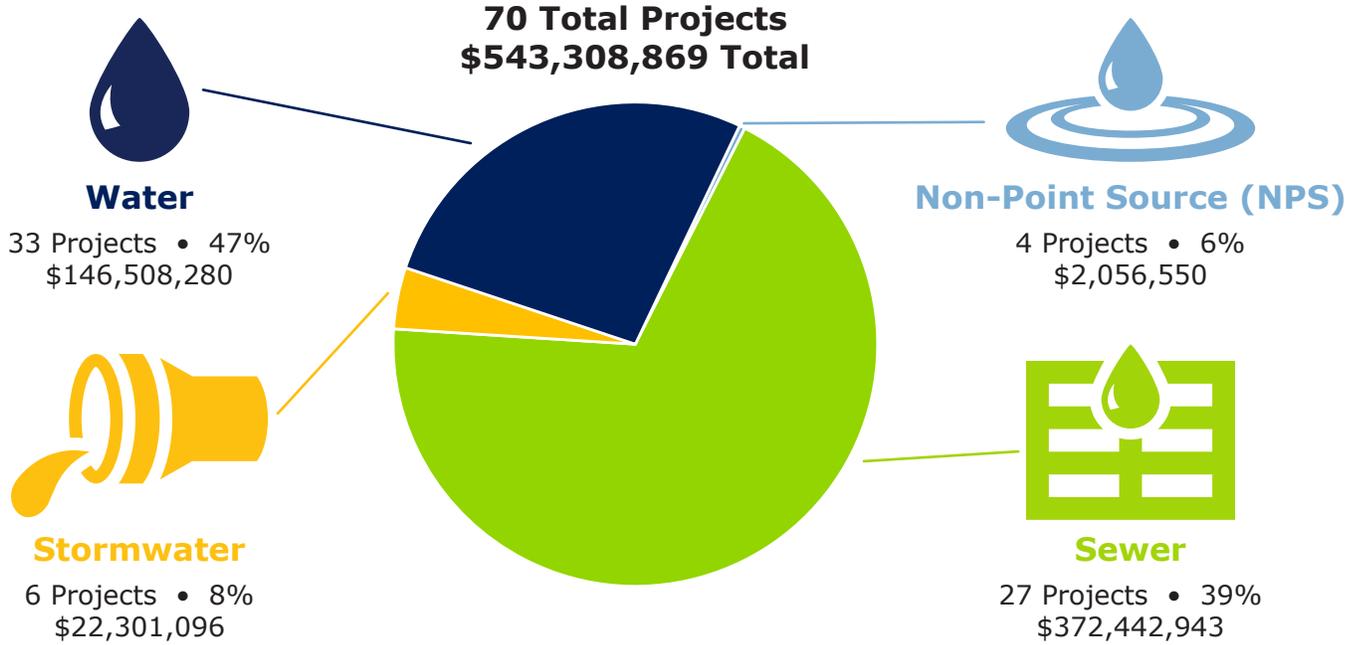
Denise Zern



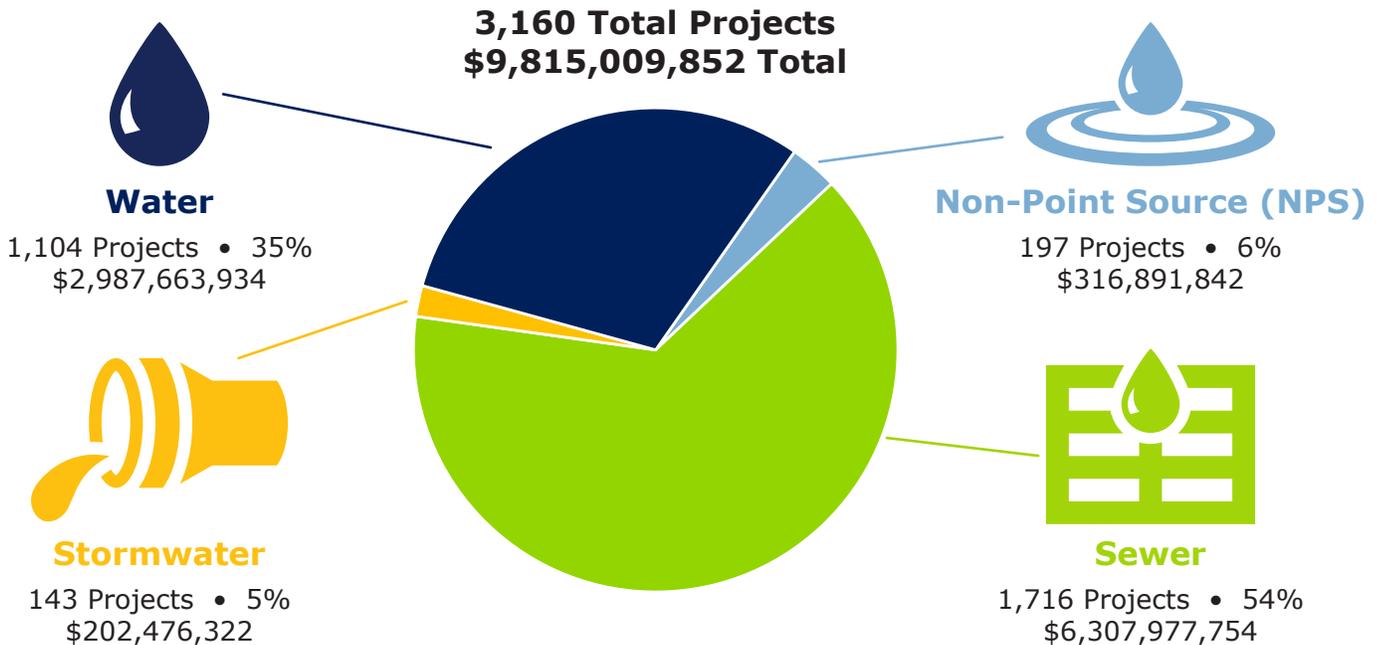
# PROGRAM HIGHLIGHTS

During Fiscal Year 2020-2021, PENNVEST continued more than three decades of water infrastructure investment, adding 70 new projects with a total investment of more than \$540 million. The bulk of that total consisted of 33 drinking water projects and 27 wastewater projects; plus, an additional 6 stormwater projects and 4 non-point source projects – all targeting agricultural improvements and best management practices (BMPs).

## 2020-2021 Funding



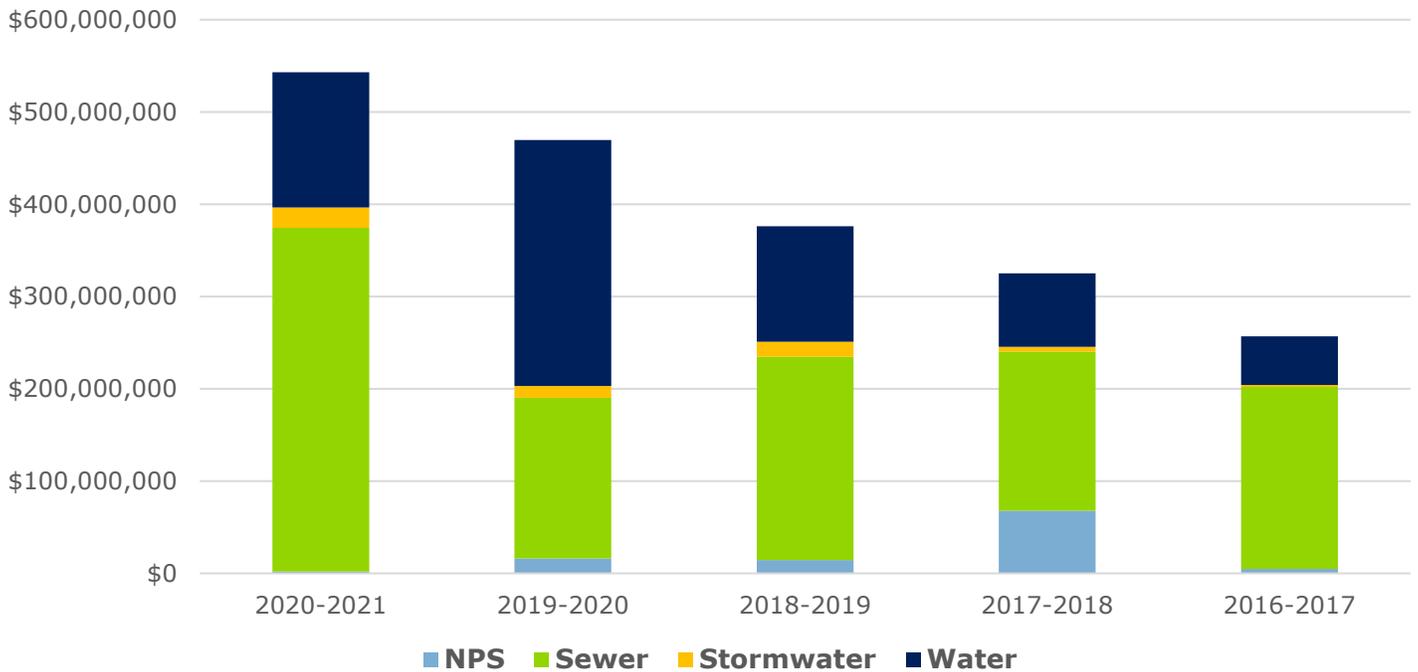
## Funding from 1988 to Present





# PROGRAM HIGHLIGHTS

## 5-Year Project Summary



The Homeowner Septic Loan Program, which is jointly administered by PENNVEST and the Pennsylvania Housing Finance Agency (PHFA), continues to grow. Since modifications were made to eligibility criteria in 2015, the program has seen exponential growth, accommodating residential clean water needs across the Commonwealth.





# PROJECT FUNDING BY MEETING

Board Meeting Date/ Project Name	County	Loan	Grant	Project Type
<b>July 22, 2020</b>				
The Bedford Township Municipal Authority	Bedford	\$5,223,140.00	\$-	W-MA
Addison Area Water Authority	Somerset	\$575,120.00	\$-	W-MA
Fleetwood Borough	Berks	\$3,500,000.00	\$-	W-M
Allensville Municipal Authority	Mifflin	\$371,950.00	\$-	W-MA
Penn Township Municipal Authority (Perry Cty)	Perry	\$1,450,000.00	\$-	W-MA
Penn Township (Westmoreland Cty)	Westmoreland	\$1,106,811.00	\$-	SW
Borough of North Catasauqua	Northampton	\$618,229.00	\$-	SW
New Castle Sanitation Authority	Lawrence	\$7,625,200.00	\$19,132,800.00	S-MA
New Castle Sanitation Authority (A&E Split)	Lawrence	\$5,242,000.00	\$-	S-MA
City of Arnold	Westmoreland	\$117,555.00	\$-	S-M
Western Westmoreland Municipal Authority	Westmoreland	\$11,025,000.00	\$-	S-MA
City of Johnstown	Cambria	\$4,382,890.00	\$6,517,110.00	S-M
<b>October 21, 2020</b>				
Windber Area Authority	Somerset	\$940,000.00	\$-	W-MA
Indian Lake Borough	Somerset	\$1,573,245.00	\$-	W-M
Clairton Municipal Authority	Washington	\$23,000,000.00	\$-	S-MA
Elizabeth Township	Allegheny	\$17,299,863.00	\$-	S-M
Marion Township	Butler	\$1,389,790.00	\$2,717,702.00	S-M
General Authority of the City of Franklin	Venango	\$4,347,750.00	\$-	S-MA
Washingtonville Municipal Authority	Montour	\$1,291,623.98	\$2,774,376.02	S-MA
Aqua Pennsylvania, Inc.	Montgomery	\$3,970,600.00	\$-	W-PIO
LT Realty, Inc.	Wayne	\$478,665.00	\$-	S-PIO
Altoona Water Authority	Blair	\$7,500,000.00	\$-	W-MA
Capital Region Water	Dauphin	\$65,000,000.00	\$-	S-MA
Petersburg Borough Authority	Huntingdon	\$348,585.00	\$131,415.00	W-MA
Altoona Water Authority	Blair	\$36,615,700.00	\$-	S-MA
Lancaster City	Lancaster	\$10,550,000.00	\$-	W-M
Warwick Township	Lancaster	\$-	\$556,730.00	NPS
Lancaster County Conservation District	Lancaster	\$-	\$402,880.00	N-MA
<b>January 20, 2021</b>				
Altoona Water Authority - Water Treatment	Blair	\$9,900,000.00	\$-	W-MA
Middleburg Municipal Authority	Snyder	\$4,031,176.00	\$555,024.00	W-MA
Altoona Water Authority- Dam Upgrade	Blair	\$21,000,000.00	\$-	W-MA
Lehigh County Authority	Lehigh	\$2,000,000.00	\$-	W-MA
City of Philadelphia	Philadelphia	\$95,015,000.00	\$-	S-M
City of Philadelphia	Philadelphia	\$5,100,000.00	\$-	S-M



# PROJECT FUNDING BY MEETING

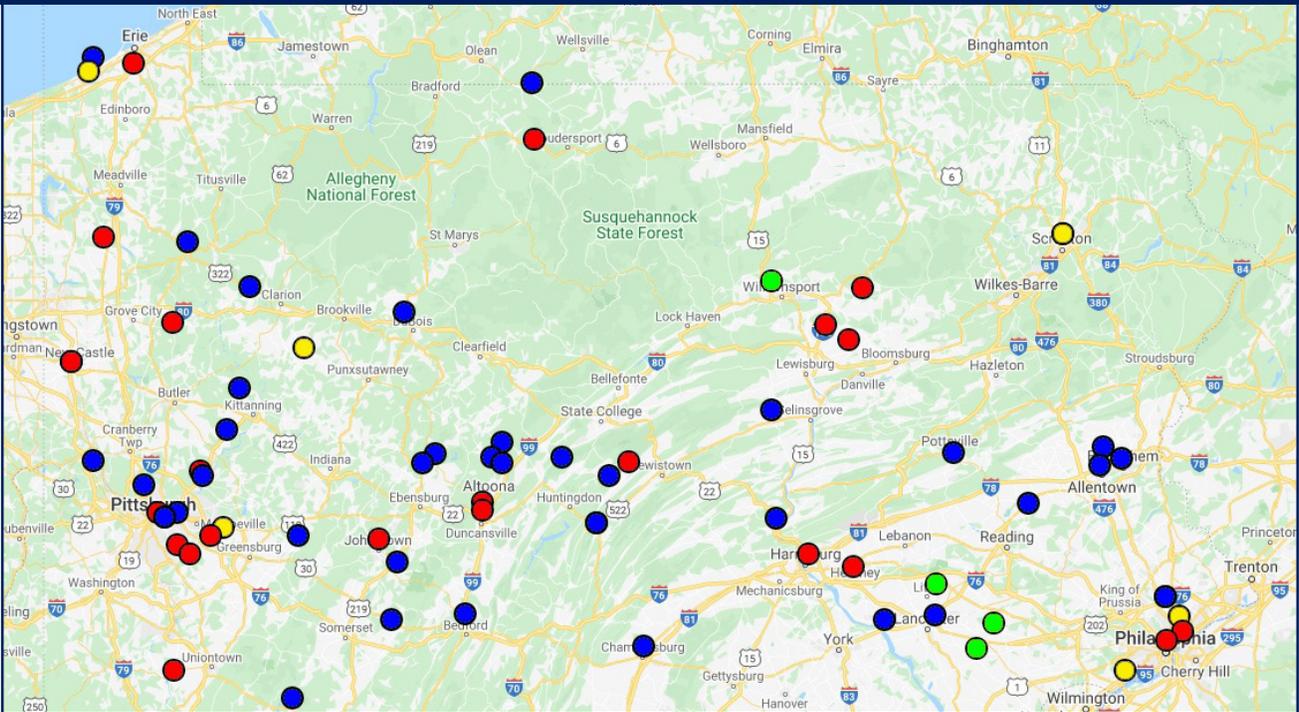
Board Meeting Date/ Project Name	County	Loan	Grant	Project Type
Pittsburgh Water and Sewer Authority	Allegheny	\$7,750,000.00	\$-	S-MA
Perry Township	Mercer	\$-	\$3,950,500.00	S-M
Franklin Township	Lycoming	\$-	\$2,757,804.00	S-M
Brown Township Municipal Authority	Mifflin	\$2,100,000.00	\$-	S-MA
Union Township Municipal Authority	Mifflin	\$1,781,522.00	\$1,618,478.00	S-MA
Stormwater Authority of the City of Chester	Delaware	\$-	\$9,963,539.00	N-MA
City of Philadelphia	Philadelphia	\$6,720,000.00	\$-	N-M
Hawthorn Borough	Clarion	\$158,267.00	\$1,179,583.00	N-M
Lace Building Affiliates, LP	Lackawanna	\$2,554,667.00	\$-	N-PIO
<b>April 21, 2021</b>				
Municipal Water Authority of Aliquippa	Beaver	\$-	\$2,041,700.00	W-MA
Pittsburgh Water and Sewer Authority	Allegheny	\$35,573,550.00	\$-	W-MA
Pittsburgh Water and Sewer Authority	Allegheny	\$-	\$2,976,450.00	W-MA
Columbia Water Company	Lancaster	\$4,500,000.00		W-MA
Shinglehouse Borough	Potter	\$-	\$1,078,785.00	W-M
Wilkesburg-Penn Joint Water Authority	Allegheny	\$-	\$9,330,720.00	W-MA
West View Water Authority	Allegheny	\$-	\$6,600,000.00	W-MA
Municipal Authority of the City of New Kensington	Westmoreland	\$-	\$1,753,876.00	W-MA
General Authority of the City of Franklin	Venango	\$-	\$914,602.00	W-MA
City of Bethlehem	Northampton	\$-	\$2,875,000.00	W-M
Falls Creek Borough Municipal Authority	Jefferson	\$-	\$1,400,000.00	W-MA
Borough of Schuylkill Haven	Schuylkill	\$-	\$529,645.00	W-M
Carrolltown Borough Municipal Authority	Cambria	\$-	\$300,000.00	W-MA
The Municipal Authority of the Borough of Derry	Westmoreland	\$-	\$2,896,669.00	W-MA
Mount Union Municipal Authority	Huntingdon	\$-	\$1,900,000.00	W-MA
Mount Union Municipal Authority	Huntingdon	\$240,000.00		W-MA
Knox Borough	Clarion	\$-	\$1,577,200.00	W-M
Patton Municipal Authority	Cambria	\$-	\$600,000.00	W-MA
Borough of Chambersburg	Franklin	\$-	\$3,299,828.00	W-M
Capital Region Water	Dauphin	\$21,000,000.00		S-MA
Masontown Municipal Authority	Fayette	\$1,214,259.00	\$8,345,355.00	S-MA
Lewis Township (Northumberland Cty)	Northumberland	\$1,002,000.00	\$-	SW
Londonderry Township	Dauphin	\$499,521.00	\$100,479.00	SW
Duncansville Municipal Authority	Blair	\$409,350.00	\$840,650.00	SW
Summit Township Sewer Authority	Erie	\$2,500,000.00	\$-	SW
Lancaster County Conservation District	Lancaster	\$708,183.00	\$-	N-MA
Old Lycoming Township	Lycoming	\$388,757.00	\$-	N-M
<b>TOTAL</b>		<b>\$441,689,968.98</b>	<b>\$101,618,900.02</b>	



