

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2023 and 2022

INTRODUCTORY SECTION

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

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YEARS ENDED DECEMBER 31, 2023 AND 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 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 audits were 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.

Maille LLP

New Castle, Delaware
May 6, 2024

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023. 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 \$14.6 million. Included in our assets is \$0.27 million in restricted accounts to be used for future capital improvements to our treatment facilities.

The Authority's net position decreased by approximately \$830,000 between fiscal years 2023 and 2022.

The Authority maintains a rolling ten-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 2024. The Authority anticipates it will need to incur debt to meet project needs in 2025.

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 2022 and 2023 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 2022 and 2023 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, 2023 AND 2022

- The *statements of cash flows* compare 2022 and 2023 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 2023 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, 2023, 2022, and 2021

	December 31,		Current Year Variance		December 31,
	2023	2022	Increase (Decrease)	%	2021
ASSETS					
Current and other assets	\$ 1,074	\$ 1,096	\$ (22)	-2.01%	\$ 1,601
Capital assets, net	<u>20,234</u>	<u>21,461</u>	<u>(1,227)</u>	-5.72%	<u>22,094</u>
TOTAL ASSETS	\$ <u>21,308</u>	\$ <u>22,557</u>	\$ <u>(1,249)</u>	-5.54%	\$ <u>23,695</u>
LIABILITIES AND NET POSITION					
LIABILITIES					
Current and other liabilities	\$ 904	\$ 859	\$ 45	5.24%	\$ 685
Notes payable	<u>5,799</u>	<u>6,263</u>	<u>(464)</u>	-7.41%	<u>6,718</u>
TOTAL LIABILITIES	<u>6,703</u>	<u>7,122</u>	<u>(419)</u>	-5.88%	<u>7,403</u>
NET POSITION					
Net investment in capital assets	13,971	14,743	(772)	-5.24%	14,931
Restricted for capital expenditures	268	328	(60)	-18.29%	881
Unrestricted	<u>366</u>	<u>364</u>	<u>2</u>	0.55%	<u>480</u>
TOTAL NET POSITION	<u>14,605</u>	<u>15,435</u>	<u>(830)</u>	-5.38%	<u>16,292</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>21,308</u>	\$ <u>22,557</u>	\$ <u>(1,249)</u>	-5.54%	\$ <u>23,695</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2023 AND 2022

*Condensed Statements of Revenues, Expenses and
Changes in Net Position (In Thousands)
December 31, 2023, 2022, and 2021*

	December 31,		Current Year Variance		December 31
	2023	2022	Increase (Decrease)	%	2021
OPERATING REVENUES					
Operating service charges	\$ 3,657	\$ 3,052	\$ 605	19.82%	\$ 3,161
Sludge removal reimbursements	580	642	(62)	-9.66%	449
Pump station reimbursement	175	138	37	26.81%	152
Tapping fees	28	9	19	211.11%	62
Grant Income	21	67	(46)	-68.66%	14
Miscellaneous income	1	158	(157)	-99.37%	8
Annual year-end adjustment	(76)	135	(211)	-156.30%	9
TOTAL OPERATING REVENUES	4,386	4,201	185	4.40%	3,855
OPERATING EXPENSES					
Administration	330	276	54	19.57%	284
Physical plant/general	672	532	140	26.32%	500
Operations	2,142	2,086	56	2.68%	1,916
Maintenance	1,196	1,234	(38)	-3.08%	1,081
Depreciation	1,333	1,377	(44)	-3.20%	1,331
TOTAL OPERATING EXPENSES	5,673	5,505	168	3.05%	5,112
OPERATING LOSS	(1,287)	(1,304)	17	1.30%	(1,257)
NONOPERATING REVENUES (EXPENSES), net					
	457	447	10	2.24%	438
CHANGE IN NET POSITION	(830)	(857)	\$ 27		(819)
NET POSITION AT BEGINNING OF YEAR					
	15,435	16,292			17,111
NET POSITION AT END OF YEAR	\$ 14,605	\$ 15,435			\$ 16,292

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2023 AND 2022

Analysis

Operating service charges collected increased to approximately \$3,657,000 in 2023—a 19.8 percent increase from 2022—due to increased payments from the Township to cover authority operating costs and increased surcharge revenue from customers intermittently exceeding flow or strength limits. Conversely, sludge removal reimbursements fell by \$62,000 (10 percent) because of reduced sludge hauling activities compared to the prior year.

