

**TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2021 and 2020

INTRODUCTORY SECTION

**TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)**

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YEARS ENDED DECEMBER 31, 2021 AND 2020

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of the Authority
Towamencin Municipal Authority
Lansdale, Pennsylvania

Opinion

We have audited the financial statements of Towamencin Municipal Authority (a component unit of Towamencin Township), which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise Towamencin Municipal Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Towamencin Municipal Authority as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Towamencin Municipal Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Towamencin Municipal Authority's ability to continue as a going concern for one year after the financial statement date.

To the Board of the Authority
Towamencin Municipal Authority
Lansdale, Pennsylvania

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

To the Board of the Authority
Towamencin Municipal Authority
Lansdale, Pennsylvania

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Towamencin Municipal Authority's basic financial statements. The Schedule of Operating Expenses, Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Operating Expenses, Budget and Actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Schedule of Operating Expenses, Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Limerick, Pennsylvania
August 24, 2022

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2021 AND 2020

The Towamencin Municipal Authority's (the "Authority") discussion and analysis is intended to give a brief narrative overview of the Authority's financial activities for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with the detailed information that is furnished in the financial statements and the notes to the financial statements that follow this discussion.

FINANCIAL HIGHLIGHTS

The Authority continues to be in an excellent financial position. Assets exceeded liabilities by \$16.3 million. Included in our assets is \$.8 million in restricted accounts to be used for future capital improvements to our treatment facilities.

The Authority's financial situation remained fairly constant between fiscal years 2021 and 2020.

The Authority maintains a rolling five-year plan for capital projects that will keep our facilities operating productively and efficiently. According to data reviewed at our most recent planning session, it appears that the Authority will have enough funds in our restricted accounts and available under our infrastructure loan to finance the projects planned through 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Authority. The components of the report include the independent auditors' report, management's discussion and analysis, basic financial statements and notes that pertain to those statements.

The independent auditors' report briefly describes the audit process and renders an opinion as to how accurately the financial statements represent the financial position of the Authority.

Management's Discussion and Analysis (MD&A) is prepared by Authority management to provide a narrative introduction and overview as well as an analysis of some key data that is presented in the basic financial statements. The MD&A also addresses any other currently known facts, decisions, or conditions that may have a significant effect on our future financial position.

The basic financial statements include the statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows and the notes to the basic financial statements.

- The *statements of net position* compare the financial condition of the Authority between 2020 and 2021 by various line items within the asset, liability and net position categories.
- The *statements of revenues, expenses and changes in net position* show a comparison between 2020 and 2021 by various revenue and expense categories and, after factoring in depreciation, arrive at a net position figure for the end of the year.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2021 AND 2020

- The *statements of cash flows* compare 2020 and 2021 by cash received and payments made in various Operating, Capital and Investment categories.
- The *notes to the basic financial statements* provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Authority's financial condition. The notes can be found immediately following the basic financial statements in this report.

In addition to the basic financial statements and accompanying notes, the required supplementary information presents a budgetary comparison schedule to demonstrate the Authority's compliance with the 2021 budget.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The analysis below focuses on net position and changes in net position of the Authority's business-type activities.

Condensed Statements of Net Position (In Thousands)
December 31, 2021, 2020 and 2019

