

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2020 and 2019

INTRODUCTORY SECTION

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

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YEARS ENDED DECEMBER 31, 2020 AND 2019

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FINANCIAL SECTION

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Towamencin Municipal Authority, which comprise the statements of net position as of December 31, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinion

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

Other Matters

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 4 through 6 and 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 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
July 9, 2021

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020. 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 \$25 million to \$8 million. Included in our assets is \$1.1 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 2020 and 2019.

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 2021.

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 2019 and 2020 by various line items within the asset, liability and net position categories.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2020 AND 2019

- The *statements of revenues, expenses and changes in net position* show a comparison between 2019 and 2020 by various revenue and expense categories and, after factoring in depreciation, arrive at a net position figure for the end of the year.
- The *statements of cash flows* compare 2019 and 2020 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 2020 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, 2020, 2019 and 2018

	December 31,		Current Year Variance		December 31,
	2020	2019	Increase (Decrease)	%	
ASSETS					
Current and other assets	\$ 1,816	\$ 2,147	\$ (331)	-15.42%	\$ 2,485
Capital assets, net	<u>23,156</u>	<u>24,010</u>	<u>(854)</u>	-3.56%	<u>24,790</u>
TOTAL ASSETS	\$ <u>24,972</u>	\$ <u>26,157</u>	\$ <u>(1,185)</u>	-4.53%	\$ <u>27,275</u>
LIABILITIES AND NET POSITION					
LIABILITIES					
Current and other liabilities	\$ 262	\$ 297	\$ (35)	-11.78%	\$ 134
Notes payable	<u>7,599</u>	<u>8,026</u>	<u>(427)</u>	-5.32%	<u>8,431</u>
TOTAL LIABILITIES	<u>7,861</u>	<u>8,323</u>	<u>(462)</u>	-5.55%	<u>8,565</u>
NET POSITION					
Net investment in capital assets	15,557	15,984	(427)	-2.67%	16,360
Restricted for capital expenditures	<u>1,108</u>	<u>1,611</u>	<u>(503)</u>	-31.22%	<u>1,951</u>
Unrestricted	<u>446</u>	<u>239</u>	<u>207</u>	86.61%	<u>399</u>
TOTAL NET POSITION	<u>17,111</u>	<u>17,834</u>	<u>(723)</u>	-4.05%	<u>18,710</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>24,972</u>	\$ <u>26,157</u>	\$ <u>(1,185)</u>	-4.53%	\$ <u>27,275</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2020 AND 2019

**Condensed Statements of Revenues, Expenses and
Changes in Net Position (In Thousands)**
December 31, 2020, 2019 and 2018

	December 31,		Current Year Variance		December 31, 2018
	2020	2019	Increase (Decrease)	%	
OPERATING REVENUES					
Operating service charges	\$ 2,902	\$ 2,681	\$ 221	8.24%	\$ 2,638
Sludge removal reimbursements	348	217	131	60.37%	228
Pump station reimbursement	143	-	143	100.00%	-
Tapping fees	102	-	102	100.00%	-
Grant Income	72	-	72	100.00%	-
Miscellaneous income	104	-	104	100.00%	-
Annual year-end adjustment	65	(3)	68	-2266.67%	36
TOTAL OPERATING REVENUES	3,736	2,895	841	29.05%	2,902
OPERATING EXPENSES					
Administration	447	318	129	40.57%	285
Physical plant/general	519	476	43	9.03%	516
Operations	1,691	1,274	417	32.73%	1,246
Maintenance	913	856	57	6.66%	872
Depreciation	1,323	1,311	12	0.92%	1,299
TOTAL OPERATING EXPENSES	4,893	4,235	658	15.54%	4,218
OPERATING LOSS	(1,157)	(1,340)	183	13.66%	(1,316)
NONOPERATING REVENUES (EXPENSES), net					
	434	433	1	0.23%	457
NET LOSS BEFORE CONTRIBUTIONS	(723)	(907)	184	20.29%	(859)
CAPITAL CONTRIBUTIONS	-	31	(31)		13
CHANGE IN NET POSITION	(723)	(876)	\$ 153		(846)
NET POSITION AT BEGINNING OF YEAR					
	17,834	18,710			19,556
NET POSITION AT END OF YEAR	\$ 17,111	\$ 17,834			\$ 18,710