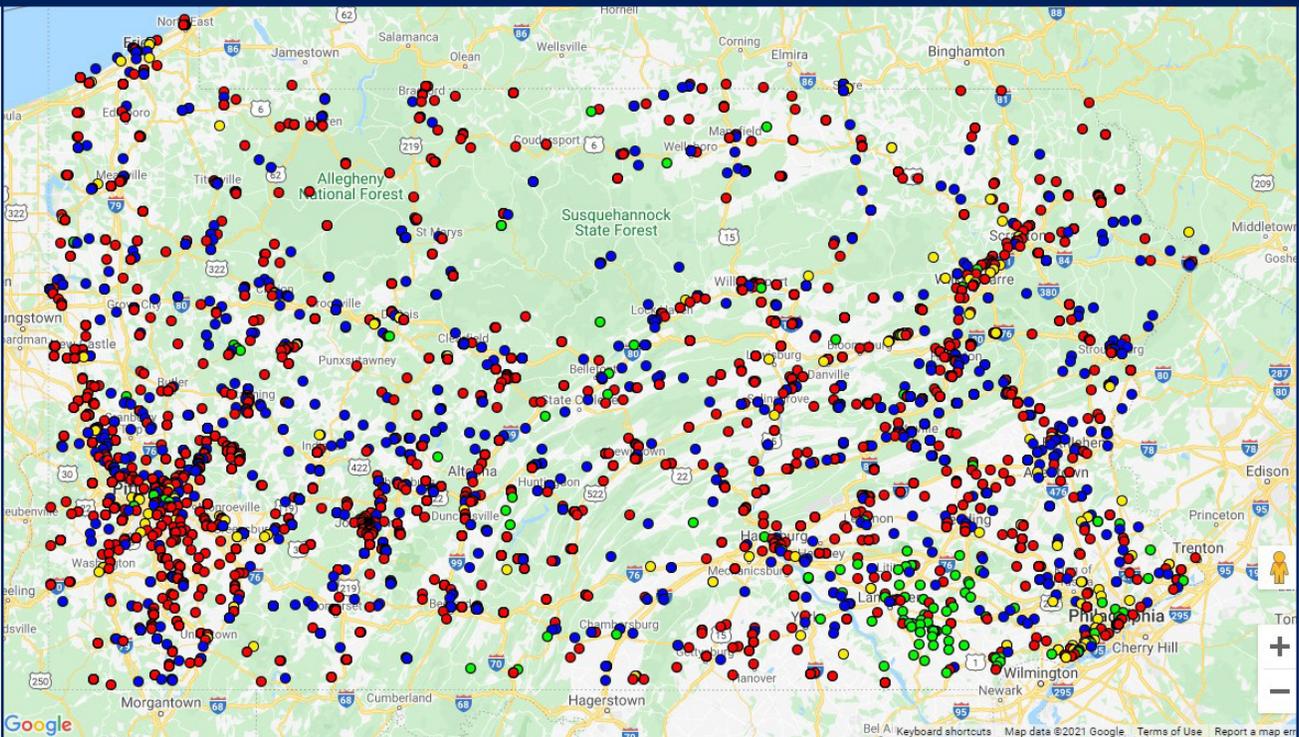
# DISTRIBUTION OF PROJECTS

The maps shown below display the geographic location of projects approved in FY 2020-2021 as well as all projects approved by the Board of Directors since 1988.

## FY 2020-2021 Projects



## Board Approved Projects since 1988



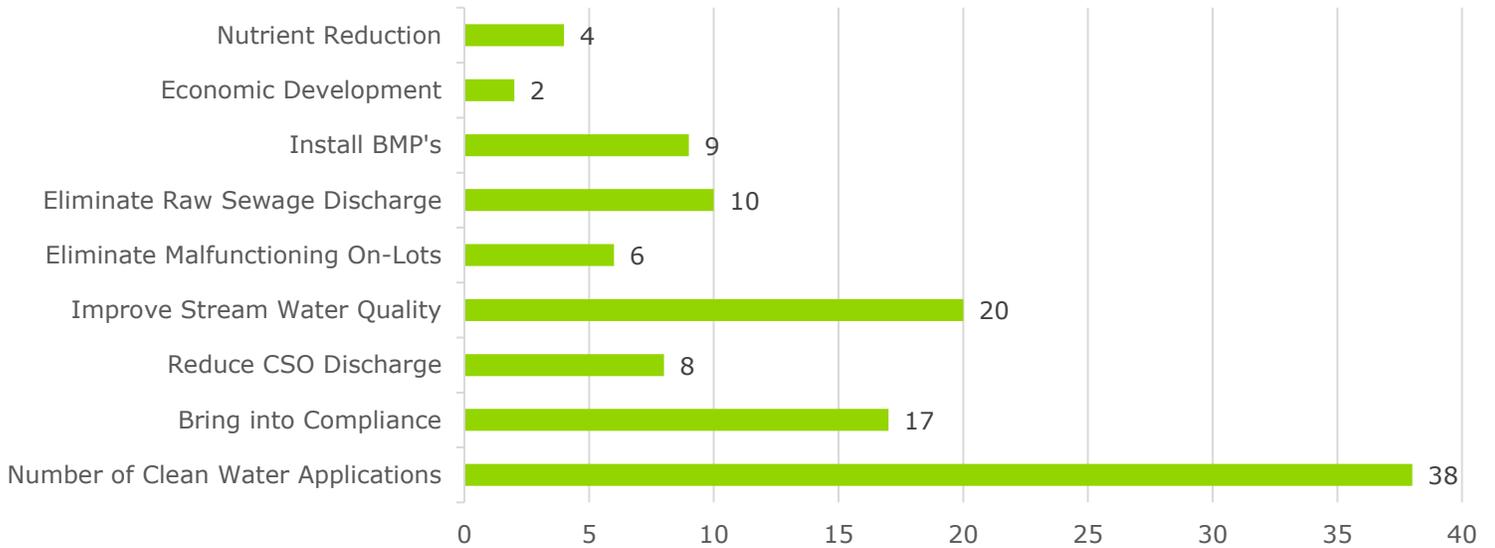
- Water Projects
- Wastewater Projects
- Nonpoint Source Projects
- Stormwater Projects



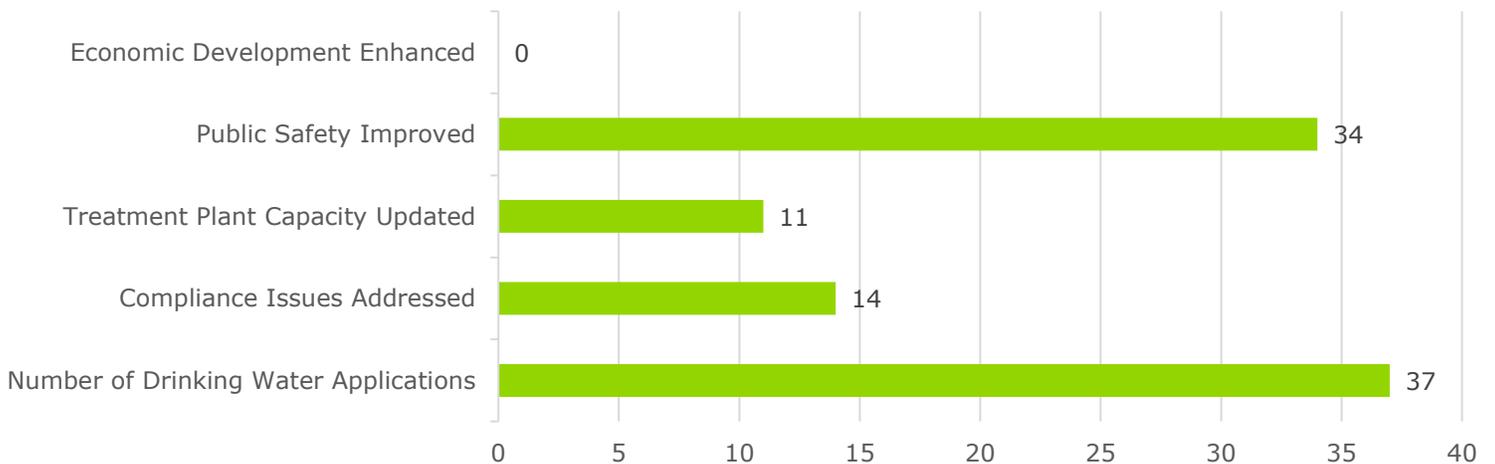
# BENEFITS

At the heart of PENNVEST's mission is ensuring sustainable water quality throughout the Commonwealth. Project applications are evaluated for their ecological benefit and have demonstrated their value to the environment in a variety of ways.

## Wastewater Project Benefit Summary 2020-2021



## Drinking Water Project Benefit Summary 2020-2021





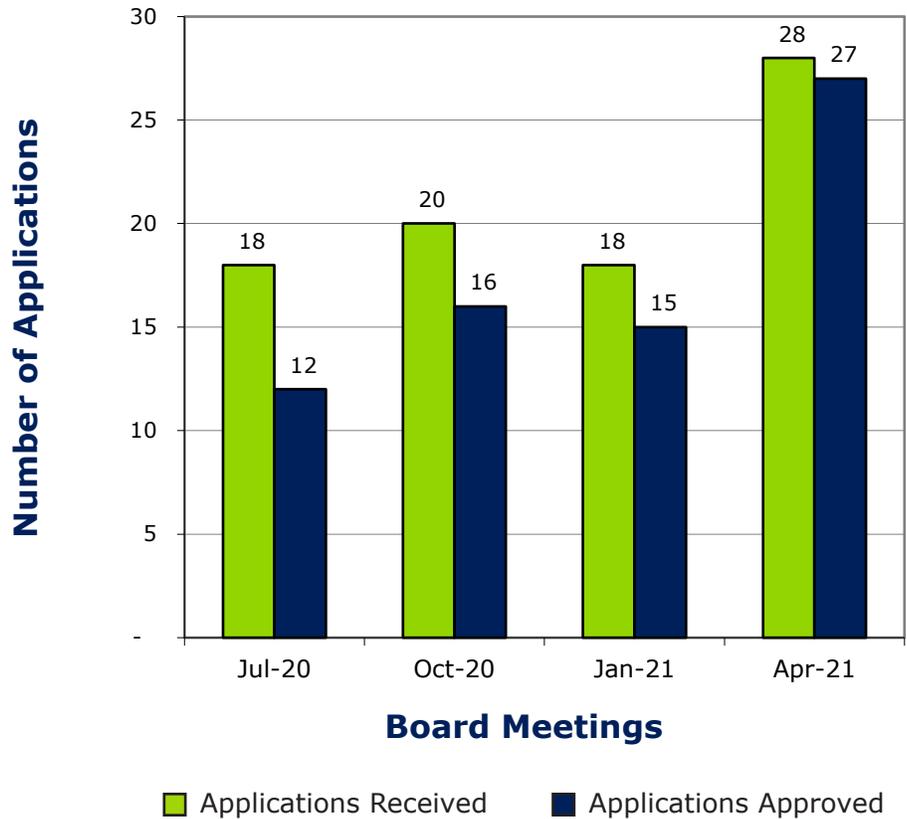
# APPLICATIONS

For more than six consecutive years, PENNVEST has extended funding offers to all applicants who satisfy three criteria prior to consideration:

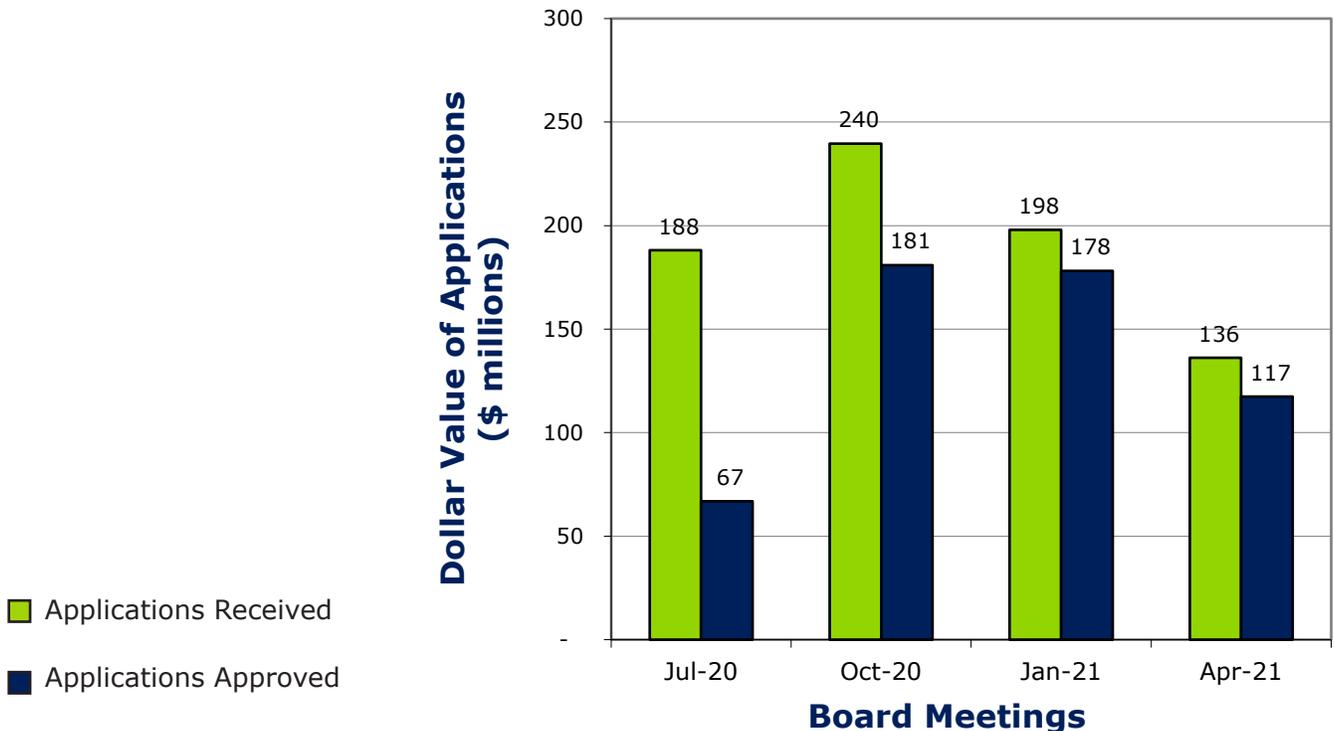
1. A complete application package was submitted for an eligible project prior to the consideration cut-off date.
2. Those applications were recommended by the Department of Environmental Protection (DEP) as being technically complete.
3. The projects were ready to undergo construction in a timely fashion.

The graphs highlight both the number of applications and the value of those applications for board meetings in FY 2020-2021.