	December 31,		Current Year Variance		December 31,
	2021	2020	Increase (Decrease)	%	2019
ASSETS					
Current and other assets	\$ 1,601	\$ 1,816	\$ (215)	-11.84%	\$ 2,147
Capital assets, net	<u>22,094</u>	<u>23,156</u>	<u>(1,062)</u>	-4.59%	<u>24,010</u>
TOTAL ASSETS	\$ <u>23,695</u>	\$ <u>24,972</u>	\$ <u>(1,277)</u>	-5.11%	\$ <u>26,157</u>
LIABILITIES AND NET POSITION					
LIABILITIES					
Current and other liabilities	\$ 685	\$ 262	\$ 423	161.45%	\$ 297
Notes payable	<u>6,718</u>	<u>7,599</u>	<u>(881)</u>	-11.59%	<u>8,026</u>
TOTAL LIABILITIES	<u>7,403</u>	<u>7,861</u>	<u>(458)</u>	-5.83%	<u>8,323</u>
NET POSITION					
Net investment in capital assets	14,931	15,557	(626)	-4.02%	15,984
Restricted for capital expenditures	881	1,108	(227)	-20.49%	1,611
Unrestricted	<u>480</u>	<u>446</u>	<u>34</u>	7.62%	<u>239</u>
TOTAL NET POSITION	<u>16,292</u>	<u>17,111</u>	<u>(819)</u>	-4.79%	<u>17,834</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>23,695</u>	\$ <u>24,972</u>	\$ <u>(1,277)</u>	-5.11%	\$ <u>26,157</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2021 AND 2020

*Condensed Statements of Revenues, Expenses and
Changes in Net Position (In Thousands)
December 31, 2021, 2020 and 2019*

	December 31,		Current Year Variance		December 31, 2019
	2021	2020	Increase (Decrease)	%	
OPERATING REVENUES					
Operating service charges	\$ 3,161	\$ 2,902	\$ 259	8.92%	\$ 2,681
Sludge removal reimbursements	449	348	101	29.02%	217
Pump station reimbursement	152	143	9	6.29%	-
Tapping fees	62	102	(40)	-39.22%	-
Grant Income	14	72	(58)	-80.56%	-
Miscellaneous income	8	104	(96)	-92.31%	-
Annual year-end adjustment	9	65	(56)	-86.15%	(3)
TOTAL OPERATING REVENUES	3,855	3,736	119	3.19%	2,895
OPERATING EXPENSES					
Administration	191	447	(256)	-57.27%	318
Physical plant/general	536	519	17	3.28%	476
Operations	1,822	1,691	131	7.75%	1,274
Maintenance	1,232	913	319	34.94%	856
Depreciation	1,331	1,323	8	0.60%	1,311
TOTAL OPERATING EXPENSES	5,112	4,893	219	4.48%	4,235
OPERATING LOSS	(1,257)	(1,157)	(100)	-8.64%	(1,340)
NONOPERATING REVENUES (EXPENSES), net					
	438	434	4	0.92%	433
NET LOSS BEFORE CONTRIBUTIONS	(819)	(723)	(96)	-13.28%	(907)
CAPITAL CONTRIBUTIONS	-	-	-		31
CHANGE IN NET POSITION	(819)	(723)	\$ (96)		(876)
NET POSITION AT BEGINNING OF YEAR					
	17,111	17,834			18,710
NET POSITION AT END OF YEAR	\$ 16,292	\$ 17,111			\$ 17,834

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2021 AND 2020

Analysis

The operating surcharge revenue collected from the Township increased to nearly \$3,160,000 in 2021—a 9 percent increase from 2020—to account for increased Authority operations and maintenance expenses. Sludge removal reimbursements are up 29% as more sludge was hauled into the Authority in 2021 versus 2020. Maintenance expenses witnessed the largest total increase by cost center, increasing from \$912,978 to \$1,232,095. Personnel costs and operating supplies comprise the bulk of these increases. Overtime declined significantly in 2021 compared to the prior year when COVID created the need to vary employee schedules to limit potential exposure before the availability of coronavirus vaccines. Lastly, the Authority began using Township staff to perform financial functions on its behalf, decreasing administrative expenses in 2021.

