

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2022 and 2021

INTRODUCTORY SECTION

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

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YEARS ENDED DECEMBER 31, 2022 AND 2021**

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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, 2022 and 2021, 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, 2022 and 2021, 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 20 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 4, 2023

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022. 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 \$15.4 million. Included in our assets is \$0.3 million in restricted accounts to be used for future capital improvements to our treatment facilities.

The Authority's net position decreased by approximately \$900,000 between fiscal years 2022 and 2021.

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 2023.

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 2021 and 2022 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 2021 and 2022 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, 2022 AND 2021

- The *statements of cash flows* compare 2021 and 2022 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 2022 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, 2022, 2021 and 2020

	December 31,		Current Year Variance		December 31, 2020
	2022	2021	Increase (Decrease)	%	
ASSETS					
Current and other assets	\$ 1,096	\$ 1,601	\$ (505)	-31.54%	\$ 1,816
Capital assets, net	<u>21,461</u>	<u>22,094</u>	<u>(633)</u>	-2.87%	<u>23,156</u>
TOTAL ASSETS	<u>\$ 22,557</u>	<u>\$ 23,695</u>	<u>\$ (1,138)</u>	-4.80%	<u>\$ 24,972</u>
LIABILITIES AND NET POSITION					
LIABILITIES					
Current and other liabilities	\$ 859	\$ 685	\$ 174	25.40%	\$ 262
Notes payable	<u>6,263</u>	<u>6,718</u>	<u>(455)</u>	-6.77%	<u>7,599</u>
TOTAL LIABILITIES	<u>7,122</u>	<u>7,403</u>	<u>(281)</u>	-3.80%	<u>7,861</u>
NET POSITION					
Net investment in capital assets	14,743	14,931	(188)	-1.26%	15,557
Restricted for capital expenditures	328	881	(553)	-62.77%	1,108
Unrestricted	<u>364</u>	<u>480</u>	<u>(116)</u>	-24.17%	<u>446</u>
TOTAL NET POSITION	<u>15,435</u>	<u>16,292</u>	<u>(857)</u>	-5.26%	<u>17,111</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 22,557</u>	<u>\$ 23,695</u>	<u>\$ (1,138)</u>	-4.80%	<u>\$ 24,972</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2022 AND 2021

*Condensed Statements of Revenues, Expenses and
Changes in Net Position (In Thousands)
December 31, 2022, 2021 and 2020*

	December 31,		Current Year Variance		December 31, 2020
	2022	2021	Increase (Decrease)	%	
OPERATING REVENUES					
Operating service charges	\$ 3,052	\$ 3,161	\$ (109)	-3.45%	\$ 2,902
Sludge removal reimbursements	642	449	193	42.98%	348
Pump station reimbursement	138	152	(14)	-9.21%	143
Tapping fees	9	62	(53)	-85.48%	102
Grant Income	67	14	53	378.57%	72
Miscellaneous income	158	8	150	1875.00%	104
Annual year-end adjustment	135	9	126	1400.00%	65
TOTAL OPERATING REVENUES	4,201	3,855	346	8.98%	3,736
OPERATING EXPENSES					
Administration	276	284	(8)	-2.82%	447
Physical plant/general	532	500	32	6.40%	519
Operations	2,086	1,916	170	8.87%	1,691
Maintenance	1,234	1,081	153	14.15%	913
Depreciation	1,377	1,331	46	3.46%	1,323
TOTAL OPERATING EXPENSES	5,505	5,112	393	7.69%	4,893
OPERATING LOSS	(1,304)	(1,257)	(47)	-3.74%	(1,157)
NONOPERATING REVENUES (EXPENSES), net					
	447	438	9	2.05%	434
NET LOSS BEFORE CONTRIBUTIONS	(857)	(819)	(38)	-4.64%	(723)
CAPITAL CONTRIBUTIONS	-	-	-		-
CHANGE IN NET POSITION	(857)	(819)	\$ (38)		(723)
NET POSITION AT BEGINNING OF YEAR					
	16,292	17,111			17,834
NET POSITION AT END OF YEAR	\$ 15,435	\$ 16,292			\$ 17,111