## Applications Received vs. Approved (#)



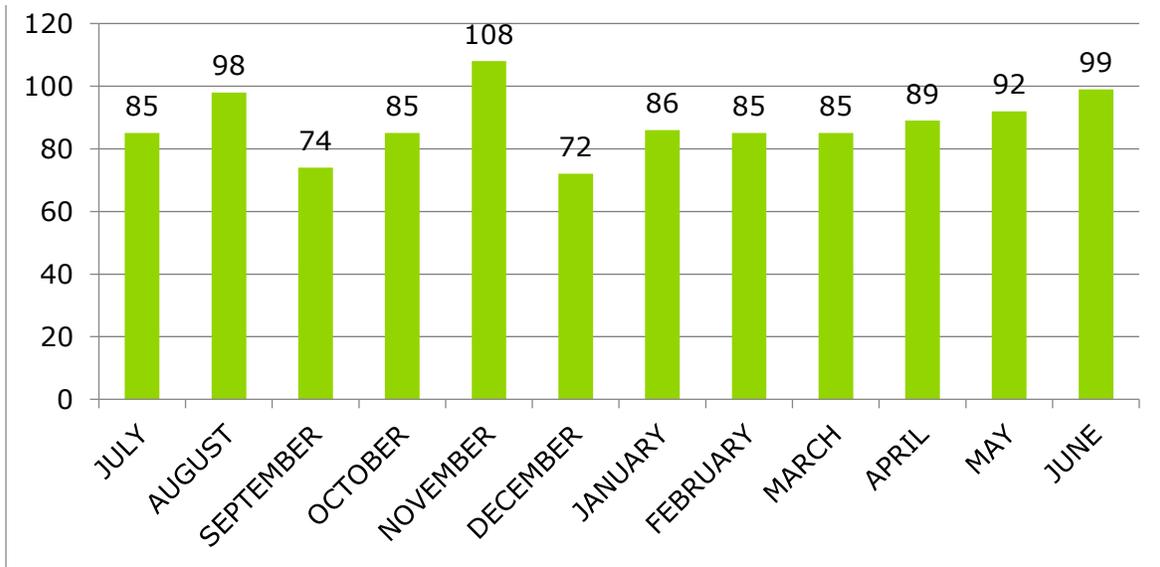
## Applications Received vs. Approved (\$)



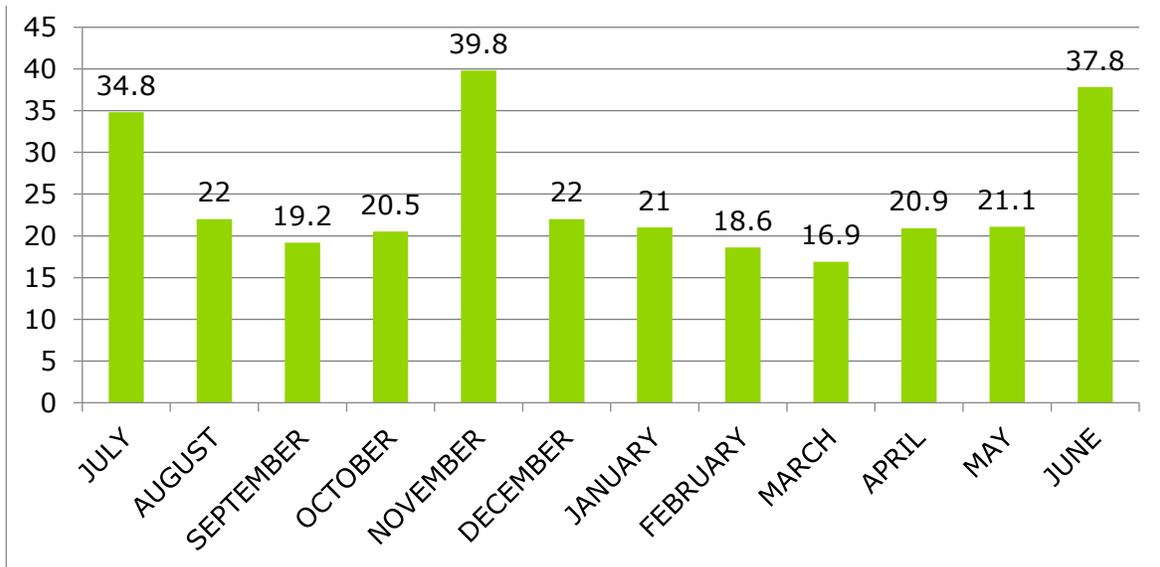


# DISBURSEMENTS

## Number of Disbursements FY 2020-21



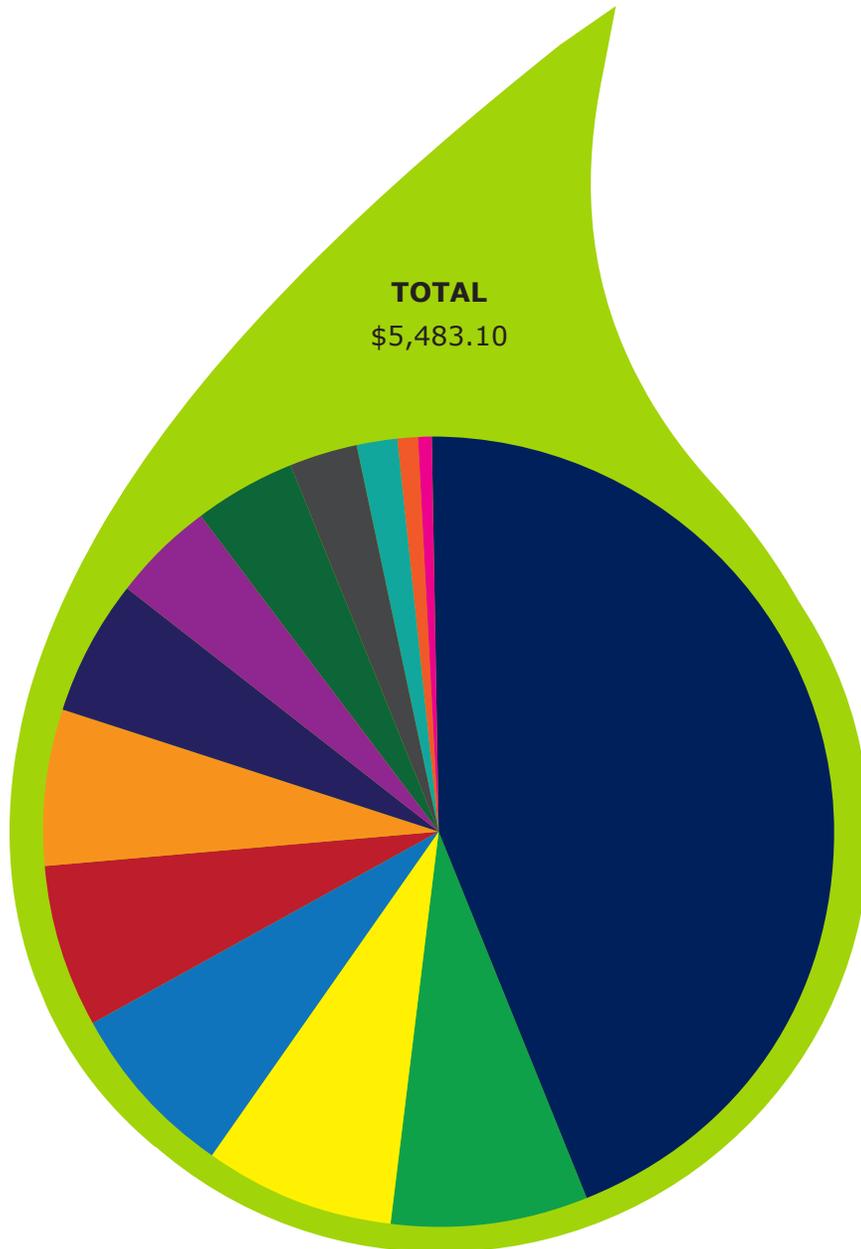
## Disbursement Amounts (\$ millions) FY 2020-21





PENNVEST uses a variety of funding sources to provide financial support for the drinking water, wastewater, stormwater, and non-point source projects that are approved by the Board every year.

These sources include Commonwealth general obligation bond proceeds, which are approved by a number of referenda, and normal capitalization grant proceeds that PENNVEST receives annually from the U.S. Environmental Protection Agency (EPA). The chart below displays the sources of PENNVEST's funding since the program's inception in 1988.



- General Fund**  
\$40.90 • 1%
- Act 218**  
\$50 • 1%
- Marcellus Legacy Grants**  
\$91.50 • 2%
- Capital Budget**  
\$150 • 3%
- ARRA**  
\$220.90 • 4%
- 1981 Referendum**  
\$237.20 • 4%
- 1988 Referendum**  
\$300 • 5%
- 1992 Referendum**  
\$350 • 6%
- Growing Greener Grants**  
\$359.70 • 7%
- 2008 Referendum**  
\$400 • 7%
- Investment Income**  
\$431.30 • 8%
- Interest Earned**  
\$431.60 • 8%
- Federal Cap Grants**  
\$2,420 • 44%



# ADMINISTRATIVE IMPROVEMENTS

In FY 2020-2021, PENNVEST continued to demonstrate leadership and seamless service to borrowers, applicants, and other Commonwealth agencies as remote workplace requirements continued as a result of the COVID-19 pandemic. While financial transactions and application review continued without interruption, PENNVEST also implemented improvements to the board meeting process to allow for robust discussion and increased participation, maximizing the professional meeting for board members and the general public.

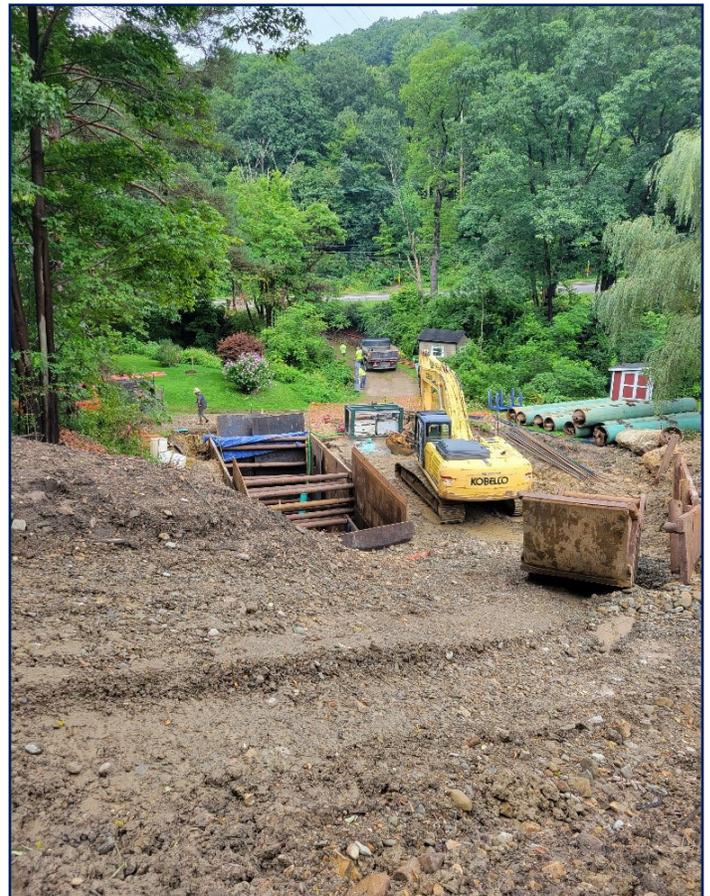
PENNVEST also activated two major programmatic initiatives throughout the year, establishing the Center for Water Quality Excellence, a one-stop shop for agricultural best management practice (BMP) funding, and a statewide testing program for lead exposure in drinking water in schools and child care facilities. Both of these programs are fully operational and providing measureable results toward their respective goals.



The Authority continues to improve technological capability to increase virtual service and borrower processing. In the fourth quarter of 2020, staff overhauled the PENNVEST funding application process and released the PV Apply web application. PV Apply offers a user-friendly interface while increasing efficiency in the application and review process. Information Technology (IT) staff implemented heightened security improvements for current application systems, enhanced record retention systems, and changed to the Online Funding Request (OFR) system for a new Small Projects program, which allows for rapid deployment of funding for requests under \$500,000. In addition, upgrades have been

made to the settlement process to accommodate Programmatic Financing, which addresses projects with large infrastructure needs in phases as part of their capital improvement plans. Since the implementation of on-line signature capability, PENNVEST has been able to save nearly seven tons of wood consumption and more than 41,000 gallons of water, reduce more than 32,000 pounds of carbon, and eliminate 2,270 pounds of waste.

Significant steps were also taken to improve customer service by maintaining previous enhancements to project management staff and regional operations. Following the addition of two new project specialists, with dedicated staff representing five regional operation centers throughout the Commonwealth, PENNVEST continues to provide prompt response and service to prospective applicants, borrowers, municipalities, and other agency staff.



Coupled with ongoing technological upgrades, PENNVEST continues to recruit and retain an exceptionally knowledgeable, professional staff who all strive personally and collaboratively to improve the overall user experience. In FY 2020-2021, PENNVEST staff played a role in the following positions:



# ADMINISTRATIVE IMPROVEMENTS

- Board Member, Council of Infrastructure Financing Authorities
- Board Member, Pennsylvania State Employees Credit Union
- Chairperson, Office of General Counsel Finance Practice Group
- Member, Office of General Counsel, Transactions Practice Group
- Member, Office of General Counsel, Technology Practice Group
- Member, Office of General Counsel, Records Access Management Committee
- Member, Pennsylvania Bar Association
- Member, Dauphin County Bar Association
- Member, Chesapeake Bay Program Trading and Offsets Workgroup
- Member, Chesapeake Bay Program Watershed Implementation Plan III Finance Work Group
- Member, American Water Works Association
- Member, Pennsylvania Rural Water Association
- Member, Three Rivers Wet Weather Finance Committee
- Member, University of Pittsburgh Regional Water Management Task Force
- Member, Westmoreland County Smart Growth Task Force
- Member, DEP Technical Assistance Committee
- Member, Appalachian Regional Commission (ARC) Project Review Committee



- Member, Society of Women Environmental Professionals
- Member, Women in the Environment
- Member, EPA Revolving Loan Program Advisory Group
- Member, EPA America's Water Infrastructure Act - WIFA/SWIFIA Working Group
- Member, Penn's Corner Alternative Wastewater Committee
- Member, Schuylkill Action Network
- Member, American Society of Civil Engineers (ASCE)
- Member, Water Environment Association
- Member, U.S. Army Corps of Engineers' Ohio River Basin Group Enterprise and Infrastructure Committee
- Member, Leadership Development Institute Alumni Association
- Leader, PA Recovery Resource Team: Infrastructure Recovery Workgroup
- Member, Westmoreland County Conservation District Stormwater Management Advisory Committee
- Member, Government Finance Officers Association
- Member, American Water Resources Association (AWRA)
- President, Water Coalition of the Lehigh Valley
- Leader, Master Watershed Steward Program
- Member, Environmental Advisory Councils
- Member, Perkiomen Watershed Conservancy
- Member, Pennsylvania Environmental Council
- Member, Pennsylvania Organization for Watersheds and Rivers



# APPROVALS BY COUNTY

County	# of Projects	\$ of Loan Approved	\$ of Grant Approved	\$ Total Approved
Adams	25	63,038,439	7,173,234	70,211,673
Allegheny	206	632,588,373	76,885,277	709,473,650
Armstrong	70	121,060,633	56,492,905	177,553,538
Beaver	78	206,052,921	18,968,112	225,021,033
Bedford	54	107,265,045	16,642,470	123,907,515
Berks	58	248,860,886	11,836,320	260,697,206
Blair	65	313,274,938	23,290,605	336,565,543
Bradford	34	48,169,007	12,573,166	60,742,173
Bucks	40	104,099,066	4,343,192	108,442,258
Butler	50	137,515,244	9,200,424	146,715,668
Cambria	167	576,592,286	134,337,929	710,930,215
Cameron	7	67,426,465	2,636,615	70,063,080
Carbon	43	101,635,186	7,860,577	109,495,763
Centre	47	98,318,119	16,093,873	114,411,992
Chester	48	81,406,750	9,153,559	90,560,309
Clarion	63	90,050,294	60,350,240	150,400,534
Clearfield	79	216,919,036	40,666,229	257,585,265
Clinton	25	66,926,295	15,140,980	82,067,275
Columbia	24	59,133,467	10,499,338	69,632,805
Crawford	41	78,339,021	10,668,441	89,007,462
Cumberland	17	33,459,344	6,514,991	39,974,335
Dauphin	57	293,289,087	25,480,787	318,769,874
Delaware	54	128,525,105	14,023,577	142,548,682
Elk	27	46,637,685	15,157,728	61,795,413
Erie	71	238,640,103	31,416,921	270,057,024
Fayette	73	194,596,316	43,339,808	237,936,124
Forest	4	1,711,071	1,104,500	2,815,571
Franklin	28	83,295,663	5,754,047	89,049,710
Fulton	10	4,107,760	4,041,646	8,149,406
Greene	35	69,037,447	27,423,912	96,461,359
Huntingdon	48	60,901,872	35,212,740	96,114,612
Indiana	52	108,772,263	65,631,824	174,404,087
Jefferson	34	67,754,035	17,113,855	84,867,890
Juniata	10	16,033,671	1,310,658	17,344,329
Lackawanna	46	174,515,206	1,775,000	176,290,206
Lancaster	94	124,076,172	23,383,942	147,460,114
Lawrence	40	131,777,829	42,174,893	173,952,722
Lebanon	26	86,884,406	4,839,037	91,723,443
Lehigh	35	72,382,232	6,169,820	78,552,052
Luzerne	117	239,007,959	48,113,613	287,121,571
Lycoming	43	178,412,898	27,533,341	205,946,239