Economic Factors

The Towamencin Municipal Authority primarily serves Towamencin Township. Towamencin Township is comprised of 9.7 square miles in the middle of Montgomery County, approximately 30 miles northwest of Philadelphia. Towamencin has an estimated population of 18,009 and 7,754 households. Municipalities immediately adjacent to Towamencin Township include the Townships of Hatfield, Lower Salford, Upper Gwynedd, Worcester, Franconia, Skippack, and the Borough of Lansdale. Towamencin Municipal Authority also serves a few residential areas and commercial customers in some these outlying municipalities. Towamencin Township residents are charged \$450 per EDU annually. Rates charged to outlying municipality residents are \$740 per EDU, \$525 per EDU, \$500 per EDU, and \$450 per EDU. Commercial properties are billed a minimum fee of \$450 per year plus a charge of \$.03842 per cubic foot of water usage over 9,760 cf annually. Towamencin Township bills and collects sewer rental fees and subsequently pays the Towamencin Township Municipal Authority an operating service charge quarterly to fund expenses. The sewer rental rates cited above represent an increase of \$75 per EDU when compared to previous year rates.

Next Year's Budget

The Towamencin Township Municipal Authority board and staff consider many factors when establishing budget appropriations. On the revenue side, the Towamencin Township Municipal Authority's 2022 budget was similar to 2021. Budgeted sludge removal reimbursement revenue was increased to \$500,000 from \$310,000 in the prior year due to sustained increases in this revenue stream. The Authority's operating surcharge revenue from the Township was budgeted lower as the growth in sludge removal revenue is larger than anticipated increase in expenses.

Total budgeted expenses increased by approximately \$38,000. Areas of anticipated increased operating expense include administration and operations expense. Contracted services and administrative expenses were budgeted higher in 2022 to partially account for reimbursing Towamencin Township staff's time providing financial accounting, accounts payable and receipting services on behalf of the Towamencin Township Municipal Authority.

Despite budgeting challenges created by present-day economic conditions, the Towamencin Township Municipal Authority strives to provide the same high level of service to all areas as in past years.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2021 AND 2020

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the funds it receives and disburses. If you have questions about this report or need additional information, please contact the Manager at 2225 Kriebel Road, Lansdale, Pennsylvania 19446-5019.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)

STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 611,236	\$ 439,939
Cash restricted for capital improvements	881,201	1,108,751
Accounts receivable	86,034	267,768
Due from primary government	16,632	-
Prepaid expenses	6,112	-
Property, plant and equipment, net of accumulated depreciation of \$37,285,983 (2021) and \$35,954,479 (2020)	<u>22,093,933</u>	<u>23,156,023</u>
TOTAL ASSETS	<u>\$ 23,695,148</u>	<u>\$ 24,972,481</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Current liabilities		
Note payable	\$ 445,000	\$ 436,000
Accounts payable	192,615	214,347
Accrued expenses	27,297	19,429
Accrued operating service charge adjustment	12,725	21,699
Developers' escrow	7,515	6,516
Noncurrent liabilities		
Note payable	<u>6,718,000</u>	<u>7,163,000</u>
TOTAL LIABILITIES	<u>7,403,152</u>	<u>7,860,991</u>
NET POSITION		
Net investment in capital assets	14,930,933	15,557,023
Restricted for capital expenditures	881,201	1,108,751
Unrestricted	<u>479,862</u>	<u>445,716</u>
TOTAL NET POSITION	<u>16,291,996</u>	<u>17,111,490</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 23,695,148</u>	<u>\$ 24,972,481</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Operating service charges		
Towamencin Township	\$ 3,160,508	\$ 2,902,098
Sludge removal reimbursements	449,426	348,326
Pump station reimbursement	152,551	142,724
Tapping fees	61,752	102,342
Grant Income	14,258	71,776
Miscellaneous income	8,038	103,902
Annual year-end adjustment	8,974	64,807
TOTAL OPERATING REVENUES	<u>3,855,507</u>	<u>3,735,975</u>
OPERATING EXPENSES		
Administration	190,869	446,530
Physical plant/general	535,969	518,536
Operations	1,822,531	1,691,400
Maintenance	1,232,095	912,978
TOTAL OPERATING EXPENSES	<u>3,781,464</u>	<u>3,569,444</u>
OPERATING GAIN (LOSS) BEFORE DEPRECIATION	74,043	166,531
DEPRECIATION	<u>1,331,504</u>	<u>1,323,714</u>
OPERATING LOSS	<u>(1,257,461)</u>	<u>(1,157,183)</u>
NONOPERATING REVENUES (EXPENSES)		
Capital service charges	590,301	590,035
Interest income	1,967	7,587
Interest expense	(154,301)	(163,035)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>437,967</u>	<u>434,587</u>
CHANGE IN NET POSITION	(819,494)	(722,596)
NET POSITION AT BEGINNING OF YEAR	<u>17,111,490</u>	<u>17,834,086</u>
NET POSITION AT END OF YEAR	<u>\$ 16,291,996</u>	<u>\$ 17,111,490</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 4,011,635	\$ 3,426,990
Payments to suppliers	(2,237,716)	(2,038,464)
Payments to employees, including fringe benefits and payroll taxes	<u>(1,562,724)</u>	<u>(1,500,709)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>211,195</u>	<u>(112,183)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital service charges	590,301	590,035
Purchases of capital assets	(269,414)	(469,464)
Principal paid on debt	(436,000)	(427,000)
Interest paid on debt	<u>(154,302)</u>	<u>(163,036)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(269,415)</u>	<u>(469,465)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>1,967</u>	<u>7,587</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(56,253)	(574,061)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,548,690</u>	<u>2,122,751</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,492,437</u>	<u>\$ 1,548,690</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (1,257,461)	\$ (1,157,183)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	1,331,504	1,323,714
(Increase) decrease in		
Accounts receivable	181,734	(244,178)
Due from primary government	(16,632)	-
Prepaid expenses	(6,112)	-
Increase (decrease) in		
Accounts payable	(21,732)	31,051
Accrued expenses	7,868	(2,780)
Accrued operating service charge adjustment	(8,974)	(64,807)
Developers' escrow	<u>1,000</u>	<u>2,000</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 211,195</u>	<u>\$ (112,183)</u>