Total operating costs increased by 3.0 percent from \$5.51 million in 2022 to \$5.67 million in 2023. Physical plant expenses witnessed the largest total increase by cost center, increasing from \$532,000 to \$672,000 (26 percent). Much of this increase was associated with higher electric utility costs and insurance premium increases. Maintenance costs, meanwhile, fell by 3.1 percent (from \$1.23 million to \$1.20 million) because of reduced repair costs compared to the prior year.

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.

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 2024 budget anticipates \$55,000 in surcharge revenue and \$450,000 in sludge removal reimbursements. The 2024 budget also anticipates \$3,894,300 in operating service charge revenue payable by Towamencin Township, an increase of approximately \$237,000 (6.5 percent) from 2023 due to increased expenses noted below.

Total budgeted expenses increased by approximately \$531,000 or 13 percent. Personnel costs, inclusive of taxes and benefits, are anticipated to increase by almost \$150,000 or 8.8 percent. Non-personnel operations and maintenance cost increases also factor into the budget, largely due to inflation's impact on chemical costs (increased by \$110,000 or 19 percent from the 2023 budget) 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, 2023 AND 2022

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 654,886	\$ 534,217
Cash restricted for capital improvements	268,429	327,595
Accounts receivable	148,183	211,681
Prepaid expenses	3,142	22,576
Property, plant and equipment, net of accumulated depreciation of \$39,996,470 (2023) and \$38,663,087 (2022)	<u>20,233,699</u>	<u>21,461,005</u>
TOTAL ASSETS	<u>\$ 21,308,339</u>	<u>\$ 22,557,074</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Current liabilities		
Note payable	\$ 464,000	\$ 455,000
Accounts payable	329,117	494,512
Accrued expenses	26,522	23,736
Accrued operating service charge adjustment	75,870	(122,735)
Developers' escrow	8,516	8,516
Noncurrent liabilities		
Note payable	<u>5,799,000</u>	<u>6,263,000</u>
TOTAL LIABILITIES	<u>6,703,025</u>	<u>7,122,029</u>
NET POSITION		
Net investment in capital assets	13,970,699	14,743,005
Restricted for capital expenditures	268,429	327,595
Unrestricted	<u>366,186</u>	<u>364,445</u>
TOTAL NET POSITION	<u>14,605,314</u>	<u>15,435,045</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 21,308,339</u>	<u>\$ 22,557,074</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Operating service charges		
Towamencin Township	\$ 3,657,322	\$ 3,052,295
Sludge removal reimbursements	579,772	641,984
Pump station reimbursement	175,167	137,701
Tapping fees	28,050	8,517
Grant income	20,602	66,636
Miscellaneous income	796	158,200
Annual year-end adjustment	(75,870)	135,460
TOTAL OPERATING REVENUES	<u>4,385,839</u>	<u>4,200,793</u>
OPERATING EXPENSES		
Administration	330,001	276,172
Physical plant/general	671,799	532,106
Operations	2,141,294	2,085,489
Maintenance	1,196,053	1,233,948
TOTAL OPERATING EXPENSES	<u>4,339,147</u>	<u>4,127,715</u>
OPERATING GAIN BEFORE DEPRECIATION	46,692	73,078
DEPRECIATION	<u>1,333,383</u>	<u>1,377,104</u>
OPERATING LOSS	<u>(1,286,691)</u>	<u>(1,304,026)</u>
NONOPERATING REVENUES (EXPENSES)		
Capital service charges	590,216	592,183
Interest income	1,960	2,075
Interest expense	(135,216)	(147,183)
TOTAL NONOPERATING REVENUES	<u>456,960</u>	<u>447,075</u>
CHANGE IN NET POSITION	(829,731)	(856,951)
NET POSITION AT BEGINNING OF YEAR	<u>15,435,045</u>	<u>16,291,996</u>
NET POSITION AT END OF YEAR	<u>\$ 14,605,314</u>	<u>\$ 15,435,045</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 4,647,942	\$ 3,956,318
Payments to suppliers	(2,891,631)	(2,310,278)
Payments to employees, including fringe benefits and payroll taxes	<u>(1,590,691)</u>	<u>(1,534,564)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>165,620</u>	<u>111,476</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital service charges	590,216	592,183
Purchases of capital assets	(106,077)	(744,176)
Principal paid on debt	(455,000)	(445,000)
Interest paid on debt	<u>(135,216)</u>	<u>(147,183)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(106,077)</u>	<u>(744,176)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>1,960</u>	<u>2,075</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	61,503	(630,625)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>861,812</u>	<u>1,492,437</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 923,315</u>	<u>\$ 861,812</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (1,286,691)	\$ (1,304,026)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	1,333,383	1,377,104
(Increase) decrease in		
Accounts receivable	63,498	(125,647)
Due from primary government	-	16,632
Prepaid expenses	19,434	(16,464)
Increase (decrease) in		
Accounts payable	(165,395)	301,897
Accrued expenses	2,786	(3,561)
Accrued operating service charge adjustment	198,605	(135,460)
Developers' escrow	<u>-</u>	<u>1,001</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 165,620</u>	<u>\$ 111,476</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, 2023 AND 2022