# APPROVALS BY COUNTY

County	# of Projects	\$ of Loan Approved	\$ of Grant Approved	\$ Total Approved
McKean	28	64,714,466	11,062,476	75,776,942
Mercer	55	126,955,819	28,349,011	155,304,830
Mifflin	23	63,502,805	20,118,064	83,620,869
Monroe	38	103,437,829	14,533,001	117,970,830
Montgomery	29	75,630,063	11,373,273	87,003,336
Montour	9	18,272,310	16,249,383	34,521,693
Northampton	44	149,491,908	7,210,894	156,702,802
Northumberland	48	126,892,957	58,257,576	185,150,533
Perry	24	41,436,995	15,453,580	56,890,575
Philadelphia	28	473,941,417	4,387,217	478,328,634
Pike	18	20,692,407	5,872,444	26,564,851
Potter	16	22,748,583	8,693,667	31,442,250
Schuylkill	125	308,469,250	27,584,052	336,053,302
Snyder	20	31,956,999	5,274,325	37,231,324
Somerset	73	130,138,916	26,464,013	156,602,929
Sullivan	10	3,176,224	1,934,478	5,110,702
Susquehanna	9	7,863,228	12,063,263	19,926,491
Tioga	41	46,218,305	23,655,748	69,874,053
Union	16	22,808,432	2,875,139	25,683,571
Venango	27	42,668,457	11,725,472	54,393,929
Warren	22	67,989,572	12,053,381	80,042,953
Washington	86	191,976,630	24,811,096	216,787,726
Wayne	28	62,641,885	16,654,349	79,296,234
Westmoreland	155	350,275,339	45,101,359	395,376,698
Wyoming	14	13,678,684	11,506,643	25,185,327
York	29	54,976,231	4,370,517	59,346,748
<b>Grand Total</b>	<b>3,160</b>	<b>\$ 8,395,045,305</b>	<b>\$ 1,419,964,547</b>	<b>\$ 9,815,009,852</b>



**(Component Unit  
of the  
Commonwealth  
of Pennsylvania)**

---

**FINANCIAL  
STATEMENTS  
AND  
REPORTS OF INDEPENDENT  
PUBLIC ACCOUNTANTS**

**For the Years Ended June 30, 2021  
and 2020**

PENNSYLVANIA INFRASTRUCTURE INVESTMENT  
AUTHORITY  
TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Public Accountants	1 - 3
Management’s Discussion and Analysis	4 - 12
Basic Financial Statements:	
Statements of Net Position	13 - 14
Statements of Revenues, Expenses, and Changes in Net Position	15
Statements of Cash Flows	16 - 17
Notes to Financial Statements	18 - 40
Required Supplementary Information:	
Schedules of PENNVEST’s Proportionate Share of the Net Pension Liability	41
Schedules of PENNVEST’s Contributions – Pension	42
Schedules of PENNVEST’s Proportionate Share of the Net OPEB Liability	43
Schedules of PENNVEST’s Contribution - OPEB	44
Other Supplemental Information:	
Federal Clean Water State Revolving Loan Fund:	
Schedules of Net Position	45
Schedules of Revenues, Expenses, and Changes in Net Position	46
Schedules of Cash Flows	47
Federal Drinking Water State Revolving Loan Fund:	
Schedules of Net Position	48
Schedules of Revenues, Expenses, and Changes in Net Position	49
Schedules of Cash Flows	50
Notes to Fund Schedules	51
Schedules of Delinquent Loans	52
Report of Independent Public Accountants on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	53-54



**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

Board of Directors  
Pennsylvania Infrastructure Investment Authority  
Harrisburg, Pennsylvania

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

We have audited the accompanying financial statements of the Pennsylvania Infrastructure Investment Authority ("PENNVEST") as of and for the years ended June 30, 2021 and 2020, and the related notes to the 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the basic 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 controls. 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 basic financial statements.

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PENNVEST as of June 30, 2021 and 2020, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PENNVEST's basic financial statements. The schedules and notes for the Federal Clean Water State Revolving Loan Fund and the Federal Drinking Water State Revolving Loan Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules for the Federal Clean Water State Revolving Loan Fund and the Federal Drinking Water State Revolving Loan Fund and the related notes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules for the Federal Clean Water State Revolving Loan Fund and the Federal Drinking Water State Revolving Loan Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



**SB & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

The Schedules of Delinquent Loans have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021 on our consideration of PENNVEST's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering PENNVEST's internal controls over financial reporting and compliance.

Philadelphia, Pennsylvania  
October 27, 2021

A handwritten signature in black ink that reads "SB &amp; Company, LLC". The signature is written in a cursive, flowing style.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2021

---

This section of Pennsylvania Infrastructure Investment Authority's ("PENNVEST" or "Program") annual financial report presents the Management's Discussion and Analysis ("MD&A") of PENNVEST's financial performance during the fiscal year that ended June 30, 2021. It is intended to be read in conjunction with the PENNVEST financial statements and accompanying notes, which follow this section.

**FINANCIAL HIGHLIGHTS**

In 2021, Total Net Position increased by \$177 million. The increase was a result of Total Assets increasing by \$110 million and Total Liabilities decreasing by \$64.6 million. Total assets increased as a result of higher loan receipts from borrowers of \$289 million and lower loan disbursements to borrowers of \$277 million, from the previous year. In addition, an increase in proceeds from Investing Activities, including the sale of investments in the Treasury Commonwealth Investment Program attributed to the overall increase in Net Position.

In 2020, Total Net Position increased by \$154 million. The increase was a result of Total Assets increasing by \$139 million and Total Liabilities decreasing by \$16.7 million. Total assets increased as a result of higher loan receipts from borrowers of \$33.7 million and lower loan disbursements to borrowers of \$37.5 million, from the previous year. In addition, an increase in proceeds from Investing Activities, including the sale of investments in the Treasury Commonwealth Investment Program attributed to the overall increase in Net Position.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion and analysis, financial statements, and supplemental information. The financial statements also include notes that explain in more detail some of the information in the financial statements. The MD&A serves as an introduction to the basic financial statements and supplementary information and presents management's examination and analysis of PENNVEST's financial condition and performance.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of PENNVEST report information about PENNVEST 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 Statements of Net Position include all PENNVEST's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about investments, revenue bonds, and federal government payments. All the current year's revenues are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the fiscal condition of PENNVEST's operations over the past year and can be used to determine whether PENNVEST has remained creditworthy and in a positive financial order. The final required financial statements are the Statements of Cash Flows.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2021

---

**REQUIRED FINANCIAL STATEMENTS** (continued)

The primary purpose of these statements is to provide information about PENNVEST's cash receipts and cash disbursements, net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as, where did the cash come from, what was the cash used for, and what was the change in cash balance during the report period.

**FINANCIAL ANALYSIS**

The issued report provides comparative statements for a two-year period. This presentation enables a reader to determine by category the basic analysis of a year's activity. The Statements of Net Position, and the Statements of Revenues, Expenses, and Changes in Net Position report information about PENNVEST and provide an excellent examination of financial performance.

These two statements report the net position of PENNVEST over the course of two years. Over time, increases or decreases in PENNVEST's net position is one gauge of whether its financial health is improving or deteriorating. This alone will not provide the total picture of financial health but it is a good indicator. Additional information such as the status of assets and liabilities and the reduction in long-term debt will provide a larger picture of the status of fiscal health.

The following table summarizes the net position for fiscal years ended June 30, 2021, 2020 and 2019.

**Table 1 (in thousands)**  
**Condensed Statements of Net Position**

	2021	2020	2019
Current Assets	\$ 2,062,799	\$ 1,975,794	\$ 1,839,878
Noncurrent Assets	2,487,688	2,465,013	2,461,786
Total Assets	4,550,487	4,440,807	4,301,664
Deferred Outflows	3,834	1,678	1,868
Total Assets and Deferred Outflows	4,554,321	4,442,485	4,303,532
Current Liabilities	69,997	69,298	63,139
Noncurrent Liabilities	176,037	241,324	264,187
Total Liabilities	246,034	310,622	327,326
Deferred Inflows	4,115	4,404	2,786
Total Liabilities and Deferred Inflows	250,149	315,026	330,112
Total Net Position	\$ 4,304,172	\$ 4,127,459	\$ 3,973,420

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2021

---

**FINANCIAL ANALYSIS** (continued)

The above table provides several financial indicators that depict the fiscal health of PENNVEST. First, Total Net Position increased in 2021 by 4.3%. The Federal Clean Water State Revolving Fund ("CWSRF") has a significant impact on the Total Net Position line, as it represents 57% of the Total Net Position. This reflects the strength of the Federal Clean Water program.

Current Assets increased in 2021 by \$87.0 million or 4.4%. The increase in Current Assets was largely due to increased loan repayments, decreased loan and grant disbursements and an increase in proceeds from sale of investments in the state Treasury Pool and from other investment income.

Current Assets increased in 2020 by \$135.9 million or 7.4%. The increase in Current Assets was largely due to increased loan repayments, decreased loan and grant disbursements and an increase in proceeds from sale of investments in the state Treasury Pool and from other investment income.

Noncurrent assets increased slightly in 2021, by just under \$23 million. This increase is due to increases in the outstanding loan portfolio, which is driven by increased demand for funding over the past two years. PENNVEST is a Revolving Loan Program. In a Revolving Loan Program, principal and interest payments received from borrowers are recycled back into the program and are available for future loan disbursements.

Noncurrent assets increased slightly in 2020, by just over \$3 million. This increase is due to increases in the outstanding loan portfolio, which is driven by increased demand for funding over the past two years. PENNVEST is a Revolving Loan Program. In a Revolving Loan Program, principal and interest payments received from borrowers are recycled back into the program and are available for future loan disbursements.

The ability to encumber against future year revenues is critical for a revolving program. Noncurrent Loans Receivable, Gross, are those future loans that are due in more than one year. The Noncurrent Asset total is reduced by the Allowance for Loan Losses which is \$24.3 million for the year ended June 30, 2021.

Current Liabilities increased in 2021 by \$0.7 million or 1%; driven by increased value of security lending obligations.

Noncurrent Liabilities decreased in 2021 by \$65.3 million or 27.1%. The decrease is primarily the result debt service payments on outstanding General Obligation bonds and due to Commonwealth of Pennsylvania.

Current Liabilities increased in 2020 by \$6 million or 10%; driven by increased cost of Commercial Paper issuances.

Noncurrent Liabilities decreased in 2020 by \$22.9 million or 9%. The decrease is primarily the result debt service payments on outstanding General Obligation bonds.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2021

---

**OPERATING REVENUES AND EXPENSES**

The Program has not received Commonwealth appropriations for operations since 1996. The cost of the Program has been funded from investment earnings, the repayment of loans, other federal and state funding (included in this line item are Marcellus Legacy Fund and Environmental Stewardship Fund monies), capital contributions from federal capitalization grants provided by the Environmental Protection Agency ("EPA") and reimbursement of allowable federal administrative expenses.

**Table 2 (in thousands)**

**Condensed Statements of Operating Revenues and Expenses**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues:			
Interest on loan receivables	\$ 36,391	\$ 36,516	\$ 37,594
Other Federal and state	35,716	41,482	41,566
Total Operating Revenues	<u>72,107</u>	<u>77,998</u>	<u>79,160</u>
Recovery/(Provision) of loan losses	<u>306</u>	195	16,100
Net Operating Revenues	<u>72,413</u>	<u>78,193</u>	<u>95,260</u>
Operating Expenses:			
Administration	(17,610)	(17,737)	(15,835)
Grants/"principal forgiveness" to program participants	<u>(50,559)</u>	<u>(52,303)</u>	<u>(54,874)</u>
Total Operating Expenses	<u>(68,169)</u>	<u>(70,040)</u>	<u>(70,709)</u>
Nonoperating Revenues	60,959	59,637	87,382
Capital Contributions	<u>111,510</u>	<u>86,249</u>	<u>86,884</u>
Increase in Net Position	<u>\$ 176,713</u>	<u>\$ 154,039</u>	<u>\$ 198,817</u>

The Operating Revenues (as shown in Table 2), in 2021 were driven by the Other Federal and State Operating Grants of \$35.7 million, and interest repayments on loans of \$36.4 million.

The Total Operating Expenses (as shown in Table 2) decreased by 2.7%, or \$1.9 million in 2021. Decreases in the amount disbursed as Grant/"Principal Forgiveness" primarily accounted for this decrease. These decreases are a direct effect on how many applicants qualify for rate or Grant/"Principal Forgiveness" subsidy.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2021

**OPERATING REVENUES AND EXPENSES** (continued)

The Operating Revenues (as shown in Table 2), in 2020 were driven by the Other Federal and State Operating Grants of \$41.5 million, and interest repayments on loans of \$36.5 million.

The Total Operating Expenses (as shown in Table 2) increased by 0.9%, or \$0.7 million in 2020. Increases in Interest and Amortization Expense and the amount disbursed as Grant/"Principal Forgiveness" primarily accounted for this increase. These increases are a direct effect on how many applicants qualify for rate or Grant/"Principal Forgiveness" subsidy.

Table 3 examines the loan loss allowance for each of the loan portfolios of PENNVEST. The loan loss is an allowance in the Statements of Net Position, which reflects the amount which, in management's judgment, establishes an adequate allowance to report possible losses on loans.

**Table 3 (in thousands)**  
**Loan Loss Allowance**

Loan Loss Allowance	<u>2021</u>	<u>2020</u>	<u>2019</u>
CWSRF	\$ 12,897	\$ 13,019	\$ 17,103
DWSRF	1,840	1,760	1,707
State and Revenue Bonds	9,592	9,856	10,070
Total program	<u>\$ 24,329</u>	<u>\$ 24,635</u>	<u>\$ 28,880</u>

Table 4 depicts the PENNVEST loan portfolios, excluding On-Lot Loans, by risk code classification. Overall, the risk assessment of the loan portfolio remains good. The largest dollar change year over year occurred in the Non-Speculative project rating. In 2021, this risk code increased by \$60.7 million and the total for this risk code represented \$1.90 billion and 71% of the portfolio. In 2020, this risk code increased by \$93.3 million and the total for this risk code represented \$1.84 billion and 69% of the portfolio.

**Table 4 (in thousands)**  
**Loan Portfolio by Risk**

Risk Codes	<u>2021</u>	<u>2020</u>	<u>2019</u>
Speculative	\$ 697,300	\$ 729,288	\$ 840,745
Concern High Rate Impact	78,591	80,904	60,093
Concern Service User	9,174	11,914	9,009
Non-Speculative	1,904,200	1,843,532	1,750,223
Total Loan Portfolio	<u>\$ 2,689,265</u>	<u>\$ 2,665,638</u>	<u>\$ 2,660,070</u>

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2021

---

**REVENUES**

As PENNVEST is a Revolving Loan Program, it is essential that loan repayments be made in a timely manner. Over 99.26% of all loans in the PENNVEST portfolio are submitting repayments electronically, with the electronic funds transfer program offered, under the Automatic Clearing House (ACH) system; however, funds must be available for payment in the borrowers' accounts. By all accounts, the PENNVEST ACH system is working and funds are available for repayment. Table 5 illustrates the loan receipts by the different loan portfolios of PENNVEST.

As can be observed from Table 5, loan receipts vary for each of the PENNVEST portfolios. These receipts are categorized as deposits that do not include any transfers. The CWSRF Program had the largest dollar collection of \$121 million or 49% of the total collected. The CWSRF is a major portfolio in the PENNVEST program. Total loan receipts increased by \$38 million from 2020, which is reflective of older projects being paid-in-full combined with lower than usual loan approvals during the prior few years.

**Table 5 (in thousands)**  
**Loan Receipts from Customers**

Loan Receipts	<u>2021</u>	<u>2020</u>	<u>2019</u>
CWSRF Federal Loans	\$ 120,595	\$ 94,282	\$ 109,164
DWSRF Federal Loans	42,030	51,267	44,118
State and Revenue Bond Loans	<u>83,244</u>	<u>62,067</u>	<u>58,684</u>
Total	<u>\$ 245,869</u>	<u>\$ 207,616</u>	<u>\$ 211,966</u>

Table 6 is an illustration of the PENNVEST disbursements to customers. The total disbursement of \$277 million reflects an increase of \$59.5 million from 2020. The CWSRF Federal disbursements were the primary driver of this increase, making up 55% of the Total Disbursements. The large increase in the CWSRF was heavily influenced by increasing applications over the past two years.