See accompanying notes to the basic financial statements.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION

Towamencin Municipal Authority (Formerly Upper Gwynedd - Towamencin Municipal Authority) (the "Authority") is a public corporation organized on June 12, 1964, under the enabling state legislation (Municipality Authorities Act of 1945).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a Proprietary Fund's obligations. The principal operating revenues of the Authority are sewer service and tapping fees. Operating expenses include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

For purposes of reporting cash flows, all highly liquid investments with original maturities of three months or less are considered cash equivalents.

Property, Plant and Equipment

The Authority defines property, plant and equipment as assets with an initial individual or project cost equal to or greater than \$2,000 that have an estimated useful life in excess of one year.

Property, plant and equipment are stated at cost. A provision for the depreciation of fixed assets has been recorded effective in the year 1975.

The Authority is depreciating plant assets over a period of 20 to 40 years and equipment over periods of five to ten years.

Expenditures for maintenance, repairs and minor replacements are expensed as incurred.

Use of Estimates

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

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE C - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank deposits, money market funds and certificates of deposit. All Authority deposits are entirely insured (FDIC) or collateralized under a pooled asset program to secure public deposits, as required under Commonwealth of Pennsylvania law.

As of December 31, 2021, \$1,431,753 of the Authority's bank balance of \$1,683,117 was exposed to custodial credit risk as follows:

Insured	\$ 251,364
Uninsured and collateralized with securities held by the pledging bank's trust departments not in the Authority's name	<u>1,431,753</u>
	<u>\$ 1,683,117</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority follows state statute as it related to custodial credit risk.

Cash and cash equivalents are summarized as follows:

	<u>Bank Balances</u>		<u>Carrying Amount</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS				
Operating	\$ 792,632	\$ 505,509	\$ 611,236	\$ 439,939
RESTRICTED				
Capital improvements	<u>890,485</u>	<u>1,118,533</u>	<u>881,201</u>	<u>1,108,751</u>
	<u>\$ 1,683,117</u>	<u>\$ 1,624,042</u>	<u>\$ 1,492,437</u>	<u>\$ 1,548,690</u>