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, 2023 AND 2022

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, 2023, \$693,795 of the Authority's bank balance of \$954,268 was exposed to custodial credit risk as follows:

Insured	\$ 260,473
Uninsured and collateralized with securities held by the pledging bank's trust departments not in the Authority's name	<u>693,795</u>
	<u>\$ 954,268</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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
CURRENT ASSETS				
Operating	\$ 684,042	\$ 591,854	\$ 654,886	\$ 534,217
RESTRICTED				
Capital improvements	<u>270,226</u>	<u>389,347</u>	<u>268,429</u>	<u>327,595</u>
	<u>\$ 954,268</u>	<u>\$ 981,201</u>	<u>\$ 923,315</u>	<u>\$ 861,812</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, 2023 AND 2022

NOTE D - PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment consist of the following:

	Balance January 1, 2022	Additions/ Deletions	Balance December 31, 2022	Additions/ Deletions	Balance December 31, 2023
Capital assets not being depreciated					
Construction in progress	\$ 227,557	\$ 131,198	\$ 358,755	\$ 53,085	\$ 411,840
Capital assets being depreciated					
Sewer plant and additions	54,938,471	493,116	55,431,587	29,786	55,461,373
Sewer system					
Pump station and interceptor	2,851,484	-	2,851,484	4,336	2,855,820
Other maintenance equipment	1,292,247	119,862	1,412,109	18,870	1,430,979
Office equipment	70,157	-	70,157	-	70,157
TOTAL CAPITAL ASSETS BEING DEPRECIATED	59,152,359	612,978	59,765,337	52,992	59,818,329
Accumulated depreciation					
Sewer plant and additions	(33,958,270)	(1,193,725)	(35,151,995)	(1,194,472)	(36,346,467)
Sewer system					
Pump station and interceptor	(2,295,809)	(61,740)	(2,357,549)	(62,176)	(2,419,725)
Other maintenance equipment	(961,747)	(121,639)	(1,083,386)	(76,735)	(1,160,121)
Office equipment	(70,157)	-	(70,157)	-	(70,157)
TOTAL ACCUMULATED DEPRECIATION	(37,285,983)	(1,377,104)	(38,663,087)	(1,333,383)	(39,996,470)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	21,866,376	(764,126)	21,102,250	(1,280,391)	19,821,859
CAPITAL ASSETS, net	\$ 22,093,933	\$ (632,928)	\$ 21,461,005	\$ (1,227,306)	\$ 20,233,699

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 \$22,500 can be contributed and deferred under the plan. The contributions are invested with an outside trustee.