**Table 6 (in thousands)**  
**Loan Disbursements to Customer**

Loan Disbursements	<u>2021</u>	<u>2020</u>	<u>2019</u>
CWSRF Federal Loans	\$ 153,620	\$ 123,466	\$ 195,321
DWSRF Federal Loans	91,931	78,990	37,403
State and Revenue Bond Loans	<u>31,451</u>	<u>15,030</u>	<u>22,315</u>
Total	<u>\$ 277,002</u>	<u>\$ 217,486</u>	<u>\$ 255,039</u>

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2021

---

**LONG-TERM DEBT ADMINISTRATION**

In 2015, PENNVEST issued Revenue Bonds Series 2015A, in the amount of \$65.0 million. The bonds were issued at a premium of \$8.3 million. The proceeds of the bonds together with other available funds were used to pay off the outstanding commercial paper.

In 2018, PENNVEST issued Revenue Bonds Series 2018A, in the amount of \$50.0 million. The bonds were issued at a premium of \$8.4 million. The issuance was the first utilizing the Federal State Revolving Fund ("SRF") funds as collateral for the issuance.

As of June 30, 2020, PENNVEST had \$108.8 million of revenue bond debt and \$30.4 million commercial paper debt outstanding. Revenue Bonds Payable decreased in 2020 by \$6.65 million from the previous year due to debt service payments.

As of June 30, 2021, PENNVEST had \$100.6 million of revenue bond debt and \$30.4 million commercial paper debt outstanding. Revenue Bonds Payable decreased in 2021 by \$7.0 million from the previous year due to debt service payments. The following is a summary of Revenue Bond activity for the 2020-2021 fiscal year.

**Table 7 (in thousands)**

	<u>2021</u>	<u>2020</u>
Outstanding debt, beginning of year	\$ 139,176	\$ 146,847
Additions	-	233
Less: Principal payments	(6,980)	(6,650)
Net change in amortized premium	<u>(1,254)</u>	<u>(1,254)</u>
Outstanding debt, end of year	<u>\$ 130,942</u>	<u>\$ 139,176</u>

See Notes 6 and 7 to the financial statements for detailed descriptions of the outstanding debt and the current year activity.

**FUTURE PROGRAMS UNDER DEVELOPMENT**

Commercial Paper Programs

PENNVEST established a Commercial Paper (CP) program in 2010-2011 in our Commonwealth program (state funded projects). This mechanism allows PENNVEST to better manage the cash flows so that funds on hand with the Commonwealth Treasurer can be invested for a longer term and a higher rate than would otherwise be the case.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2021

---

**FUTURE PROGRAMS UNDER DEVELOPMENT** (continued)

Commercial Paper Programs (continued)

PENNVEST entered into a Federal SRF Trust Indenture and First Supplemental Trust agreements and issued \$50 million in SRF Revenue Bonds in January 2018. These indentures allow for the issuance of revenue bonds, commercial paper, and implementation of a loan/bond guarantee program. It is cross-collateralized with both the CWSRF and DWSRF. In February 2019, PENNVEST issued Tax-Exempt Extendable Maturity Commercial Paper (“EMCP”) Notes (Series 2019A) in an aggregate principal amount outstanding at any time up to \$75 million as an additional tool to leverage the SRF funds and support future needs of the program. Zion’s Bank was selected as the Trustee.

Nutrient Trading

During FY 2019-2020, PENNVEST continues to track the Nutrient Subsidy Value for projects that may be able to create nutrient credits. PENNVEST may claim repayment of the subsidy value when the credits are sold or if credits are needed for the Trading Bank. Further, PENNVEST has a collateral interest in two projects. DEP continues to certify, verify and register nutrient credits.

Loan Guarantee Program

During 2019-2020, PENNVEST continued developing a Loan Guarantee program to supplement its loan program. This allows PENNVEST to provide further assistance to the borrowers when the cost of the project is more than PENNVEST can lend. The Loan Guarantee allows the borrowers to find private financing for the balance of a project with a reduced interest rate.

Riparian Buffer Initiative

The 2019-2020 fiscal year brought the final series of approvals for this program to establish forest buffers within the Chesapeake Bay watershed to help to meet the Commonwealth obligation to reduce sediment, nitrogen and phosphorus in the Chesapeake Bay. The expectation is that Pennvest can collect business model related information in as few as three years after installation.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2021

---

CONTACTING PENNVEST'S DIRECTOR OF FINANCIAL MANAGEMENT

This financial report is designed to provide bondholders, investors, creditors, and federal and state agencies with a general overview of PENNVEST's finances and to demonstrate PENNVEST's accountability as a governmental agency. If you have any questions about this report or need additional financial information, contact Steven Anspach, Executive Director of Financial Management, PENNVEST, 333 Market Street, 18<sup>th</sup> Floor, Harrisburg, PA 17101.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
 STATEMENTS OF NET POSITION  
 JUNE 30, 2021 AND 2020  
 (In Thousands)

	2021	2020
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 375,690	\$ 281,912
Investment - securities lending collateral	16,877	13,825
Investments	1,471,531	1,288,247
Loans receivable, gross	177,248	175,990
Accounts receivables, net	847	242
Accrued interest receivable	4,630	4,546
Due from Commonwealth of Pennsylvania	15,976	211,032
<b>Total Current Assets</b>	<b>2,062,799</b>	<b>1,975,794</b>
<b>Noncurrent Assets:</b>		
Loans receivable, gross	2,512,017	2,489,648
Allowance for loan losses	(24,329)	(24,635)
<b>Total Noncurrent Assets</b>	<b>2,487,688</b>	<b>2,465,013</b>
<b>TOTAL ASSETS</b>	<b>4,550,487</b>	<b>4,440,807</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	2,494	1,366
Other Post Employment Benefits (OPEB)	1,340	312
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,834</b>	<b>\$ 1,678</b>

See the accompanying notes to these financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
STATEMENTS OF NET POSITION  
JUNE 30, 2021 AND 2020  
(In Thousands)

	2021	2020
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 923	\$ 1,556
Due to Federal government	-	947
Due to Commonwealth of Pennsylvania	14,344	15,334
Securities lending obligation	16,877	13,825
Short-term obligations	30,356	30,356
Compensated absences	167	131
Net OPEB liability	-	169
Current portion of revenue bonds payable	7,330	6,980
<b>Total Current Liabilities</b>	<b>69,997</b>	<b>69,298</b>
<b>Noncurrent Liabilities:</b>		
Due to Commonwealth of Pennsylvania	69,079	127,985
Compensated absences	817	688
Noncurrent revenue bonds payable, net	93,256	101,840
Net pension liability	7,955	7,134
Net OPEB liability	4,930	3,677
<b>Total Noncurrent Liabilities</b>	<b>176,037</b>	<b>241,324</b>
<b>TOTAL LIABILITIES</b>	<b>246,034</b>	<b>310,622</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	1,067	613
OPEB	3,048	3,791
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,115</b>	<b>4,404</b>
<b>NET POSITION</b>		
<b>Restricted</b>		
Federal clean water revolving loan program	2,472,321	2,466,423
Federal drinking water revolving loan program	954,044	816,745
<b>Total Restricted</b>	<b>3,426,365</b>	<b>3,283,168</b>
Unrestricted	877,807	844,291
<b>TOTAL NET POSITION</b>	<b>\$ 4,304,172</b>	<b>\$ 4,127,459</b>

See the accompanying notes to these financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020  
(In Thousands)

	2021	2020
<b>OPERATING REVENUES:</b>		
Interest and fee receivable on loans	\$ 36,391	\$ 36,516
Other Federal and state	<u>35,716</u>	<u>41,482</u>
<b>OPERATING REVENUES BEFORE PROVISION FOR LOAN LOSS</b>	<b>72,107</b>	<b>77,998</b>
Recovery of loan losses	<u>306</u>	<u>195</u>
<b>NET OPERATING REVENUES</b>	<b><u>72,413</u></b>	<b><u>78,193</u></b>
<b>OPERATING EXPENSES:</b>		
Administration	17,610	17,737
Grants/"principal forgiveness" to program participants	<u>50,559</u>	<u>52,303</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>68,169</u></b>	<b><u>70,040</u></b>
<b>OPERATING INCOME</b>	<b><u>4,244</u></b>	<b><u>8,153</u></b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	64,872	64,987
Interest and amortization expense	<u>(3,913)</u>	<u>(5,350)</u>
<b>NONOPERATING REVENUES, NET</b>	<b><u>60,959</u></b>	<b><u>59,637</u></b>
<b>CAPITAL CONTRIBUTIONS</b>		
Other Federal and state	<u>111,510</u>	<u>86,249</u>
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b><u>111,510</u></b>	<b><u>86,249</u></b>
<b>INCREASE IN NET POSITION</b>	<b>176,713</b>	<b>154,039</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b><u>4,127,459</u></b>	<b><u>3,973,420</u></b>
<b>TOTAL NET POSITION, END OF YEAR</b>	<b><u>\$ 4,304,172</u></b>	<b><u>\$ 4,127,459</u></b>

See the accompanying notes to these financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020  
(In Thousands)

	2021	2020
Cash Flows from Operating Activities:		
Loan receipts from borrowers	\$ 289,077	\$ 245,706
Loan disbursements to borrowers	(277,002)	(217,486)
Payments for goods and services	(19,565)	(19,257)
Grants/"principal forgiveness" to program participants	(50,559)	(52,303)
Other Federal and state receipts	35,716	41,045
Net Cash Used In Operating Activities	(22,333)	(2,295)
 Cash Flows from Capital Financing Activities:		
Other Federal and state capital contributions	111,510	86,444
Advances to Commonwealth of Pennsylvania	195,056	(195,842)
Proceeds of short term obligations	-	233
Repayment of bonds payable	(8,234)	(7,904)
Repayment of due to Commonwealth of Pennsylvania	(59,896)	(11,281)
Payment of interest on bonds payable	(3,913)	(5,350)
Net Cash (Used In) Provided by Capital Financing Activities	234,523	(133,700)
 Cash Flows from Investing Activities:		
Receipts from depositories	64,872	64,987
Net purchases of State Treasury Commonwealth Investment Pool	(183,284)	168,816
Net Cash Provided by Investing Activities	(118,412)	233,803
 Increase in Cash and Cash Equivalents	93,778	97,808
 Cash and Cash Equivalents, Beginning of Year	281,912	184,104
Cash and Cash Equivalents, End of Year	\$ 375,690	\$ 281,912

See the accompanying notes to these financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
STATEMENTS OF CASH FLOWS, Continued  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020  
(In Thousands)

	2021	2020
Reconciliation of operating income to net cash		
from operating activities:		
Operating income	\$ 4,244	\$ 8,153
Adjustments to reconcile operating income to net cash (used in)/provided by operating activities		
Recovery of loan losses	(306)	(195)
Effect of changes in non-cash operating assets and liabilities:		
Loan receivable, gross	(23,627)	(9,813)
Accrued interest receivable	(84)	1,322
Accounts receivables, net	(605)	(242)
Due to Federal government	(947)	(987)
Deferred outflow	(2,156)	190
Accounts payable	(633)	(306)
Accrued compensated absences	165	202
Net pension liability	821	(439)
Net OPEB liability	1,084	(1,798)
Deferred inflow	(289)	1,618
Total adjustments	(26,577)	(10,448)
Net Cash Used in Operating Activities	\$ (22,333)	\$ (2,295)

See the accompanying notes to these financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Pennsylvania Infrastructure Investment Authority (“PENNVEST”) is an instrumentality of the Commonwealth of Pennsylvania (“Commonwealth”) created by Act 16 of the General Assembly in March of 1988 (the “PENNVEST Act”). The purpose of PENNVEST is to finance long-term, low-interest loans for corporations, partnerships, sole proprietorships, non-profit organizations, authorities, and municipalities for repair, construction, reconstruction, rehabilitation, extension, and improvement of drinking water, storm water, and wastewater systems. PENNVEST’s On-Lot Program provides funding for the improvement of septic systems. PENNVEST is funded through revenue bonds, federal grants, Commonwealth appropriations, Commonwealth general obligation bonds, and the use of recycled loan repayments.

A governing body of thirteen members, administers the operations of PENNVEST. The Chairman of the governing body is the Governor or the Governor’s designee. Other members include cabinet secretaries, legislators, and local government leaders, as well as representatives of the engineering community and the drinking water and wastewater industries.

PENNVEST, which is a component unit of the Commonwealth reporting entity, is presented as an Enterprise Fund on the accrual basis of accounting. Criteria considered in making this determination include the Commonwealth’s appointment of PENNVEST’s Board and the Commonwealth’s ability to impose its will on PENNVEST.

Measurement Focus and Basis of Accounting

PENNVEST’s activities are accounted for on a cost of services or “capital maintenance” approach under the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with its activities are included on its statement of net position. The operating statements present increases (revenues) and decreases (expenses) in total net position.

PENNVEST utilizes the accrual basis of accounting wherein revenues are recognized in the period earned and expenses are recognized when they are incurred.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of PENNVEST. Operating revenues consist primarily of interest on loans receivable, and federal and state grants received for the purpose of providing grants or “principal forgiveness” to program participants. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities, such as investment income/loss.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Measurement Focus and Basis of Accounting (continued)

When an expense is incurred for purposes for which there are both restricted and unrestricted resources available, it is PENNVEST's policy to apply those expenses to restricted resources to the extent that they are available and then to unrestricted resources.

The accounting and reporting policies of PENNVEST conform to the accounting rules prescribed by the Governmental Accounting Standards Board ("GASB").

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, PENNVEST considers all highly liquid investments with an initial maturity of three months or less at the time of purchase to be cash equivalents.

Investments

Investments are stated at fair value based on quoted market values.

Capital Contributions

Capital contributions represent contributions from the Commonwealth of Pennsylvania and the federal government for the loan programs.

Allowance for Loan Losses

The allowance for loan losses is used to report possible future losses on loans outstanding. Loan losses and recoveries of previously charged-off loans are charged or credited directly to the allowance for loan losses. The provision for loan losses, which is charged to current operations, reflects the amount, which in management's judgment establishes an adequate allowance to report possible losses on loans. Management's judgment is based upon a continuing review of the loan portfolio, past collection experience, and current economic conditions. While management uses available information to recognize losses on loans, future adjustments to the allowance may be necessary based on changes in economic conditions.

Investment/Interest Income

Interest income on investment securities is recorded when earned. Interest income on loans is accrued based on methods that result in a constant yield when related to the principal amounts outstanding.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Restricted Net Position

Restricted net position represents net position that is restricted for revolving loans in the Federal Revolving Clean Water and Drinking Water Programs.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

The Statements of Net Position report a separate section for deferred outflows and inflows of resources. These separate financial statement elements represent consumption/acquisition of net position that applies to future periods, and so will not be recognized as an outflow/inflow of resources until then. PENNVEST has two items that qualifies for reporting in this category: deferred outflows/inflows related to pension and other post-employment benefits.

Postemployment Benefits Other Than Pensions (“OPEB”)

For purposes of measuring the PENNVEST ‘s OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Commonwealth’s Retired Employees Health Plan (“REHP”) and additions to/deductions from the REHP ‘s fiduciary net position have been determined on the same basis as they are reported in the Commonwealth’s Comprehensive Annual Financial Report (“CAFR”). For this purpose, the REHP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pending Changes in Accounting Principles

GASB Statement No. 87, “Leases” was issued in June 2017, with an effective date for reporting periods beginning after June 15, 2021, earlier application is encouraged: This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. PENNVEST’s management is evaluating the impact of this statement on the financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**2. DEPOSIT AND INVESTMENT RISK**

The trust indenture and the Commonwealth fiscal code, as amended, authorizes PENNVEST to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; certificates of deposit, fully insured or collateralized; certain commercial paper and repurchase agreements; highly rated bank promissory notes or investment funds or trusts; and “prudent man” investments as determined by PENNVEST’s depository (i.e. Commonwealth Treasury Department).

The majority of PENNVEST’s investments are invested in the Common Investment Pool of the Commonwealth which is managed by the Commonwealth’s Treasury Department (the “Treasury Department”).

The deposit and investment policies of the Treasury Department are governed by Sections 301, 301.1 and 505 of the Pennsylvania Fiscal Code (Act of 1929 P.L. 343), and Section 321.1 of the Pennsylvania Administrative Code (Act of 1929 P.L. 177. No. 175).

Treasury deposits must be held in insured depositories approved by the Board of Finance and Revenue and must be fully collateralized. The Pennsylvania Fiscal Code grants the Treasury Department the authority to invest in any deposits and investments. This authority is subject, however, to the exercise of full judgment and care under the prevailing circumstances. Persons of prudence, discretion, and intelligence familiar with such matters in regard to the permanent disposition of the funds need to consider the probable income to be derived therefrom, as well as the probable safety of the capital.