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2022 AND 2021

Analysis

The operating surcharge revenue collected from the Township decreased to approximately \$3,052,000 in 2022—a 3.5 percent decrease from 2021—due to a smaller operating deficit in 2022 to be covered by the Township. Sludge removal reimbursements are up 43% as more sludge was hauled into the Authority in 2022 versus 2021. Maintenance expenses witnessed the largest total increase by cost center, increasing from \$1,080,785 to \$1,233,948. Inflationary pressures, additional overtime, and a reinvigorated maintenance and repair program account for the majority of this increase. Lastly, 2022 saw a large insurance claim reimbursement of nearly \$158,000 for costs associated with Hurricane Ida damages.

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 of 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 \$.04611 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 operations. 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 2023 budget anticipates \$50,000 in grant income associated with a biosolids study. The 2023 budget also anticipates an increase of over \$466,000 in the township operating surcharge due to increased expenses.

Total budgeted expenses increased by approximately \$365,000. Operations and maintenance drive the increase in anticipated costs, largely due to inflation's impact on chemical costs and a continued focus on plant repairs and maintenance.

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, 2022 AND 2021

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 534,217	\$ 611,236
Cash restricted for capital improvements	327,595	881,201
Accounts receivable	211,681	86,034
Due from primary government	-	16,632
Prepaid expenses	22,576	6,112
Property, plant and equipment, net of accumulated depreciation of \$38,663,087 (2022) and \$37,285,983 (2021)	<u>21,461,005</u>	<u>22,093,933</u>
TOTAL ASSETS	\$ <u>22,557,074</u>	\$ <u>23,695,148</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Current liabilities		
Note payable	\$ 455,000	\$ 445,000
Accounts payable	494,512	192,615
Accrued expenses	23,736	27,297
Accrued operating service charge adjustment	(122,735)	12,725
Developers' escrow	8,516	7,515
Noncurrent liabilities		
Note payable	<u>6,263,000</u>	<u>6,718,000</u>
TOTAL LIABILITIES	<u>7,122,029</u>	<u>7,403,152</u>
NET POSITION		
Net investment in capital assets	14,743,005	14,930,933
Restricted for capital expenditures	327,595	881,201
Unrestricted	<u>364,445</u>	<u>479,862</u>
TOTAL NET POSITION	<u>15,435,045</u>	<u>16,291,996</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>22,557,074</u>	\$ <u>23,695,148</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Operating service charges		
Towamencin Township	\$ 3,052,295	\$ 3,160,508
Sludge removal reimbursements	641,984	449,426
Pump station reimbursement	137,701	152,551
Tapping fees	8,516	61,752
Grant income	66,636	14,258
Miscellaneous income	158,200	8,038
Annual year-end adjustment	135,461	8,974
TOTAL OPERATING REVENUES	<u>4,200,793</u>	<u>3,855,507</u>
OPERATING EXPENSES		
Administration	276,172	284,360
Physical plant/general	532,106	500,173
Operations	2,085,489	1,916,146
Maintenance	1,233,948	1,080,785
TOTAL OPERATING EXPENSES	<u>4,127,715</u>	<u>3,781,464</u>
OPERATING GAIN BEFORE DEPRECIATION	73,078	74,043
DEPRECIATION	<u>1,377,104</u>	<u>1,331,504</u>
OPERATING LOSS	<u>(1,304,026)</u>	<u>(1,257,461)</u>
NONOPERATING REVENUES (EXPENSES)		
Capital service charges	592,183	590,301
Interest income	2,075	1,967
Interest expense	(147,183)	(154,301)
TOTAL NONOPERATING REVENUES	<u>447,075</u>	<u>437,967</u>
CHANGE IN NET POSITION	(856,951)	(819,494)
NET POSITION AT BEGINNING OF YEAR	<u>16,291,996</u>	<u>17,111,490</u>
NET POSITION AT END OF YEAR	<u>\$ 15,435,045</u>	<u>\$ 16,291,996</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 3,956,318	\$ 4,011,635
Payments to suppliers	(2,310,278)	(2,237,716)
Payments to employees, including fringe benefits and payroll taxes	<u>(1,534,564)</u>	<u>(1,562,724)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>111,476</u>	<u>211,195</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital service charges	592,183	590,301
Purchases of capital assets	(744,176)	(269,414)
Principal paid on debt	(445,000)	(436,000)
Interest paid on debt	<u>(147,183)</u>	<u>(154,302)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(744,176)</u>	<u>(269,415)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>2,075</u>	<u>1,967</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(630,625)	(56,253)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,492,437</u>	<u>1,548,690</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 861,812</u>	<u>\$ 1,492,437</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (1,304,026)	\$ (1,257,461)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	1,377,104	1,331,504
(Increase) decrease in		
Accounts receivable	(125,647)	181,734
Due from primary government	16,632	(16,632)
Prepaid expenses	(16,464)	(6,112)
Increase (decrease) in		
Accounts payable	301,897	(21,732)
Accrued expenses	(3,561)	7,868
Accrued operating service charge adjustment	(135,460)	(8,974)
Developers' escrow	<u>1,001</u>	<u>1,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 111,476</u>	<u>\$ 211,195</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, 2022 AND 2021