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 5.5% 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 2023 and 2022 were \$58,751 and \$38,235, 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, 2023 and 2022, applying the accrual basis, is computed as follows:

	<u>2023</u>	<u>2022</u>
ALLOCATION CALCULATION		
Current year's operating service charge payments	\$ 3,657,322	\$ 3,052,295
Sludge removal reimbursements	579,772	641,984
Pump station reimbursement	175,167	137,701
Miscellaneous income	796	158,200
TOTAL OPERATING REVENUE	<u>4,413,057</u>	<u>3,990,180</u>
Current year's total operating costs	4,339,147	4,127,715
Less earnings on investments	1,960	2,075
NET OPERATING COSTS ALLOCATED	<u>4,337,187</u>	<u>4,125,640</u>
CURRENT OPERATING SERVICE CHARGE ADJUSTMENT	75,870	(135,460)
Beginning cumulative operating service charge adjustment balance, as previously reported	(122,735)	12,725
Repayment from/(to) Towamencin Township	<u>122,735</u>	<u>-</u>
ENDING CUMULATIVE OPERATING SERVICE CHARGE ADJUSTMENT BALANCE AVAILABLE	<u>\$ 75,870</u>	<u>\$ (122,735)</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 was as follows:

	<u>Beginning</u> <u>Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending</u> <u>Balance</u>		<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Note payable	\$ 6,718,000	\$	-	\$	(455,000)	\$	6,263,000	\$	464,000

Note payable activity for the year ended December 31, 2022 was as follows:

	<u>Beginning</u> <u>Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending</u> <u>Balance</u>		<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Note payable	\$ 7,163,000	\$	-	\$	(445,000)	\$	6,718,000	\$	455,000

The future annual payments required are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 464,000	\$ 125,719
2025	474,000	115,862
2026	484,000	105,795
2027	494,000	95,518
2028	505,000	85,020
2029-2033	2,686,000	259,798
2034-2035	<u>1,156,000</u>	<u>22,357</u>
	<u>\$ 6,263,000</u>	<u>\$ 810,069</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE I - PROPOSED SEWER SALE

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 via Ordinance 23-03.

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. Additional information can be found under PaPUC Docket Number A-2023-3039900.

In August 2023, two township residents filed an Action seeking Writ of Mandamus, and in the alternative a Declaratory Judgment, in the Montgomery Court of Common Pleas to void Ordinance 23-03 and invalidate the APA with PAWC. The Township sought a Motion for Stay of Proceedings until final disposition of the pending application before the PaPUC. The stay was granted in December 2023 and remains in effect as of the date of this report. At this time, the Authority makes no claim as to the likelihood of the transaction being consummated.

REQUIRED SUPPLEMENTARY INFORMATION

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)

BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
OPERATING REVENUES			
Operating service charges			
Towamencin Township	\$ 3,549,669	\$ 3,657,322	\$ 107,653
Sludge removal reimbursements	412,000	579,772	167,772
Pump station reimbursement	-	175,167	175,167
Tapping fees	-	28,050	28,050
Grant income	50,000	20,602	(29,398)
Miscellaneous income	-	796	796
Annual year-end adjustment	-	(75,870)	(75,870)
TOTAL OPERATING REVENUES	<u>4,011,669</u>	<u>4,385,839</u>	<u>374,170</u>
OPERATING EXPENSES			
Administration	334,066	330,001	4,065
Physical plant/general	514,400	671,799	(157,399)
Operations	1,966,793	2,141,294	(174,501)
Maintenance	1,196,410	1,196,053	357
TOTAL OPERATING EXPENSES	<u>4,011,669</u>	<u>4,339,147</u>	<u>(327,478)</u>
OPERATING GAIN BEFORE DEPRECIATION	-	46,692	46,692
DEPRECIATION	<u>-</u>	<u>1,333,383</u>	<u>(1,333,383)</u>
OPERATING LOSS	<u>-</u>	<u>(1,286,691)</u>	<u>(1,286,691)</u>
NONOPERATING REVENUES (EXPENSES)			
Capital service charges	-	590,216	590,216
Interest income	-	1,960	1,960
Interest expense	-	(135,216)	(135,216)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>456,960</u>	<u>456,960</u>
CHANGE IN NET POSITION	<u>\$ -</u>	<u>(829,731)</u>	<u>\$ (829,731)</u>
NET POSITION AT BEGINNING OF YEAR		<u>15,435,045</u>	
NET POSITION AT END OF YEAR		<u>\$ 14,605,314</u>	