The Treasury Department manages the Commonwealth Investment Program (“CIP”). The Treasury Department is required to exercise careful judgment in determining those investments that are appropriate for each Commonwealth fund based upon distinct investment criteria such as income needs, cash flow requirements, investment time horizons, and risk tolerance. All investments are made in accordance with the statutory authority described in the preceding paragraph. The CIP investment pool structure invests in both equity securities and fixed income securities to achieve the investment objectives of the funds of the CIP. Asset allocation targets among cash, equity securities, fixed income securities and alternatives are established in order to meet these overall objectives.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**2. DEPOSIT AND INVESTMENT RISK (continued)**

The Treasury Department has created two separate pools within the CIP, each with its own distinct investment strategies, goals, and holdings that reflect the differing needs of Commonwealth funds for income, cash flows, and investment risk tolerance. A highly liquid vehicle, Pool 99, consists of short-term fixed income and cash and provides a high degree of liquidity and security but only modest returns. A less liquid vehicle, Pool 198, allows for investment in assets that offer potentially higher returns with commensurate risk.

As of June 30, 2021 and 2020, PENNVEST's investments, excluding securities lending balances (see below), held in the Commonwealth investment pools, were \$1,471,531 and \$1,288,247, respectively.

As of June 30, 2021 and 2020, PENNVEST also had bank balances of cash and cash equivalents in the amount of \$375,690 and \$281,912, respectively. These balances were collateralized with securities held by the pledging financial institution's trust department or agent but not in the PENNVEST's name.

Securities Lending Program

The Treasury Department provides a securities lending program in which the various investments under custody of the Treasury Department participate. A contract between the Treasury Department and its custodian, acting as a lending agent, provides that the custodian lends securities owned by the participants to independent brokers, dealers and banks, acting as borrowers in exchange for collateral.

Lending agreements between the custodian and the borrowers require that the custodian receive collateral from the borrowers in exchange for the securities lent. Securities lent consist of both domestic and foreign equity securities and United States Treasury and foreign debt obligations. For securities lent which are not denominated in United States dollars or whose primary trading market is located outside the United States, the fair value of the collateral received must be at least 105 percent of the fair value of the securities lent. For all other securities lent, the fair value of the collateral received must be at least 102 percent. Practically all collateral received consists of cash. A small portion of collateral received consists of letters of credit, United States Treasury, and corporate and/or foreign debt obligations. Collateral is marked to market daily. Additional collateral from borrowers is required if the fair value of the collateral received declines below lending agreement requirements. The lending agent cannot pledge or sell collateral securities received unless the borrower defaults. Accordingly, neither collateral securities received from borrowers nor the related obligations to borrowers are reported.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**2. DEPOSIT AND INVESTMENT RISK (continued)**

To the extent collateral received consists of cash, the lending agent may use or invest the cash in accordance with reinvestment guidelines approved by the Treasury Department. Either the participant or the borrower may terminate lending agreements on demand. Lending agreements are typically of very short duration – usually overnight. Therefore, the duration of lending agreements do not generally match the maturities of the investments made with cash collateral.

The resulting rate risk is mitigated by the lending agent’s ability to reallocate lending agreements among program participants.

The program requires that the lending agent indemnify the Treasury Department for all claims, liabilities, and costs resulting from the lending agent’s negligence or intentional misconduct.

During the fiscal years ended June 30, 2021 and 2020, there were no failures by any borrower to return securities lent or pay distributions thereon. Also, there were no losses resulting from a lending agent or borrower default and there were no Treasury Department restrictions on the amounts of the loans that could be made.

As of June 30, 2021 and 2020, there was no Treasury Department or participant credit risk because the fair value of collateral received was not less than the fair value of the securities lent. As of June 30, 2021 and 2020, PENNVEST’s portion of securities lending collateral within the Commonwealth Investment Pool was \$16,877 and \$13,825, respectively.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**3. FAIR VALUE MEASUREMENTS**

PENNVEST categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. There were no Level 1 or Level 3 investments as of June 30, 2021 and 2020.

PENNVEST has the following recurring fair value measurements:

- Level 2 – Commonwealth Investment Program Pool 99 (“Pool 99”) of \$533,462 and \$368,500, as of June 30, 2021 and 2020, respectively, were valued using a share-based valuation structure (net asset value). Pool 99 seeks to maintain a stable net asset value per share of \$1. Pool 99 performance is benchmarked against the yield on Merrill Lynch three- month United States Treasury Bill Index.
- Level 2 – Commonwealth Investment Program Pool 198 (“Pool 198”) of \$938,069 and \$919,747, as of June 31, 2021 and 2020, respectively, were valued using a share-based valuation structure (net asset value). Pool 198 is benchmarked to a blend of Standards and Poor’s 500, Morgan Stanley Capital International All County World Index Ex-U.S., Barclays Capital U.S. Aggregate Bond, and Merrill Lynch 6-month U.S. Treasury Bill Indices.

PENNVEST has loans outstanding throughout the Commonwealth. The eleven largest loans amount to 15% and 14%, of gross loans receivable as of June 30, 2021 and 2020, respectively. The majority of loans are disbursed to municipal governments of the Commonwealth and are collateralized by a pledge of the general taxing powers of the municipal governments or revenue streams generated by the municipal governments.

**4. LOANS RECEIVABLE**

PENNVEST currently provides loans for projects which are expected to lead to an effective solution to problems experienced with drinking water, wastewater treatment, or storm water systems. The term of loans is normally between 20 and 30 years. The minimum interest rate on a loan is 1.00%. Detailed guidelines are established in the PENNVEST Act for the maximum interest rate. The actual interest rates ranged from 1.00% to 4.05% as of June 30, 2021 and 2020.

As of June 30, 2021 and 2020, PENNVEST had approved approximately \$909,434 and \$657,605, respectively, of loan funds that had not yet been disbursed. The monies needed to fund these loans will be generated from contributions by the Federal government or the Commonwealth of Pennsylvania revenue bonds and principal repayments on existing loans.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**4. LOANS RECEIVABLE (continued)**

Loans receivable, gross, as of June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Current portion	\$ 177,248	\$ 175,990
Noncurrent portion	<u>2,512,017</u>	<u>2,489,648</u>
<b>Total loans receivable, gross</b>	<u><b>\$ 2,689,265</b></u>	<u><b>\$ 2,665,638</b></u>

**5. ALLOWANCE FOR LOAN LOSSES**

Changes in allowance for loan losses during years ended June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 24,635	\$ 28,880
Write off	-	(4,050)
Recovery of loan losses	<u>(306)</u>	<u>(195)</u>
<b>Balance, end of year</b>	<u><b>\$ 24,329</b></u>	<u><b>\$ 24,635</b></u>

**6. SHORT-TERM OBLIGATIONS**

Pursuant to a resolution adopted by the PENNVEST board on April 22, 2014, and the State Revolving Fund (SRF) General Trust Indenture dated as of January 1, 2018, as amended and supplemented (including by a Second Supplemental SRF Trust Indenture dated as of February 1, 2019), between PENNVEST and their trustee, the aggregate principle amount of the outstanding short obligations may not exceed \$75,000 at any time. These obligations are issued in the form of commercial paper, and bear interest, which is due upon maturity.

During fiscal years 2021 and 2020, PENNVEST issued short-term obligations in the amount of \$30,356 to finance the issuance of loans to program participants. Interest rates on these instruments ranged from 0.11% to .12% and 0.50% to 1.26% during 2021 and 2020, respectively, with no maturity being greater than 120 days.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**6. SHORT-TERM OBLIGATIONS (continued)**

Changes in short-term obligations for the fiscal years ended June 30, 2021 and 2020 were:

<b>Balance as of July 1, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance as of June 30, 2021</b>
\$ 30,356	\$ 30,356	\$ 30,356	\$ 30,356

<b>Balance as of July 1, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance as of June 30, 2020</b>
\$ 30,123	\$ 233	\$ -	\$ 30,356

**7. REVENUE BONDS PAYABLE**

In June 2015, PENNVEST issued Revenue Bonds Series 2015A in the amount of \$65,000. The Bonds were issued at a premium of \$8,257. The proceeds of the bonds were used to pay at maturity on July 1, 2015 the aggregate principal amount of PENNVEST’s Tax-Exempt Commercial Paper Revenue Notes, Series 2010A, plus accrued interest, and pay the costs of issuing the 2015 Bonds.

In January 2018, PENNVEST issued State Revolving Funds (“SRF”) Bond Series 2018A in the amount of \$50,000. The Bonds were issued at a premium of \$8,387. The proceeds of the 2018 RF bonds, together with other available funds, will be applied (i) to finance costs of certain wastewater and drinking water projects for governmental entities and other eligible borrowers pursuant to the PENNVEST Leveraged State Water Pollution Control Revolving Fund Program (Clean Water SRF Program) and the PENNVEST Leveraged State Drinking Water Revolving Fund Program (Drinking Water SRF Program), and (ii) to pay the costs of issuing the 2018 SRF Bonds.

Changes in revenue bonds payable for the fiscal years ended June 30, 2021 and 2020, are as follows:

<b>Series</b>	<b>Balance as of July 1, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance as of June 30, 2021</b>	<b>Amounts Due within One Year</b>
2015A Revenue Bonds	\$ 54,020	\$ -	\$ 2,590	\$ 51,430	\$ 2,720
2018A SRF Bonds	41,910	-	4,390	37,520	4,610
Bond Premium	12,890	-	1,254	11,636	-
<b>Total</b>	<b>\$ 108,820</b>	<b>\$ -</b>	<b>\$ 8,234</b>	<b>\$ 100,586</b>	<b>\$ 7,330</b>

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

7. REVENUE BONDS PAYABLE (continued)

Series	Balance as of July 1, 2019	Additions	Reductions	Balance as of June 30, 2020	Amounts Due within One Year
2015A Revenue Bonds	\$ 56,489	\$ -	\$ 2,469	\$ 54,020	\$ 2,590
2018A SRF Bonds	46,090	-	4,180	41,910	4,390
Bond Premium	14,145	-	1,255	12,890	-
<b>Total</b>	<b>\$ 116,724</b>	<b>\$ -</b>	<b>\$ 7,904</b>	<b>\$ 108,820</b>	<b>\$ 6,980</b>

Information regarding revenue bonds issued is presented below:

Year of Issue	Amount of Original Issue	Maturity	Interest Rate	Purpose
2015	\$ 65,000	2035	3.38% to 5.00%	To pay at maturity as of July 1, 2015, the Series 2010A Commercial Paper Revenue Notes, and to pay debt issuance costs.
2018	\$ 50,000	2028	5.00%	To finance costs of certain wastewater and drinking water projects

A summary of debt service requirements (payable semi-annually) as of June 30, 2021, are as follows:

Year Ending	Principal	Interest	Total
2022	\$ 7,330	\$ 4,207	\$ 11,537
2023	7,695	3,842	11,537
2024	8,080	3,457	11,537
2025	8,485	3,052	11,537
2026	8,910	2,627	11,537
2027-2031	30,685	7,081	37,766
2032-2035	17,765	1,811	19,576
<b>Total</b>	<b>\$ 88,950</b>	<b>\$ 30,630</b>	<b>\$ 119,580</b>

Under the terms of the debt issue described above, PENNVEST is required to maintain certain balances in restricted trust accounts, make timely payments to the trustee accounts, and pledge loans that provide cash flow necessary to service debt (short-term obligations and revenue bonds payable). The SRF trust indentures contain a provision that in an event of default of debt, outstanding amounts become immediately due if PENNVEST is unable to make payments.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**8. DUE TO THE COMMONWEALTH OF PENNSYLVANIA**

In April 2013, a Commonwealth bond issue was closed in which \$90,000, of bonds were issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were \$102,677, including a premium of \$12,677. The net proceeds received by PENNVEST will be repaid quarterly on January 1, April 1, July 1, and October 1 to the Commonwealth over a 20-year term with a 1% interest rate.

In October 2011, a Commonwealth bond issue was closed in which \$46,000, of bonds were issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were \$51,826, including a premium of \$5,826. The net proceeds received by PENNVEST will be repaid quarterly on February 1, May 1, August 1, and November 1 to the Commonwealth over a 20-year term with a 1% interest rate.

In June 2007, a Commonwealth bond issue was closed in which \$15,000, of bonds were issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were \$14,764, including a discount of \$196, and underwriters insurance costs of \$40. The net proceeds received by PENNVEST will be repaid semi-annually on May 1 and November 1 to the Commonwealth over a 20-year term with a 1% interest rate.

In December 2006, a Commonwealth bond issue was closed in which \$50,000, of bonds were issued for PENNVEST loans under the 1992 Referendums. Net proceeds from the bonds were \$52,877, including a premium of \$2,937, and underwriters insurance costs of \$60. The net proceeds received by PENNVEST will be repaid quarterly on February 1, May 1, August 1, and November 1 to the Commonwealth over a 20-year term with a 1% interest rate.

In December 2005, a Commonwealth bond issue was closed in which \$50,000, of bonds were issued for PENNVEST loans under the 1988 and 1992 Referendums. Net Proceeds from the bonds were \$53,334, including a premium of \$3,413, and underwriters insurance costs of \$79. Of the net proceeds received by PENNVEST, \$24,727, was a contribution of capital that does not have to be repaid and \$28,607, must be repaid quarterly on February 1, May 1, August 1, and November 1 to the Commonwealth over a 20-year term with a 1% interest rate.

A summary of the required payments as of June 30, 2021 are as follows:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 13,406	\$ 775	\$ 14,181
2023	13,541	640	14,181
2024	13,677	504	14,181
2025	13,814	367	14,181
2026	13,952	229	14,181
2027	14,093	88	14,181
<b>Total</b>	<b>\$ 82,483</b>	<b>\$ 2,603</b>	<b>\$ 85,086</b>

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**9. CAPITAL CONTRIBUTIONS**

The Commonwealth of Pennsylvania has authorized the issuance of a total of \$1,430,256, of general obligation bonds and appropriated the proceeds to PENNVEST for the improvement of water and sewer systems in the Commonwealth. Proceeds include \$230,256, approved by the electorate in 1981, \$300,000, approved by the electorate in 1988, \$350,000, approved by the electorate in 1992, \$150,000, under the provisions of P.L. 343 No. 176 as authorized by the PENNVEST Act of 1988, and \$400,000, approved by the electorate in 2008. PENNVEST is authorized to utilize the proceeds for loans to borrowers. All but \$300,000 of the proceeds is considered to be revolving, as such, the principal and interest received on the loans are not required to be repaid to the Commonwealth. The balance of the proceeds, also used for loans to borrowers, ultimately received from the bond issues will require repayment as described in Note 8.

PENNVEST has also received approval for \$1,721,543 and \$698,426, in Federal loan funds for water pollution control and drinking water, respectively, as of June 30, 2021. Of the \$1,721,543 and \$698,426, approved, \$1,658,596 and \$664,538, respectively, have been received as of June 30, 2021. For the period July 1, 2020 through June 30, 2021, \$62,947 and \$33,887 of Federal funds were received for water pollution control and drinking water, respectively. The State match for water pollution control and drinking water programs for the period July 1, 2020 through June 30, 2021, was \$12,589 and \$6,780, respectively. These funds have or will be utilized to make loans and the proceeds from repayments can be utilized to make new loans in the future.

The required cumulative State match for the disbursed Federal loan funds for water pollution control and drinking water as of June 30, 2021, was \$344,059 and \$139,518, respectively. As of June 30, 2021, \$344,059 and \$139,518, was the cumulative State match on disbursed loans for water pollution control and drinking water, respectively. All State match must be funded by the end of the award period.

The required cumulative State match for the disbursed Federal loan funds for water pollution control and drinking water as of June 30, 2020, was \$331,470 and \$132,738, respectively. As of June 30, 2020, \$331,470 and \$132,738, was the cumulative State match on disbursed loans for water pollution control and drinking water, respectively. All State match must be funded by the end of the award period.

PENNVEST has been authorized by the PENNVEST Act to make grants to participants in the loan programs, if deemed necessary, to financially assist the community. As of June 30, 2021 and 2020, PENNVEST has authorized unfulfilled grant commitments of \$39,969 and \$31,817, respectively, remaining.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
 (In Thousands Except for Percentages)

**9. CAPITAL CONTRIBUTIONS (continued)**

For the years ended June 30, 2021 and 2020, state capital contributions were \$25,230 and \$25,324, respectively. State funded grants were disbursed to program participants of \$15,899 and \$17,716 for the years ended June 30, 2021 and 2020, respectively.

**10. RELATED-PARTY TRANSACTIONS**

PENNVEST contracts for services necessary to carry out its operations from various Commonwealth of Pennsylvania departments and agencies. PENNVEST paid the following departments and agencies for accounting services and loan project technical assistance during the fiscal year ended June 30, 2021:

	2021	2020
Office of Comptroller Operations	\$ 248	\$ 214
Department of Environmental Protection	1,225	1,082

**11. LITIGATION**

PENNVEST is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on PENNVEST’s financial position.