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, 2022 AND 2021

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, 2022, \$731,201 of the Authority's bank balance of \$981,201 was exposed to custodial credit risk as follows:

Insured	\$ 250,000
Uninsured and collateralized with securities held by the pledging bank's trust departments not in the Authority's name	<u>731,201</u>
	<u>\$ 981,201</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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS				
Operating	\$ 591,854	\$ 792,632	\$ 534,217	\$ 611,236
RESTRICTED				
Capital improvements	<u>389,347</u>	<u>890,485</u>	<u>327,595</u>	<u>881,201</u>
	<u>\$ 981,201</u>	<u>\$ 1,683,117</u>	<u>\$ 861,812</u>	<u>\$ 1,492,437</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, 2022 AND 2021

NOTE D - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Balance January 1, 2021	Additions/ Deletions	Balance December 31, 2021	Additions/ Deletions	Balance December 31, 2022
Capital assets not being depreciated					
Construction in progress	\$ 132,587	\$ 94,970	\$ 227,557	\$ 131,198	\$ 358,755
Capital assets being depreciated					
Sewer plant and additions	54,769,692	168,779	54,938,471	493,116	55,431,587
Sewer system					
Pump station and interceptor	2,851,484	-	2,851,484	-	2,851,484
Other maintenance equipment	1,286,582	5,665	1,292,247	119,862	1,412,109
Office equipment	70,157	-	70,157	-	70,157
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>58,977,915</u>	<u>174,444</u>	<u>59,152,359</u>	<u>612,978</u>	<u>59,765,337</u>
Accumulated depreciation					
Sewer plant and additions	(32,789,200)	(1,169,071)	(33,958,271)	(1,193,725)	(35,151,996)
Sewer system					
Pump station and interceptor	(2,234,068)	(61,742)	(2,295,810)	(61,740)	(2,357,550)
Other maintenance equipment	(861,054)	(100,691)	(961,745)	(121,639)	(1,083,384)
Office equipment	(70,157)	-	(70,157)	-	(70,157)
TOTAL ACCUMULATED DEPRECIATION	<u>(35,954,479)</u>	<u>(1,331,504)</u>	<u>(37,285,983)</u>	<u>(1,377,104)</u>	<u>(38,663,087)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>23,023,436</u>	<u>(1,157,060)</u>	<u>21,866,376</u>	<u>(764,126)</u>	<u>21,102,250</u>
CAPITAL ASSETS, net	<u>\$ 23,156,023</u>	<u>\$ (1,062,090)</u>	<u>\$ 22,093,933</u>	<u>\$ (632,928)</u>	<u>\$ 21,461,005</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 \$20,500 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 2022 and 2021 were \$38,235 and \$40,208, 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, 2022 AND 2021