SUPPLEMENTARY INFORMATION

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)

SCHEDULE OF OPERATING EXPENSES

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2023

	<u>Actual</u>	<u>Original and Final Budget</u>	Variance With Final Budget Positive (Negative)
OPERATING EXPENSES			
Administration			
Salaries and wages	\$ 102,605	\$ 116,000	\$ 13,395
Employer benefits	29,383	22,566	(6,817)
Office supplies	9,396	6,000	(3,396)
Professional fees	94,458	128,000	33,542
Telephone	9,122	8,000	(1,122)
Postage	425	500	75
Advertising and printing	1,725	3,000	1,275
Contracted services	46,156	15,000	(31,156)
Administrative expenses	36,731	35,000	(1,731)
TOTAL ADMINISTRATION	<u>330,001</u>	<u>334,066</u>	<u>4,065</u>
Physical plant/general			
Fuel	11,202	9,500	(1,702)
Safety equipment	5,791	10,000	4,209
Security	839	600	(239)
General insurance	157,467	149,500	(7,967)
Electricity	458,837	300,000	(158,837)
Natural gas	20,064	15,000	(5,064)
Trash removal	6,289	4,800	(1,489)
Water	794	1,000	206
Cleaning and uniform services	9,893	9,000	(893)
Equipment replacement	623	15,000	14,377
TOTAL PHYSICAL PLANT/ GENERAL	<u>671,799</u>	<u>514,400</u>	<u>(157,399)</u>
SUBTOTAL OPERATING EXPENSES FORWARD	<u>\$ 1,001,800</u>	<u>\$ 848,466</u>	<u>\$ (153,334)</u>

TOWAMENCIN MUNICIPAL AUTHORITY
(A Component Unit of Towamencin Township)

SCHEDULE OF OPERATING EXPENSES
 BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2023

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance With Final Budget Positive (Negative)</u>
OPERATING EXPENSES			
SUBTOTAL FORWARDED	\$ <u>1,001,800</u>	\$ <u>848,466</u>	\$ <u>(153,334)</u>
Operations			
Salaries and wages	566,710	655,930	89,220
Employer benefits	168,612	188,536	19,924
Chemicals	731,600	585,000	(146,600)
Lab supplies	7,563	15,000	7,437
Computer services	74	5,000	4,926
Lab services	75,791	75,000	(791)
Sludge removal	413,891	335,000	(78,891)
Education/training expenses	7,290	5,000	(2,290)
Repairs and maintenance	33,719	10,500	(23,219)
Vehicle expenses	-	300	300
Miscellaneous	59,044	19,500	(39,544)
Equipment replacement	-	25,000	25,000
Fuel	2,597	2,000	(597)
Telephone	839	1,802	963
Electricity	46,062	33,050	(13,012)
Water	166	175	9
Contracted services	27,336	10,000	(17,336)
TOTAL OPERATIONS	<u>2,141,294</u>	<u>1,966,793</u>	<u>(174,501)</u>
Maintenance			
Salaries and wages	570,071	540,000	(30,071)
Employer	175,530	170,210	(5,320)
Grounds	5,085	2,000	(3,085)
Cleaning supplies	1,797	2,000	203
Repair and maintenance supplies	269,139	300,000	30,861
Vehicle maintenance	8,180	5,000	(3,180)
Small tools/minor equipment	-	2,000	2,000
Major repairs	-	12,000	12,000
Contracted services	108,642	115,000	6,358
Education/training expenses	3,580	3,000	(580)
Equipment replacement	49,437	42,000	(7,437)
Miscellaneous	4,592	3,200	(1,392)
TOTAL MAINTENANCE	<u>1,196,053</u>	<u>1,196,410</u>	<u>357</u>
TOTAL OPERATING EXPENSES	<u>\$ 4,339,147</u>	<u>\$ 4,011,669</u>	<u>\$ (327,478)</u>