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 439,939	\$ 511,798
Cash restricted for capital improvements	1,108,751	1,610,953
Accounts receivable	267,768	23,590
Property, plant and equipment, net of accumulated depreciation of \$35,954,479 (2020) and \$34,630,765 (2019)	<u>23,156,023</u>	<u>24,010,273</u>
TOTAL ASSETS	<u>\$ 24,972,481</u>	<u>\$ 26,156,614</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Current liabilities		
Note payable	\$ 436,000	\$ 427,000
Accounts payable	214,347	183,295
Accrued expenses	19,429	22,209
Accrued operating service charge adjustment	21,699	86,506
Developers' escrow	6,516	4,518
Noncurrent liabilities		
Note payable	<u>7,163,000</u>	<u>7,599,000</u>
TOTAL LIABILITIES	<u>7,860,991</u>	<u>8,322,528</u>
NET POSITION		
Net investment in capital assets	15,557,023	15,984,273
Restricted for capital expenditures	1,108,751	1,610,953
Unrestricted	<u>445,716</u>	<u>238,860</u>
TOTAL NET POSITION	<u>17,111,490</u>	<u>17,834,086</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 24,972,481</u>	<u>\$ 26,156,614</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Operating service charges		
Towamencin Township	\$ 2,902,098	\$ 2,681,254
Sludge removal reimbursements	348,326	217,143
Pump station reimbursement	142,724	-
Tapping fees	102,342	-
Grant Income	71,776	-
Miscellaneous income	103,902	-
Annual year-end adjustment	64,807	(3,425)
TOTAL OPERATING REVENUES	<u>3,735,975</u>	<u>2,894,972</u>
OPERATING EXPENSES		
Administration	446,530	318,012
Physical plant/general	518,536	475,829
Operations	1,691,400	1,274,397
Maintenance	912,978	854,626
TOTAL OPERATING EXPENSES	<u>3,569,444</u>	<u>2,922,864</u>
OPERATING GAIN (LOSS) BEFORE DEPRECIATION	166,531	(27,892)
DEPRECIATION	<u>1,323,714</u>	<u>1,311,367</u>
OPERATING LOSS	<u>(1,157,183)</u>	<u>(1,339,259)</u>
NONOPERATING REVENUES (EXPENSES)		
Capital service charges	590,035	621,330
Interest income	7,587	27,892
Interest expense	(163,035)	(174,330)
Issuance costs	-	(42,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>434,587</u>	<u>432,892</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(722,596)	(906,367)
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>30,780</u>
CHANGE IN NET POSITION	(722,596)	(875,587)
NET POSITION AT BEGINNING OF YEAR	<u>17,834,086</u>	<u>18,709,673</u>
NET POSITION AT END OF YEAR	<u>\$ 17,111,490</u>	<u>\$ 17,834,086</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 3,426,990	\$ 2,888,561
Payments to suppliers	(1,500,709)	(1,234,049)
Payments to employees, including fringe benefits and payroll taxes	<u>(2,038,464)</u>	<u>(1,529,584)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(112,183)</u>	<u>124,928</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital service charges	590,035	621,330
Capital contributions	-	30,780
Purchases of capital assets	(469,464)	(531,353)
Principal paid on debt	(427,000)	(447,000)
Interest paid on debt	<u>(163,036)</u>	<u>(174,330)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(469,465)</u>	<u>(500,573)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>7,587</u>	<u>27,892</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(574,061)	(347,753)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,122,751</u>	<u>2,470,504</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,548,690</u>	<u>\$ 2,122,751</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (1,157,183)	\$ (1,339,259)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	1,323,714	1,311,367
Increase in accounts receivable	(244,178)	(9,836)
Increase (decrease) in		
Accounts payable	31,051	158,820
Accrued expenses	(2,780)	411
Accrued operating service charge adjustment	(64,807)	3,425
Developers' escrow	<u>2,000</u>	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (112,183)</u>	<u>\$ 124,928</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, 2020 AND 2019

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 40 years and equipment over periods of five to ten years.

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

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2020, \$1,369,444 of the Authority's bank balance of \$1,624,042 was exposed to custodial credit risk as follows:

Insured	\$ 254,598
Uninsured and collateralized with securities held by the pledging bank's trust departments not in the Authority's name	<u>1,369,444</u>
	<u>\$ 1,624,042</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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS				
Operating	\$ 505,509	\$ 655,561	\$ 439,939	\$ 511,798
RESTRICTED				
Capital improvements	<u>1,118,533</u>	<u>1,618,359</u>	<u>1,108,751</u>	<u>1,610,953</u>
	<u>\$ 1,624,042</u>	<u>\$ 2,273,920</u>	<u>\$ 1,548,690</u>	<u>\$ 2,122,751</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE C - CASH AND CASH EQUIVALENTS (Continued)

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.