Other

The Authority has received contributed capital which is restricted to the purposes for which the funds were contributed. Towamencin Township has contributed funds for the cost of constructing and maintaining a pump station located within its geographic boundaries. Also, developers and others within the Towamencin Township have paid tapping fees to the Authority. The unspent portion of these contributions and accrued interest thereon are reflected as restricted assets on the Authority's statements of net position.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE D - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Balance January 1, 2020	Additions/ Deletions	Balance December 31, 2020	Additions/ Deletions	Balance December 31, 2021
Capital assets not being depreciated					
Construction in progress	\$ 157,025	\$ (24,438)	\$ 132,587	\$ 94,970	\$ 227,557
Capital assets being depreciated					
Sewer plant and additions	54,275,790	493,902	54,769,692	168,779	54,938,471
Sewer system					
Pump station and interceptor	2,851,484	-	2,851,484	-	2,851,484
Other maintenance equipment	1,286,582	-	1,286,582	5,665	1,292,247
Office equipment	70,157	-	70,157	-	70,157
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>58,484,013</u>	<u>493,902</u>	<u>58,977,915</u>	<u>174,444</u>	<u>59,152,359</u>
Accumulated depreciation					
Sewer plant and additions	(31,628,569)	(1,160,630)	(32,789,199)	(1,169,071)	(33,958,270)
Sewer system					
Pump station and interceptor	(2,172,328)	(61,739)	(2,234,067)	(61,742)	(2,295,809)
Other maintenance equipment	(760,484)	(100,572)	(861,056)	(100,691)	(961,747)
Office equipment	(69,384)	(773)	(70,157)	-	(70,157)
TOTAL ACCUMULATED DEPRECIATION	<u>(34,630,765)</u>	<u>(1,323,714)</u>	<u>(35,954,479)</u>	<u>(1,331,504)</u>	<u>(37,285,983)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>23,853,248</u>	<u>(829,812)</u>	<u>23,023,436</u>	<u>(1,157,060)</u>	<u>21,866,376</u>
CAPITAL ASSETS, net	<u>\$ 24,010,273</u>	<u>\$ (854,250)</u>	<u>\$ 23,156,023</u>	<u>\$ (1,062,090)</u>	<u>\$ 22,093,933</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE E - DEFERRED COMPENSATION PLAN

The Authority has a deferred compensation plan for its employees. The plan, which is designed under the provisions of Section 457 of the Internal Revenue Code, permits employees to make voluntary contributions from their salaries which are excluded from federal taxable income. A maximum contribution of up to \$19,000 can be contributed and deferred under the plan. The contributions are invested with an outside trustee.

NOTE F - EMPLOYEE PENSION PLAN

The Authority provides pension benefits for its full-time employees through a defined contribution money purchase pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus earnings on plan investments.

The Authority contributes 3.5% of each eligible employee's compensation to the plan. Each eligible employee may also contribute up to 21.5% of their compensation. The contributions made by the Authority on behalf of each employee and the earnings allocated to their accounts become 100% vested upon eligibility after two years of service. Authority contributions may not be distributed to the employee until age 65, except for death or disability.

The Authority's contributions in 2021 and 2020 were \$40,208 and \$36,316, respectively. Retirement benefits may be obtained at age 59 1/2.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE G - SERVICE AGREEMENT

An operating service charge based on the Authority's operating budget is payable in quarterly installments by Towamencin Township to the Authority's operating account.

The operating service charge adjustment for the years ended December 31, 2021 and 2020, applying the accrual basis, is computed as follows:

	<u>2021</u>	<u>2020</u>
ALLOCATION CALCULATION		
Current year's operating service charge payments	\$ 3,160,508	\$ 2,902,098
Sludge removal reimbursements	449,426	348,326
Pump station reimbursement	152,551	142,724
Miscellaneous income	8,038	103,902
TOTAL OPERATING REVENUE	<u>3,770,523</u>	<u>3,497,050</u>
Current year's total operating costs	3,781,464	3,569,444
Less earnings on investments	1,967	7,587
NET OPERATING COSTS ALLOCATED	<u>3,779,497</u>	<u>3,561,857</u>
CURRENT OPERATING SERVICE CHARGE ADJUSTMENT, UNDER	(8,974)	(64,807)
Beginning cumulative operating service charge adjustment balance, as previously reported	<u>21,699</u>	<u>86,506</u>
ENDING CUMULATIVE OPERATING SERVICE CHARGE ADJUSTMENT BALANCE AVAILABLE	<u>\$ 12,725</u>	<u>\$ 21,699</u>