**12. RETIREMENT BENEFITS**

**General Information about the Pension Plan**

Plan Description

Substantially all employees of PENNVEST participate in the Pennsylvania State Employees’ Retirement System (“SERS”), a cost-sharing multiple-employer defined benefit pension plan established by the Commonwealth to provide pension benefits for employees of State government and certain independent agencies. Membership in SERS is mandatory for most PENNVEST (and other State) employees. Article II of the Commonwealth’s constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly. SERS issues a publicly available financial report that can be obtained at [www.sers.pa.gov](http://www.sers.pa.gov).

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**12. RETIREMENT BENEFITS** (continued)

Benefits Provided

SERS provides retirement, death, and disability benefits. Member retirement benefits are determined by taking years of credited service, multiplied by final average salary, multiplied by 2%, and multiplied by class of service multiplier. PENNVEST employees participate in one of the following classes of service categories: Class A, Class AA, Class A-3 or Class A-4. According to the State Employees' Retirement Code ("SERC"), all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

Contributions

Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. In fiscal year 2017 and 2018, the Commonwealth paid the full actuarially required rate after being collared in previous years due to Act 2010-20.

Contributions to the pension plan from PENNVEST were \$922 and \$796 for the fiscal years ended June 30, 2021 and 2020, respectively.

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

As of June 30, 2021 and 2020, PENNVEST reported a liability of \$7,955 and \$7,134, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. PENNVEST's proportion of the net pension liability was based on a projection of PENNVEST's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. As of December 31, 2020 and 2019, PENNVEST's proportion was 0.043 and 0.039 percent, respectively.

For the fiscal years ended June 30, 2021 and 2020, PENNVEST recognized pension expense of \$1,106 and \$1,193, respectively.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**12. RETIREMENT BENEFITS** (continued)

As of June 30, 2021 and 2020, PENNVEST reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflowsof Resources	
	2021	2020	2021	2020
Differences between expected and actual experience	\$ 75	\$ 89	\$ 9	\$ 48
Net difference between projected and actual investment earnings on pension plan investments	-	-	1,018	509
Changes in proportion	1,043	544	19	36
Changes in assumptions	885	275	-	-
Differences between PENNVEST contributions and proportionate share of contribution	6	10	21	20
PENNVEST contributions subsequent to measurement date	485	448	-	-
<b>Total</b>	<b>\$ 2,494</b>	<b>\$ 1,366</b>	<b>\$ 1,067</b>	<b>\$ 613</b>

The \$485 and \$448 reported as deferred outflows of resources related to pension resulting from PENNVEST contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2021 and 2020, respectively. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ (209)
2023	(394)
2024	(53)
2025	(220)
2026	(66)
Total	<b>\$ (942)</b>

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**12. RETIREMENT BENEFITS (continued)**

Actuarial Assumptions

The following methods and assumptions were used in the December 31, 2020 and 2019, actuarial valuations. These methods and assumptions did not change from prior year and were applied to all periods included in the measurement:

Actuarial method	Entry age
Investment rate of return	7.00%, net of manager fees including inflation
Projected salary increases	Average of 4.60% with range of 3.30% -6.95% including inflation
Inflation	2.50%
Mortality rate	Projected PubG-2010 and PubNS-2010 Mortality Tables adjusted for actual plan experience and future improvement
Cost of living adjustments	Ad hoc

Some of the methods and assumptions mentioned above are based on the *18<sup>th</sup> Investigation of Actuarial Experience*, which was published in March 2016, and analyzed experience from 2011 through 2015. The Commonwealth's actuary made recommendations with respect to the actuarial assumptions and methods based on their analysis.

The long-term expected real rate of return on pension plan investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020 and 2019, are summarized in the following table:

Asset Class	December 31, 2020		December 31, 2019	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Private Equity	14%	6.25%	16%	7.25%
Private credit	4%	4.25%		
Real Estate	8%	5.60%	12%	5.26%
U.S. equity	25%	4.90%		
International developed markets equity	13%	4.75%		
Emerging markets equity	4%	5.00%		
Fixed income- core	22%	1.50%		
Fixed income- opportunistic	4%	3.00%		
Inflation protection (TIPS)	4%	1.50%		
Cash	2%	0.25%	3%	0.00%
Global public equity			48%	5.15%
Multi-strategy			10%	4.44%
Fixed income			11%	1.26%
<b>Total</b>	<b>100%</b>		<b>100%</b>	

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**12. RETIREMENT BENEFITS** (continued)

Discount Rate

The discount rates used to measure the total pension liability were 7.125% and 7.25%, respectively, for 2019 and 2018 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary. Based on the assumptions, SERS fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active SERS members. Therefore, the long-term expected rate of return on SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of PENNVEST's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following schedule presents PENNVEST's proportionate share of the 2020 and 2019 net pension liability calculated using the discount rate of 7.000% and 7.125%, respectively, for 2020 and 2019. It also shows what PENNVEST's proportionate share of the net pension 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:

	<u>1% Decrease</u> <u>6.000%</u>	<u>Current</u> <u>7.000%</u>	<u>1% Increase</u> <u>8.000%</u>
Net Pension Liability as of December 31, 2020 (Measurement Date)	\$ 9,945	\$ 7,955	\$ 5,414
	<u>1% Decrease</u> <u>6.125%</u>	<u>Current</u> <u>7.125%</u>	<u>1% Increase</u> <u>8.125%</u>
Net Pension Liability as of December 31, 2019 (Measurement Date)	\$ 9,065	\$ 7,134	\$ 5,481

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued SERS financial report.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**13. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”)**

PENNVEST, through the Commonwealth’s Retired Employees Health Plan (“REHP”), provides healthcare as a post-employment benefit to its employees that qualify for this benefit when they retire. The REHP has been established under pertinent statutory authority.

General Information about the REHP

Plan Description and Administration

The REHP is a single employer defined benefit OPEB plan that includes Commonwealth agencies and some component units. The REHP is established as a trust equivalent arrangement for some Commonwealth agencies and component units. The REHP is administered by the Pennsylvania Employee Benefits Trust Fund (“PEBTF”), which acts as a third-party administrator under an administrative agreement with the Commonwealth. All policy decision types and levels of benefits for the REHP fall under the purview of the Commonwealth’s Executive Board, and the Secretary of Administration. The REHP does not have a governing board.

The REHP is reported in the Commonwealth’s CAFR as a Pension (and Other Employee Benefit) Trust. The REHP is reported using the economic resources measurement focus and the accrual basis of accounting. The CAFR is an audited financial statement and is available at [www.budget.pa.us](http://www.budget.pa.us).

Contributions

REHP employer contribution requirements are established by the Commonwealth Office of Administration and the Office of the Budget. PENNVEST contributed \$300/\$188 (not in thousands) per biweekly pay period for each REHP eligible active employee to REHP per the actuarial valuation report as of June 30, 2020 and 2019. Total contributions to the REHP were \$201 and \$209 for the year ended June 30, 2020 and 2019, respectively. These contributions are included in the determination of OPEB liability as of June 30, 2020, and 2019.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**13. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”)**  
(continued)

Benefits and Eligibility

The REHP covers retirees and their eligible dependents with medical and prescription drug plans. PENNVEST pays the insurance premiums for retirees with the exception of the following amounts received from the retiree:

<b>Retirement Date:</b>	<b>Retiree share of cost of benefits:</b>
Before July 1, 2005	Zero – PENNVEST pays full cost
July 1, 2005 to June 30, 2007	1% of final annual salary
July 1, 2005 to June 30, 2011	3% for non-Medicare and 1.5% for Medicare eligible retirees of either final gross annual base salary or final average salary, whichever is less
After June 30, 2011	3% for non-Medicare and 1.5% for Medicare eligible retirees final average salary

Employees who retire from PENNVEST at any age with 25 or more years of service are eligible to receive REHP benefits. In addition, employees who retire at or over age 60 with a minimum of 20 years of service are eligible for coverage under the REHP. Coverage under disability retirement requires five years of service. Spouses and dependents are eligible for subsidized postemployment medical coverage while the retiree is alive. Surviving spouses of deceased retirees may continue to participate in the plan if they pay the full cost of the coverage.

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

As of June 30, 2021 and 2020, PENNVEST reported a liability of \$4,930 and \$3,846, respectively, for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured by an actuarial valuation as of June 30, 2020 and 2019, with the exception that the census data information which was as of December 31, 2019 and 2018. PENNVEST’s proportion of the collective net OPEB liability was based on PENNVEST’s contractually required contributions to the REHP relative to the contractually required contributions of all employers participating in the REHP. As of June 30, 2020 and 2019, the measurement date, PENNVEST’s proportionate share was 0.04 percent.

For the year ending June 30, 2021 and 2020, PENNVEST recognized OPEB expense of \$481 and \$1,778, respectively.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**13. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”)**  
(continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (continued)

As of June 30, 2021 and 2020, PENNVEST reported deferred outflows and deferred inflows of resources related to OPEB from the following:

	Deferred Outflowsof Resources		Deferred Inflowsof Resources	
	2021	2020	2021	2020
Differences between expected and actual earnings on plan investments	\$ 2	\$ -	\$ -	\$ 7
Differences between expected and actual experience	4	-	2,365	2,860
Changes in proportion	493	-	301	391
Changes in assumptions	640	123	382	533
PENNVEST contributions subsequent to measurement date	201	189	-	-
<b>Total</b>	<u>\$ 1,340</u>	<u>\$ 312</u>	<u>\$ 3,048</u>	<u>\$ 3,791</u>

Deferred outflows of resources related to OPEB resulting from PENNVEST’s contributions subsequent to the measurement dates, June 30, 2020 and 2019, but prior to the reporting dates, June 30, 2021 and 2020, of \$201 and \$189, respectively, will be recognized as a reduction of the OPEB liability at reporting dates June 30, 2021 and 2020, respectively.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in the PENNVEST's OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ (737)
2023	(693)
2024	(482)
2025	(101)
2026	104
Thereafter	-
Total	<u>\$ (1,909)</u>

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
 (In Thousands Except for Percentages)

**13. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”)**  
 (continued)

Actuarial Methods and Assumptions

The following methods and assumptions were used in the June 30, 2020 and 2019, actuarial valuation.

Actuarial cost method	Entry age normal
Discount rate	2.21% as of June 30, 2020; 3.50% as of June 30, 2019 Based on the index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date
Investment rate of return	5.00%
Initial medical trend rate	6.6% (non-Medicare)/6.1% (Medicare) as of June 30, 2020; 6.0% (non-Medicare)/5.9% (Medicare) as of June 30, 2019
Ultimate medical trend rate	4.10% as of June 30, 2020 and 2019
Inflation	2.60%
Payroll growth	2.90%
Year ultimate trend rate reached	2075
Mortality rate	RP-2000 Mortality Tables

The above actuarial assumptions were determined, in-part, based on the SERS experience studies performed periodically to determine reasonable and appropriate economic and demographic assumptions for purposes of valuing the defined benefit pension plan. The most recent SERS experience study covered the years 2011 through 2015 and was presented to the State Employees’ Retirement Board in March 2016. The approved recommendations from that study were used to determine the assumptions for the REHP valuation, where applicable.

One significant assumption where the recommendation of the experience study is not applicable to the retiree health benefit valuation is the discount rate. Since REHP has insufficient assets to meet next year’s projected benefit payments, as prescribed by GASB Nos. 74 and 75, the discount rate is based on the index rate for 20-year tax exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date. The Commonwealth elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 2.21% and 3.50% as of June 30, 2020 and 2019, respectively.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on REHP plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class. Best estimates of arithmetic real rates of return for each major assets class included in the target asset allocation are summarized in the following table:

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**13. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”) (continued)**

Long-term Expected Return on Plan Assets (continued)

Asset Class	June 30, 2020		June 30, 2019	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
U.S Equity	40%	5.6%	47%	5.6%
International Equity	27%	5.8%	20%	5.8%
Fixed Income	23%	1.7%	25%	1.7%
Real Estate	8%	4.6%	8%	4.6%
Cash	2%	0.9%	-	0.9%
<b>Total</b>	<b>100%</b>		<b>100%</b>	

Sensitivity of PENNVEST’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents PENNVEST’s 2021 and 2020 OPEB liability calculated using the discount rate of 2.21% and 3.50%, respectively, as well as what PENNVEST’s 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 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
Total OPEB Liability as of June 30, 2021	\$ 5,419	\$ 4,930	\$ 4,191
	1% Decrease 2.5%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability as of June 30, 2020	\$ 4,461	\$ 3,846	\$ 3,489

Sensitivity of PENNVEST’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents PENNVEST’s 2021 OPEB liability calculated using the assumed trend rates of 6.6% / 6.1%, grading down to 4.1%, as well as what PENNVEST’s OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands Except for Percentages)

**13. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”)** (continued)

Sensitivity of PENNVEST’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (continued)

	<b>1% Decrease</b> <b>5.60%/5.10%</b> <b>Down to 3.10%</b>	<b>Current Trend</b> <b>Rate 6.60%/6.10%</b> <b>Down to 4.10%</b>	<b>1% Increase</b> <b>7.60%/7.10%</b> <b>Down to 5.10%</b>
Total OPEB Liability as of June 30, 2021	\$ 4,036	\$ 4,930	\$ 5,640

The following presents PENNVEST’s 2019 OPEB liability calculated using the assumed trend rates of 6.00% / 5.90% grading down to 4.10%, as well as what PENNVEST’s OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	<b>1% Decrease</b> <b>5.00%/4.90%</b> <b>Down to 3.10%</b>	<b>Current Trend</b> <b>Rate 6.00%/5.90%</b> <b>Down to 4.10%</b>	<b>1% Increase</b> <b>7.00%/6.90%</b> <b>Down to 5.10%</b>
Total OPEB Liability as of June 30, 2020	\$ 3,415	\$ 3,846	\$ 4,567

**14. SUBSEQUENT EVENTS**

PENNVEST has evaluated subsequent events through October 27, 2021 the date which the financial report was available to be issued.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
 SCHEDULES OF PENNVEST'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM  
 PRIOR 10 FISCAL YEARS\*  
 (In Thousands Except for Percentages)

	2021	2020	2019	2018	2017	2016
PENNVEST's proportion of the collective net pension liability	0.04347820%	0.03924610%	0.03635722%	0.03530670%	0.03577823%	0.03585011%
PENNVEST's proportionate share of the collective net pension liability	\$ 7,955	\$ 7,134	\$ 7,573	\$ 6,105	\$ 6,891	\$ 6,519
PENNVEST's covered-employee payroll	2,806	2,496	2,262	2,101	2,125	2,191
PENNVEST'S proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	283.50%	285.82%	334.79%	290.58%	324.28%	297.54%
Plan's fiduciary net position as a percentage of the total pension liability	67.00%	63.10%	56.40%	61.56%	57.80%	58.90%

\*The amounts presented for the fiscal year were determined as of the calendar year-end (12-31) that occurred within each fiscal year. PENNVEST adopted GASB 68 on a prospective basis in fiscal year 2015; therefore, only six years are presented in the above schedule.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
 SCHEDULES OF PENNVEST'S CONTRIBUTIONS - PENSION  
 PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM  
 PRIOR 10 FISCAL YEARS\*

(In Thousands Except for Percentages)

	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 922	\$ 796	\$ 738	\$ 675	\$ 560	\$ 537
Contributions in relation to the contractually required contribution	(922)	(796)	(738)	(675)	(560)	(537)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PENNVEST's covered-employee payroll	\$ 2,806	\$ 2,496	\$ 2,262	\$ 2,101	\$ 2,125	\$ 2,191
Contributions as a percentage of covered-employee payroll	32.86%	31.89%	32.63%	32.13%	26.35%	24.51%

NOTES TO SCHEDULE:

Contributions rates are calculated as of December 31, for the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

	2020	2019	2018	2017	2016	2015
Actuarial valuation date: December 31,						
Actuarial cost method	Entry Age for all years shown					
Amortization method	Straight-line amortization of investments over five years and amortization of assumption					
Investment rate of return, net of manager fees including inflation	7.00%	7.13%	7.25%	7.25%	7.25%	7.50%
Projected salary increases	4.60%	5.60%	5.60%	5.60%	5.60%	5.70%
Asset valuation method	Fair (market) value for all years shown					
Inflation	2.50%	2.60%	2.60%	2.60%	2.60%	2.75%
Mortality rate	Projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement for all years shown					
Cost of living adjustments	None					

\* PENNVEST adopted GASB 68 on a prospective basis in fiscal year 2015; therefore, only six years are presented in the above schedule.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
 SCHEDULES OF PENNVEST'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 RETIRED EMPLOYEES HEALTH PLAN  
 LAST 10 FISCAL YEARS\*  
 (In Thousands Except for Percentages)

	2021	2020	2019	2018
PENNVEST's proportion of the collective net OPEB liability	0.038550%	0.037755%	0.039208%	0.040139%
PENNVEST's proportionate share of the collective net OPEB liability	\$ 4,930	\$ 3,846	\$ 5,644	\$ 7,899
PENNVEST's covered-employee payroll	1,574	1,507	1,603	1,874
PENNVEST'S proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	313.21%	255.21%	352.09%	421.50%
REHP fiduciary net position as a percentage of the total OPEB liability	3.80%	3.80%	2.20%	1.40%

\* PENNVEST adopted GASB 75 on a prospective basis; therefore, only three years are presented in the above schedule.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
 SCHEDULES OF PENNVEST'S CONTRIBUTIONS - OPEB  
 PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM  
 PRIOR 10 FISCAL YEARS\*

(In Thousands Except for Percentages)

	2021	2020	2019	2018
Contractually required contribution	\$ 220	\$ 220	\$ 191	293
Contributions in relation to the contractually required contribution	(201)	(209)	(230)	(259)
Contribution deficiency (excess)	\$ 19	\$ 11	\$ (39)	\$ 34
PENNVEST's covered-employee payroll	\$ 1,574	\$ 1,507	\$ 1,603	\$ 1,874
Contributions as a percentage of covered-employee payroll	13.98%	14.60%	11.92%	15.64%

**NOTES TO SCHEDULE:**

Contributions - The bi-weekly contribution rate payable by the Authority is based on the projected per retiree cost and the number of estimated retirees. The per retiree bi-weekly rate was:

\$300	\$300	\$300/\$188	\$ 362
-------	-------	-------------	--------

**Methods and Assumptions Used to Determine OPEB Liability:**

Actuarial valuation date: June 30,	2020	2019	2018	2017
Actuarial cost method	Entry Age for all years shown			
Discount rate	2.21%	3.50%	3.87%	3.58%
Initial medical trend rate	6.6%/6.1%	6.0%/5.9%	6.2%/5.9%	6.00%
Ultimate medical trend rate	4.10%	4.10%	4.10%	3.90%
Year ultimate trend rate reached	2075	2075	2075	2075
Mortality rate	Project RP-2000 Mortality Tables for all years shown			

\* PENNVEST adopted GASB 75 on a prospective basis; therefore, only four years are presented in the above schedule.