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, 2022 and 2021, applying the accrual basis, is computed as follows:

	<u>2022</u>	<u>2021</u>
ALLOCATION CALCULATION		
Current year's operating service charge payments	\$ 3,052,295	\$ 3,160,508
Sludge removal reimbursements	641,984	449,426
Pump station reimbursement	137,701	152,551
Miscellaneous income	158,200	8,038
TOTAL OPERATING REVENUE	<u>3,990,180</u>	<u>3,770,523</u>
Current year's total operating costs	4,127,715	3,781,464
Less earnings on investments	2,075	1,967
NET OPERATING COSTS ALLOCATED	<u>4,125,640</u>	<u>3,779,497</u>
CURRENT OPERATING SERVICE CHARGE ADJUSTMENT, UNDER	(135,460)	(8,974)
Beginning cumulative operating service charge adjustment balance, as previously reported	<u>12,725</u>	<u>21,699</u>
ENDING CUMULATIVE OPERATING SERVICE CHARGE ADJUSTMENT BALANCE AVAILABLE	<u>\$ (122,735)</u>	<u>\$ 12,725</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, 2022 AND 2021

NOTE H - NOTE PAYABLE (Continued)

Note payable activity for the year ended December 31, 2022 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	\$ 7,163,000	\$ -	\$ (445,000)	\$ 6,718,000	\$ 455,000

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

The future annual payments required are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 455,000	\$ 135,375
2024	464,000	125,719
2025	474,000	115,862
2026	484,000	105,795
2027	494,000	95,518
2028-2032	2,631,000	315,670
2033-2035	<u>1,716,000</u>	<u>51,505</u>
	<u>\$ 6,718,000</u>	<u>\$ 945,444</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 (“APA”) with NextEra Water Pennsylvania LLC (“NextEra”) for the sale of the Towamencin Municipal Sewer System.

Subsequent to the execution of the APA, NextEra notified the Township of its intention to assign its contractual rights and obligations under the APA to Pennsylvania American Water (“PAWC”). The Board of Supervisors, by majority vote, approved the amendment and assignment of the APA to PAWC on March 22, 2023.

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 2024.

REQUIRED SUPPLEMENTARY INFORMATION

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)

BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
OPERATING REVENUES			
Operating service charges			
Towamencin Township	\$ 3,140,317	\$ 3,052,295	\$ (88,022)
Sludge removal reimbursements	504,500	641,984	137,484
Pump station reimbursement	-	137,701	137,701
Tapping fees	-	8,516	8,516
Grant Income	-	66,636	66,636
Miscellaneous income	-	158,200	158,200
Annual year-end adjustment	1,540	135,461	133,921
TOTAL OPERATING REVENUES	<u>3,646,357</u>	<u>4,200,793</u>	<u>554,436</u>
OPERATING EXPENSES			
Administration	387,775	276,172	111,603
Physical plant/general	491,200	532,106	(40,906)
Operations	1,767,342	2,085,489	(318,147)
Maintenance	1,000,040	1,233,948	(233,908)
TOTAL OPERATING EXPENSES	<u>3,646,357</u>	<u>4,127,715</u>	<u>(481,358)</u>
OPERATING GAIN BEFORE DEPRECIATION	-	73,078	73,078
DEPRECIATION	<u>-</u>	<u>1,377,104</u>	<u>(1,377,104)</u>
OPERATING LOSS	<u>-</u>	<u>(1,304,026)</u>	<u>(1,304,026)</u>
NONOPERATING REVENUES (EXPENSES)			
Capital service charges	-	592,183	592,183
Interest income	-	2,075	2,075
Interest expense	-	(147,183)	(147,183)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>447,075</u>	<u>447,075</u>
CHANGE IN NET POSITION	<u>\$ -</u>	<u>(856,951)</u>	<u>\$ (856,951)</u>
NET POSITION AT BEGINNING OF YEAR		<u>16,291,996</u>	
NET POSITION AT END OF YEAR		<u>\$ 15,435,045</u>	