NOTE H - NOTE PAYABLE

On May 13, 2015, the Authority issued Guaranteed Revenue Note, Series of 2015, in the maximum aggregate principal amount of \$9,300,000. On July 26, 2019, The Authority refunded the Series of 2015 Note by the issuance of the Guaranteed Sewer Revenue Notes, 2019 series in the aggregate par amount of \$8,026,000.

The issue is to (1) refinance the current refunding of the 2015 Notes and (2) pay the costs of issuance and fund the 2019 Project which will benefit and contribute to the health and general welfare of the Township's residents.

As a continued part of this agreement, Towamencin Township entered into a Guaranty Agreement for the timely payment of the principal and interest due on this note. Principal payments are due annually ranging from \$427,000 to \$584,000 through May 2035 at an interest rate of 2.098%

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE H - NOTE PAYABLE (Continued)

Note payable activity for the year ended December 31, 2021 was as follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Note payable	\$ 7,599,000	\$	-	\$	(436,000)	\$	7,163,000	\$ 445,000

Note payable activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Note payable	\$ 8,026,000	\$	-	\$	(427,000)	\$	7,599,000	\$ 436,000

The future annual payments required are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 445,000	\$ 144,834
2023	455,000	135,375
2024	464,000	125,719
2025	474,000	115,862
2026	484,000	105,795
2027-2031	2,577,000	370,396
2032-2035	<u>2,264,000</u>	<u>92,297</u>
	<u>\$ 7,163,000</u>	<u>\$ 1,090,278</u>

NOTE I - SUBSEQUENT EVENT

On May 25, 2022, the Towamencin Township Board of Supervisors adopted Ordinance 22-04 which authorized the Township to enter into an asset purchase agreement with NextEra Water Pennsylvania LLC ("NextEra") for the sale of the Towamencin Municipal Sewer System at a purchase price of \$115,300,000. NextEra was the successful bidder of a public bid process conducted in 2021. The transaction is subject to the issuance of a Final Order approval from the Pennsylvania Public Utility Commission (PaPUC) and is not anticipated to close until 2023 or later.

REQUIRED SUPPLEMENTARY INFORMATION

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)

BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget Positive (Negative)
OPERATING REVENUES			
Operating service charges			
Towamencin Township	\$ 3,149,074	\$ 3,160,508	\$ 11,434
Sludge removal reimbursements	307,892	449,426	141,534
Pump station reimbursement	-	152,551	152,551
Tapping fees	-	61,752	61,752
Grant Income	-	14,258	14,258
Miscellaneous income	-	8,038	8,038
Annual year-end adjustment	8,975	8,974	(1)
TOTAL OPERATING REVENUES	<u>3,465,941</u>	<u>3,855,507</u>	<u>389,566</u>
OPERATING EXPENSES			
Administration	355,390	190,869	164,521
Physical plant/general	504,800	535,969	(31,169)
Operations	1,468,360	1,822,531	(354,171)
Maintenance	1,065,719	1,232,095	(166,376)
TOTAL OPERATING EXPENSES	<u>3,394,269</u>	<u>3,781,464</u>	<u>(387,195)</u>
OPERATING GAIN BEFORE DEPRECIATION	71,672	74,043	2,371
DEPRECIATION	<u>-</u>	<u>1,331,504</u>	<u>(1,331,504)</u>
OPERATING LOSS	<u>71,672</u>	<u>(1,257,461)</u>	<u>(1,329,133)</u>
NONOPERATING REVENUES (EXPENSES)			
Capital service charges	-	590,301	590,301
Interest income	-	1,967	1,967
Interest expense	-	(154,301)	(154,301)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>437,967</u>	<u>437,967</u>
CHANGE IN NET POSITION	<u>\$ 71,672</u>	<u>(819,494)</u>	<u>\$ (891,166)</u>
NET POSITION AT BEGINNING OF YEAR		<u>17,111,490</u>	
NET POSITION AT END OF YEAR		<u>\$ 16,291,996</u>	