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
FEDERAL CLEAN WATER STATE REVOLVING LOAN FUND  
SCHEDULES OF NET POSITION  
JUNE 30, 2021 AND 2020  
(In Thousands)

	2021	2020
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 234,982	\$ 164,073
Investment - securities lending	7,063	5,651
Investments	751,665	663,144
Loans receivable, gross	93,901	91,537
Accounts receivables, net	432	180
Accrued interest receivable	1,797	1,823
Due from Commonwealth of Pennsylvania	389	191,566
<b>Total Current Assets</b>	<b>1,090,229</b>	<b>1,117,974</b>
<b>Noncurrent Assets:</b>		
Loans receivable, gross	1,461,045	1,430,289
Allowance for loan losses	(12,897)	(13,020)
<b>Total Noncurrent Assets</b>	<b>1,448,148</b>	<b>1,417,269</b>
<b>TOTAL ASSETS</b>	<b>2,538,377</b>	<b>2,535,243</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	252	770
Due to Other PENNVEST Funds	80	106
Due to Commonwealth of Pennsylvania	535	639
Due to Federal government	-	287
Current portion of revenue bonds payable	2,950	2,810
Short-term obligations	30,356	30,356
Securities lending obligation	7,063	5,651
<b>Total Current Liabilities</b>	<b>41,236</b>	<b>40,513</b>
<b>Noncurrent Liabilities:</b>		
Noncurrent revenue bonds payable, net	24,820	28,307
<b>Total Noncurrent Liabilities</b>	<b>24,820</b>	<b>28,307</b>
<b>TOTAL LIABILITIES</b>	<b>66,056</b>	<b>68,820</b>
<b>NET POSITION</b>		
Restricted for Federal Clean Water State Revolving Loan Fund	2,472,321	2,466,423
<b>TOTAL NET POSITION</b>	<b>\$ 2,472,321</b>	<b>\$ 2,466,423</b>

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
FEDERAL CLEAN WATER STATE REVOLVING LOAN FUND  
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020  
(In Thousands)

	2021	2020
<b>Operating Revenues</b>		
Interest on loans receivable	\$ 18,668	\$ 18,332
Operating revenues before provision for loan loss	18,668	18,332
(Recovery)/Provision for Loan Loss	(123)	(33)
<b>Net Operating Revenues</b>	18,791	18,365
<b>Operating Expenses</b>		
Administration	4,407	4,722
Other state and Federal "principal forgiveness" to program participants	20,805	14,352
<b>Total Operating Expenses</b>	25,212	19,074
<b>Operating Loss</b>	(6,421)	(709)
<b>Nonoperating Revenues (Expense)</b>		
Investment income	27,581	34,547
Interest and amortization expense	(401)	(1,221)
<b>Net Nonoperating Revenues</b>	27,180	33,326
<b>Capital Contributions</b>		
Other Federal and state	75,825	75,527
<b>Total Capital Contributions</b>	75,825	75,527
<b>Other Financing Uses</b>		
Transfer to Federal Drinking Water State Revolving Loan Fund	(90,686)	(20,000)
	(90,686)	(20,000)
<b>Increase in Net Position</b>	5,898	88,144
<b>Net Position- Beginning of Year</b>	2,466,423	2,378,279
<b>Net Position- End of Year</b>	\$ 2,472,321	\$ 2,466,423

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
FEDERAL CLEAN WATER STATE REVOLVING LOAN FUND  
SCHEDULES OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020  
(In Thousands)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Loan receipts from borrowers	\$ 138,858	\$ 111,088
Loan disbursements to borrowers	(153,620)	(123,466)
Payments for goods and services	(5,029)	(4,873)
Grants/"principal forgiveness" to program participants	(20,805)	(14,352)
Net Cash Used In Operating Activities	<u>(40,596)</u>	<u>(31,603)</u>
Cash Flows from Capital Financing Activities:		
Proceeds of short term obligations	-	233
Repayment of bonds payable	(3,347)	(3,212)
Advance to Commonwealth of Pennsylvania	191,177	(191,393)
Payment of interest on bonds payable	(401)	(1,221)
Other Federal and state grants received	75,825	75,527
Net Cash Provided by Capital Financing Activities	<u>263,254</u>	<u>(120,066)</u>
Cash flows from Non-Capital Financing Activities		
Transfer to Federal Drinking Water State Revolving Loan Fund	(90,686)	(20,000)
Net Cash Used in Non-Capital Financing Activities	<u>(90,686)</u>	<u>(20,000)</u>
Cash Flows from Investing Activities:		
Receipts from depositories	27,581	34,547
Net sales (purchases) of State Treasury Commonwealth Investment Pool	(88,644)	198,012
Net Cash Provided by(Used In) Investing Activities	<u>(61,063)</u>	<u>232,559</u>
Increase in Cash and Cash Equivalents	70,909	60,890
Cash and Cash Equivalents, Beginning of Year	164,073	103,183
Cash and Cash Equivalents, End of Year	<u>\$ 234,982</u>	<u>\$ 164,073</u>
Reconciliation of operating income to net cash from operating activities:		
Operating income (loss)	\$ (6,421)	\$ (709)
Adjustments to reconcile operating income (loss) to net cash (used in)/provided by (Recovery)/Provision of loan losses	(123)	(33)
Effect of changes in non-cash operating assets and liabilities:		
Loan receivable, gross	(32,917)	(31,118)
Accounts receivables, net	(252)	(180)
Accrued interest receivable	26	588
Due from/to the Commonwealth of Pennsylvania	(104)	120
Due from/to Federal government	(287)	-
Accounts payable and accrued liabilities	(518)	(271)
Total adjustments	<u>(34,175)</u>	<u>(30,894)</u>
Net Cash Used in Operating Activities	<u>\$ (40,596)</u>	<u>\$ (31,603)</u>

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
 FEDERAL DRINKING WATER STATE REVOLVING LOAN FUND  
 SCHEDULES OF NET POSITION  
 JUNE 30, 2021 AND 2020  
 (In Thousands)

	2021	2020
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 53,458	\$ 42,083
Investment-securities lending	4,071	3,258
Investments	357,458	279,604
Loans receivable, gross	39,530	37,978
Accounts receivables, net	124	11
Accrued interest receivable	728	739
Due from Federal government	48	-
<b>Total Current Assets</b>	<b>455,417</b>	<b>363,673</b>
<b>Noncurrent Assets:</b>		
Loans receivable, gross	520,441	478,544
Allowance for loan losses	(1,840)	(1,760)
<b>Total Noncurrent Assets</b>	<b>518,601</b>	<b>476,784</b>
<b>TOTAL ASSETS</b>	<b>974,018</b>	<b>840,457</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	166	438
Due to Commonwealth of PA	116	1,854
Due to Federal government	-	659
Current portion of revenue bonds payable	1,660	1,580
Securities lending obligation	4,071	3,258
<b>Total Current Liabilities</b>	<b>6,013</b>	<b>7,789</b>
<b>Noncurrent Liabilities:</b>		
Noncurrent revenue bonds payable, net	13,961	15,923
<b>Total Noncurrent Liabilities</b>	<b>13,961</b>	<b>15,923</b>
<b>TOTAL LIABILITIES</b>	<b>19,974</b>	<b>23,712</b>
<b>NET POSITION</b>		
Restricted for Federal Drinking Water State Revolving Loan Fund	954,044	816,745
<b>TOTAL NET POSITION</b>	<b>\$ 954,044</b>	<b>\$ 816,745</b>

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
FEDERAL DRINKING WATER STATE REVOLVING LOAN FUND  
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020  
(In Thousands)

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues</b>		
Interest and fee receivable on loans	\$ 8,621	\$ 8,477
Other Federal grants	<u>10,447</u>	<u>8,578</u>
Operating revenues before provision for loan loss	19,068	17,055
Provision (Recovery) for Loan Loss	<u>81</u>	<u>53</u>
<b>Net Operating Revenues</b>	<u>18,987</u>	<u>17,002</u>
<b>Operating Expenses</b>		
Administration	10,517	8,626
Other state and Federal "principal forgiveness" to program participants	<u>9,788</u>	<u>16,109</u>
<b>Total Operating Expenses</b>	<u>20,305</u>	<u>24,735</u>
<b>Operating Loss</b>	<u>(1,318)</u>	<u>(7,733)</u>
<b>Nonoperating Revenues (Expense)</b>		
Investment income	15,603	12,591
Interest and amortization expense	<u>(187)</u>	<u>(494)</u>
<b>Net Nonoperating Revenues</b>	<u>15,416</u>	<u>12,097</u>
<b>Capital Contributions</b>		
Other Federal and state	<u>32,515</u>	<u>30,086</u>
<b>Total Capital Contributions</b>	<u>32,515</u>	<u>30,086</u>
<b>Other Financing Sources</b>		
Transfer From Federal Clean Water State Revolving Loan Fund	<u>90,686</u>	<u>20,000</u>
	<u>90,686</u>	<u>20,000</u>
<b>Increase in Net Position</b>	137,299	54,450
<b>Net Position- Beginning of Year</b>	<u>816,745</u>	<u>762,295</u>
<b>Net Position- End of Year</b>	<u>\$ 954,044</u>	<u>\$ 816,745</u>

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
FEDERAL DRINKING WATER STATE REVOLVING LOAN FUND  
SCHEDULES OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020  
(In Thousands)

	<b>2020</b>	<b>2019</b>
Cash Flows from Operating Activities:		
Loan receipts from borrowers	\$ 50,743	\$ 44,113
Loan disbursements to borrowers	(94,723)	(37,403)
Payments for goods and services	(11,496)	(7,898)
Grants/"principal forgiveness" to program participants	(9,788)	(9,707)
Other Federal and state receipts	10,334	9,279
Net Cash Used In Operating Activities	(54,930)	(1,616)
Cash Flows from Capital Financing Activities:		
Repayment of bonds payable	(1,884)	(1,710)
Payments to Commonwealth of Pennsylvania	(1,738)	-
Payment of interest on bonds payable	(187)	(971)
Other federal and state grants received	32,515	29,190
Net Cash Provided by Capital Financing Activities	28,706	26,509
Cash flows from Non-Capital Financing Activities		
Transfer from Federal Clean Water State Revolving Loan Fund	90,686	-
Net Cash Used in Non-Capital Financing Activities	90,686	-
Cash Flows from Investing Activities:		
Receipts from depositories	15,603	15,045
Net purchases of State Treasury Commonwealth Investment Pool	(77,854)	(23,705)
Net Cash Provided by(Used In) Investing Activities	(62,251)	(8,660)
Increase in Cash and Cash Equivalents	2,211	16,233
Cash and Cash Equivalents, Beginning of Year	51,247	35,014
Cash and Cash Equivalents, End of Year	\$ 53,458	\$ 51,247
Reconciliation of operating income to net cash from operating activities:		
Operating income (loss)	\$ (1,318)	\$ 1,478
Adjustments to reconcile operating income (loss) to net cash (used (Recovery)/Provision of loan losses	81	(1,811)
Effect of changes in non-cash operating assets and liabilities:		
Loan receivable, gross	(52,612)	(1,654)
Accrued interest receivable	11	(71)
Due from/to Federal government	(707)	(95)
Accounts receivables, net	(113)	574
Accounts payable and accrued liabilities	(272)	(37)
Total adjustments	(53,612)	(3,094)
Net Cash Used in Operating Activities	\$ (54,930)	\$ (1,616)

See the accompanying notes to these loan fund financial statements.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
NOTES TO FUND SCHEDULES  
FOR THE YEARS ENDED JUNE 30, 2021 and 2020  
(In Thousands)

**1. GENERAL**

The accompanying schedules present the activity for two of the five funds maintained by PENNVEST: the Federal Clean Water State Revolving Loan Fund, which accounts for the financial activity resulting from capitalization grants received from the federal government under the State Revolving Loan Funds Program; and the Federal Drinking Water State Revolving Loan Fund which accounts for the financial activity resulting from grants received from the federal government under the State Revolving Loan Funds Program. The activity resulting from the Commonwealth of Pennsylvania capital contributed to PENNVEST, and the 2010 and 1990 trust funds have not been presented in the schedules except for the transactions with these two funds. The schedules have been presented to comply with contractual arrangements with the funding sources.

**2. BASIS OF ACCOUNTING**

The accompanying schedules are presented using the accrual basis of accounting, which is described in Note 1 of PENNVEST's financial statements.

**3. TRANSFER OF LOANS BETWEEN FUNDS**

When PENNVEST transfers a loan receivable between the funds identified above, the loan transfer is recorded in contributed capital and the provision for loan losses related to the transferred loans is reflected as an adjustment to net position.

**4. ALLOWANCE FOR LOAN LOSSES**

The allowance for loan losses was \$12,897 and \$1,840, for the Federal Clean Water State Revolving Loan Fund, and the Federal Drinking Water State Loan Fund, respectively, as of June 30, 2021, and \$13,020 and \$1,760, respectively, as of June 30, 2020.

**5. COMMITMENTS & CONTINGENT LIABILITIES**

As of June 30, 2021, PENNVEST had approved approximately \$510,303 and \$274,707 respectively, of Federal Clean Water and Federal Drinking Water loans that had not yet been disbursed. The monies needed to fund these loans will be generated from contributions by the federal government or the Commonwealth of Pennsylvania, revenue bonds, and principal repayments on existing loans.

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time, although PENNVEST expects such amounts, if any, to be immaterial.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY  
SCHEDULES OF DELINQUENT LOANS  
CLEAN WATER PROGRAM ON-LOT LOANS  
FEDERAL CLEAN WATER PROGRAM  
(UNAUDITED)  
(In Thousands)

Federal Clean Water Program On-Lot Loans

Loan Number	Delinquent Amount	Original Loan Balance	Loan Balance as of June 30, 2021
1239839	\$ 99	\$ 17,393	\$ 4,838
3358678	113	22,850	20,328
3325305	125	8,403	7,445
3100351	2,321	21,596	16,114
3127651	122	24,651	11,807
3133584	47	9,431	7,551
3358926	120	24,235	21,642
	<u>\$ 2,947</u>	<u>\$ 128,559</u>	<u>\$ 89,725</u>

Loan Number	Delinquent Amount	Original Loan Balance	Loan Balance as of June 30, 2020
3281243	\$ 61	\$ 12,435	\$ 11,242
3358678	226	22,850	21,400
3325305	42	8,403	7,749
3133584	93	9,431	8,009
3100351	1,229	21,596	16,565
3121969	25	5,052	4,133
3410339	49	9,912	9,459
3466042	124	25,000	24,651
3475605	104	21,138	20,985
3484342	125	12,635	12,635
	<u>\$ 287</u>	<u>\$ 35,285</u>	<u>\$ 32,642</u>



**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS' ON INTERNAL CONTROLS  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors  
Pennsylvania Infrastructure Investment Authority

We have audited, 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, the financial statements of the Pennsylvania Infrastructure Investment Authority (PENNVEST), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2021.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered PENNVEST's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PENNVEST's internal controls. Accordingly, we do not express an opinion on the effectiveness of PENNVEST's internal controls.

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

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



**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

### ***Compliance and Other Matters***

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

### **Purpose of this Report**

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

Philadelphia, Pennsylvania  
October 27, 2021

*S B & Company, LLC*





# PENNVEST

---

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

333 Market Street, 18th Floor, Harrisburg, PA 17101  
[www.pennvest.pa.gov](http://www.pennvest.pa.gov)