SUPPLEMENTARY INFORMATION

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)

SCHEDULE OF OPERATING EXPENSES

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2022

	<u>Actual</u>	<u>Original and Final Budget</u>	Variance With Final Budget Positive (Negative)
OPERATING EXPENSES			
Administration			
Salaries and wages	\$ 97,116	\$ 75,000	\$ (22,116)
Employer benefits	12,421	5,775	(6,646)
Office supplies	5,440	30,000	24,560
Professional fees	97,475	174,500	77,025
Telephone	8,240	12,000	3,760
Postage	368	500	132
Advertising and printing	1,336	3,000	1,664
Contracted services	22,749	70,000	47,251
Administrative expenses	31,027	17,000	(14,027)
TOTAL ADMINISTRATION	<u>276,172</u>	<u>387,775</u>	<u>111,603</u>
Physical plant/general			
Fuel	9,488	8,000	(1,488)
Safety equipment	9,526	10,000	474
Security	595	3,000	2,405
General insurance	140,452	123,900	(16,552)
Electricity	320,075	300,000	(20,075)
Natural gas	15,528	18,000	2,472
Trash removal	6,313	4,800	(1,513)
Water	668	1,000	332
Cleaning and uniform services	8,803	7,500	(1,303)
Equipment replacement	20,658	15,000	(5,658)
TOTAL PHYSICAL PLANT/ GENERAL	<u>532,106</u>	<u>491,200</u>	<u>(40,906)</u>
SUBTOTAL OPERATING EXPENSES FORWARD	<u>\$ 808,278</u>	<u>\$ 878,975</u>	<u>\$ 70,697</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)

SCHEDULE OF OPERATING EXPENSES
 BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2022

	<u>Actual</u>	<u>Original and Final Budget</u>	Variance With Final Budget Positive (Negative)
OPERATING EXPENSES			
SUBTOTAL FORWARDED	\$ 808,278	\$ 878,975	\$ 70,697
Operations			
Salaries and wages	579,581	596,037	16,456
Employer benefits	166,664	167,380	716
Chemicals	699,377	435,000	(264,377)
Lab supplies	14,528	17,000	2,472
Computer services	148	5,000	4,852
Lab services	73,749	60,000	(13,749)
Sludge removal	401,528	335,000	(66,528)
Education/training expenses	4,424	3,000	(1,424)
Repairs and maintenance	7,453	10,000	2,547
Miscellaneous	58,560	21,550	(37,010)
Equipment replacement	15,874	60,000	44,126
Fuel	2,504	2,000	(504)
Telephone	494	2,500	2,006
Electricity	38,912	43,500	4,588
Water	572	375	(197)
Contracted services	21,121	9,000	(12,121)
TOTAL OPERATIONS	<u>2,085,489</u>	<u>1,767,342</u>	<u>(318,147)</u>
Maintenance			
Salaries and wages	490,735	521,200	30,465
Employer	168,022	152,940	(15,082)
Grounds	1,853	10,000	8,147
Cleaning supplies	410	8,700	8,290
Repair and maintenance supplies	429,322	120,000	(309,322)
Vehicle maintenance	3,099	10,000	6,901
Small tools/minor equipment	-	2,000	2,000
Telephone	-	-	-
Major repairs	8,633	12,000	3,367
Contracted services	105,762	115,000	9,238
Education/training expenses	1,651	3,000	1,349
Equipment replacement	22,043	42,000	19,957
Miscellaneous	2,418	3,200	782
TOTAL MAINTENANCE	<u>1,233,948</u>	<u>1,000,040</u>	<u>(233,908)</u>
TOTAL OPERATING EXPENSES	<u>\$ 4,127,715</u>	<u>\$ 3,646,357</u>	<u>\$ (481,358)</u>