NOTE D - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Balance January 1, 2019	Additions/ Deletions	Balance December 31, 2019	Additions/ Deletions	Balance December 31, 2020
Capital assets not being depreciated					
Construction in progress	\$ 24,478	\$ 132,547	\$ 157,025	\$ (24,438)	\$ 132,587
Capital assets being depreciated					
Sewer plant and additions	53,936,349	339,441	54,275,790	493,902	54,769,692
Sewer system					
Pump station and interceptor	2,851,484	-	2,851,484	-	2,851,484
Other maintenance equipment	1,227,217	59,365	1,286,582	-	1,286,582
Office equipment	70,157	-	70,157	-	70,157
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>58,085,207</u>	<u>398,806</u>	<u>58,484,013</u>	<u>493,902</u>	<u>58,977,915</u>
Accumulated depreciation					
Sewer plant and additions	(30,480,287)	(1,148,283)	(31,628,570)	(1,160,630)	(32,789,200)
Sewer system					
Pump station and interceptor	(2,110,587)	(61,742)	(2,172,329)	(61,739)	(2,234,068)
Other maintenance equipment	(659,914)	(100,568)	(760,482)	(100,572)	(861,054)
Office equipment	(68,610)	(774)	(69,384)	(773)	(70,157)
TOTAL ACCUMULATED DEPRECIATION	<u>(33,319,398)</u>	<u>(1,311,367)</u>	<u>(34,630,765)</u>	<u>(1,323,714)</u>	<u>(35,954,479)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>24,765,809</u>	<u>(912,561)</u>	<u>23,853,248</u>	<u>(829,812)</u>	<u>23,023,436</u>
CAPITAL ASSETS, net	<u>\$ 24,790,287</u>	<u>\$ (780,014)</u>	<u>\$ 24,010,273</u>	<u>\$ (854,250)</u>	<u>\$ 23,156,023</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 2020 and 2019 were \$36,316 and \$29,075, respectively. Retirement benefits may be obtained at age 59 1/2.

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, 2020 and 2019, applying the accrual basis, is computed as follows:

	<u>2020</u>	<u>2019</u>
ALLOCATION CALCULATION		
Current year's operating service charge payments	\$ 2,902,098	\$ 2,681,254
Sludge removal reimbursements	348,326	217,143
Pump station reimbursement	142,724	-
Miscellaneous income	103,902	-
TOTAL OPERATING REVENUE	<u>3,497,050</u>	<u>2,898,397</u>
Current year's total operating costs	3,569,444	2,922,864
Less earnings on investments	7,587	27,892
NET OPERATING COSTS ALLOCATED	<u>3,561,857</u>	<u>2,894,972</u>
CURRENT OPERATING SERVICE CHARGE ADJUSTMENT, UNDER	(64,807)	3,425
Beginning cumulative operating service charge adjustment balance, as previously reported	<u>86,506</u>	<u>83,081</u>
ENDING CUMULATIVE OPERATING SERVICE CHARGE ADJUSTMENT BALANCE AVAILABLE	<u>\$ 21,699</u>	<u>\$ 86,506</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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%

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

Note payable activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>
Note payable	\$ 8,431,000	\$	8,026,000	\$	(8,431,000)	\$	8,026,000

The future annual payments required are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2021	436,000	154,091
2022	445,000	144,834
2023	455,000	135,375
2024	464,000	125,719
2025	474,000	115,862
2026-2030	2,524,000	423,998
2031-2035	2,801,000	144,490
	<u>\$ 7,599,000</u>	<u>\$ 1,244,369</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)

BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
OPERATING REVENUES			
Operating service charges			
Towamencin Township	\$ 2,892,871	\$ 2,902,098	\$ 9,227
Sludge removal reimbursements	180,000	348,326	168,326
Pump station reimbursement	-	142,724	142,724
Tapping fees	-	102,342	102,342
Grant Income	-	71,776	71,776
Miscellaneous income	-	103,902	103,902
Annual year-end adjustment	86,506	64,807	(21,699)
TOTAL OPERATING REVENUES	<u>3,159,377</u>	<u>3,735,975</u>	<u>576,598</u>
OPERATING EXPENSES			
Administration	297,350	446,530	(149,180)
Physical plant/general	508,500	518,536	(10,036)
Operations	1,323,485	1,691,400	(367,915)
Maintenance	1,030,042	912,978	117,064
TOTAL OPERATING EXPENSES	<u>3,159,377</u>	<u>3,569,444</u>	<u>(410,067)</u>
OPERATING GAIN BEFORE DEPRECIATION	-	166,531	166,531
DEPRECIATION	-	<u>1,323,714</u>	<u>(1,323,714)</u>
OPERATING LOSS	-	<u>(1,157,183)</u>	<u>(1,157,183)</u>
NONOPERATING REVENUES (EXPENSES)			
Capital service charges	-	590,035	590,035
Interest income	-	7,587	7,587
Interest expense	-	<u>(163,035)</u>	<u>(163,035)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>434,587</u>	<u>434,587</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	-	(722,596)	(722,596)
CAPITAL CONTRIBUTIONS	-	-	-
CHANGE IN NET POSITION	<u>\$ -</u>	<u>(722,596)</u>	<u>\$ (722,596)</u>
NET POSITION AT BEGINNING OF YEAR		<u>17,834,086</u>	
NET POSITION AT END OF YEAR		<u>\$ 17,111,490</u>	

SUPPLEMENTARY INFORMATION

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)

SCHEDULE OF OPERATING EXPENSES

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2020

	<u>Actual</u>	<u>Original and Final Budget</u>	Variance With Final Budget Positive (Negative)
OPERATING EXPENSES			
Administration			
Salaries and wages	\$ 189,895	\$ 99,960	\$ (89,935)
Employer benefits	36,928	22,090	(14,838)
Office supplies	10,515	5,000	(5,515)
Professional fees	171,568	126,500	(45,068)
Telephone	11,568	22,000	10,432
Postage	394	800	406
Advertising and printing	2,691	2,000	(691)
Contracted services	-	2,000	2,000
Administrative expenses	22,971	17,000	(5,971)
TOTAL ADMINISTRATION	<u>446,530</u>	<u>297,350</u>	<u>(149,180)</u>
Physical plant/general			
Fuel	3,794	8,500	4,706
Safety equipment	5,961	15,000	9,039
Security	2,841	2,000	(841)
General insurance	117,095	125,000	7,905
Electricity	359,675	310,000	(49,675)
Natural gas	13,766	13,000	(766)
Trash removal	4,344	3,000	(1,344)
Water	777	3,000	2,223
Cleaning and uniform services	6,260	9,000	2,740
Equipment replacement	4,023	20,000	15,977
TOTAL PHYSICAL PLANT/ GENERAL	<u>518,536</u>	<u>508,500</u>	<u>(10,036)</u>
SUBTOTAL OPERATING EXPENSES FORWARD	<u>\$ 965,066</u>	<u>\$ 805,850</u>	<u>\$ (159,216)</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)

SCHEDULE OF OPERATING EXPENSES
 BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2020

	<u>Actual</u>	<u>Original and Final Budget</u>	Variance With Final Budget Positive (Negative)
OPERATING EXPENSES			
SUBTOTAL FORWARDED	\$ 965,066	\$ 805,850	\$ (159,216)
Operations			
Salaries and wages	578,537	435,000	(143,537)
Employer benefits	165,578	163,485	(2,093)
Chemicals	548,225	383,000	(165,225)
Lab supplies	17,873	15,000	(2,873)
Computer services	12,308	17,000	4,692
Lab services	55,352	60,000	4,648
Sludge removal	312,537	245,000	(67,537)
Education/training expenses	990	5,000	4,010
TOTAL OPERATIONS	<u>1,691,400</u>	<u>1,323,485</u>	<u>(367,915)</u>
Maintenance			
Salaries and wages	460,827	521,300	60,473
Employer	155,511	198,742	43,231
Grounds	6,910	15,000	8,090
Cleaning supplies	7,322	8,000	678
Repair and maintenance supplies	134,195	115,000	(19,195)
Vehicle maintenance	8,962	10,000	1,038
Telephone	1,705	-	(1,705)
Major repairs	223	12,000	11,777
Contracted services	96,254	100,000	3,746
Education/training expenses	880	5,000	4,120
Equipment replacement	40,189	45,000	4,811
TOTAL MAINTENANCE	<u>912,978</u>	<u>1,030,042</u>	<u>117,064</u>
TOTAL OPERATING EXPENSES	<u>\$ 3,569,444</u>	<u>\$ 3,159,377</u>	<u>\$ (410,067)</u>