SUPPLEMENTARY INFORMATION

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)

SCHEDULE OF OPERATING EXPENSES

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2021

	<u>Actual</u>	<u>Original and Final Budget</u>	Variance With Final Budget Positive (Negative)
OPERATING EXPENSES			
Administration			
Salaries and wages	\$ 6,223	\$ 120,545	\$ 114,322
Employer benefits	1,762	23,545	21,783
Office supplies	7,332	8,500	1,168
Professional fees	151,386	159,000	7,614
Telephone	12,431	22,000	9,569
Postage	427	800	373
Advertising and printing	2,877	2,000	(877)
Contracted services	460	2,000	1,540
Administrative expenses	7,971	17,000	9,029
TOTAL ADMINISTRATION	<u>190,869</u>	<u>355,390</u>	<u>164,521</u>
Physical plant/general			
Fuel	4,852	8,500	3,648
Safety equipment	9,932	10,000	68
Security	438	4,500	4,062
General insurance	116,327	125,000	8,673
Electricity	374,327	310,000	(64,327)
Natural gas	10,507	18,000	7,493
Trash removal	5,015	4,800	(215)
Water	727	1,500	773
Cleaning and uniform services	7,295	7,500	205
Equipment replacement	6,549	15,000	8,451
TOTAL PHYSICAL PLANT/ GENERAL	<u>535,969</u>	<u>504,800</u>	<u>(31,169)</u>
SUBTOTAL OPERATING EXPENSES FORWARD	<u>\$ 726,838</u>	<u>\$ 860,190</u>	<u>\$ 133,352</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)

SCHEDULE OF OPERATING EXPENSES
 BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2021

	<u>Actual</u>	<u>Original and Final Budget</u>	Variance With Final Budget Positive (Negative)
OPERATING EXPENSES			
SUBTOTAL FORWARDED	\$ 726,838	\$ 860,190	\$ 133,352
Operations			
Salaries and wages	670,131	500,257	(169,874)
Employer benefits	173,113	180,603	7,490
Chemicals	513,681	452,000	(61,681)
Lab supplies	15,820	17,000	1,180
Computer services	5,257	17,000	11,743
Lab services	69,272	53,000	(16,272)
Sludge removal	357,981	246,000	(111,981)
Education/training expenses	4,167	2,500	(1,667)
Repairs and maintenance	10,068	-	(10,068)
Miscellaneous	3,041	-	(3,041)
TOTAL OPERATIONS	<u>1,822,531</u>	<u>1,468,360</u>	<u>(354,171)</u>
Maintenance			
Salaries and wages	550,931	553,949	3,018
Employer	162,320	191,570	29,250
Grounds	1,536	10,000	8,464
Cleaning supplies	5,586	8,700	3,114
Repair and maintenance supplies	224,040	120,000	(104,040)
Vehicle maintenance	11,669	10,000	(1,669)
Small tools/minor equipment	1,305	-	(1,305)
Telephone	1,283	-	(1,283)
Major repairs	792	12,000	11,208
Contracted services	116,628	115,000	(1,628)
Education/training expenses	2,025	2,500	475
Equipment replacement	151,882	42,000	(109,882)
Miscellaneous	2,098	-	(2,098)
TOTAL MAINTENANCE	<u>1,232,095</u>	<u>1,065,719</u>	<u>(166,376)</u>
TOTAL OPERATING EXPENSES	<u>\$ 3,781,464</u>	<u>\$ 3,394,269</u>	<u>\$ (387,195)</u>