

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

**YEARS ENDED  
DECEMBER 31, 2020 AND 2019**



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

# ***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

YEARS ENDED DECEMBER 31, 2020 AND 2019

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## Independent Auditor's Report

Members of the Board  
Derry Township Municipal Authority  
Hershey, Pennsylvania

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

We have audited the accompanying financial statements of Derry Township Municipal Authority (the Authority), a component unit of the Township of Derry, as of and for the years ended December 31, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditor's 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 Authority'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 of the effectiveness of the Authority'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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Derry Township Municipal Authority, a component unit of the Township of Derry, 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.

## Other Matter

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of changes in total OPEB liability and related ratios 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 audits 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.

## Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining statements and schedules of operating expenses listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining statements and the schedules of operating expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Brown Schultz Steindam & Fritz*

Camp Hill, Pennsylvania

June 22, 2021

# ***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2020 AND 2019

### INTRODUCTION

The Derry Township Municipal Authority (the Authority) is a governmental entity engaged in business-type activities related to providing services for the wastewater collection and treatment. The Authority provides these services to the Townships of Derry and South Hanover and to portions of the Townships of Conewago, Londonderry and Lower Swatara, as well as to a small portion of Hummelstown Borough. The Authority also provides stormwater management program services to the Township of Derry.

This Management's Discussion and Analysis (MD&A) is presented to provide the reader with an understanding of the financial activities of the Authority for the fiscal year ended December 31, 2020, along with selected comparative information for the previous fiscal year. This narrative and analysis also includes supplementary information intended to furnish additional details in support of the basic financial statements that consist of enterprise fund financial statements and notes to those statements.

It should be noted that analyses contained in this MD&A include three components to reflect the Authority's business enterprise accounting: Combined, Wastewater (WW) and Stormwater (SW).

### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). The notes to the financial statements also provide a summary of the Authority's significant accounting policies.

The statements of net position present information on the Authority's total assets and deferred outflows of resources and its liabilities. The difference between the two is considered the Authority's net position. A comparison of the current net position to previous net positions may serve as a useful indicator of whether the overall financial position of the Authority is stable, improving or deteriorating.

The statements of revenues and expenses present information showing how the Authority's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in the statements for some items that will only result in cash flows in future fiscal periods (e.g., accrued wages, payables and receivables).

The statements of cash flows present information on the Authority's flow of cash during the two most recent fiscal years. The flow of cash is broken down into four component activities: operating, noncapital financing, capital and related financing and investing. These statements also provide a reconciliation of operating income to cash flows from operating activities.

## ***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2020 AND 2019

#### FINANCIAL HIGHLIGHTS – YEAR ENDED DECEMBER 31, 2020

- ❖ The Authority's total assets and deferred outflows of resources exceeded total liabilities by \$60.98 million, including \$45.05 million invested in capital assets, \$1.70 million restricted for debt service and \$14.23 million unrestricted. The Authority's net position increased by \$940,200 (1.6%).
- ❖ Current assets increased by \$1.19 million (10.0%).
- ❖ Current liabilities increased by \$1.21 million (35.0%).
- ❖ Operating revenues from all sources decreased by \$392,600 (-3.0%).
- ❖ Operating expenses increased by \$232,200 (3.1%).

#### FINANCIAL ANALYSIS

*Revenues, Expenses and Changes in Net Position* – A condensed summary of the Authority's statements of revenues, expenses and changes in net position for the years ended December 31, 2020 and 2019 is presented in Table 1, below.

TABLE 1  
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2020 AND 2019

	(in thousands of dollars)			
	2020	2019	\$ Change	% Change
Operating revenues	\$ 12,537.3	\$ 12,929.9	\$ (392.6)	(3.0) %
Operating expenses	7,702.5	7,470.4	232.1	3.1 %
Total operating income before depreciation and amortization	4,834.8	5,459.5	(624.7)	(11.4) %
Depreciation and amortization	3,270.1	3,335.0	(64.9)	(1.9) %
Total operating income	1,564.7	2,124.5	(559.8)	(26.4) %
Nonoperating revenues	1,070.9	1,120.0	(49.1)	(4.4) %
Nonoperating expenses	1,645.4	2,893.9	(1,248.5)	(43.1) %
Income before cost-sharing agreement expense, net	990.2	350.6	639.6	182.4 %
Cost-sharing agreement expense, net	50.0	50.0	-	0.0 %
Increase in net position	940.2	300.6	\$ 639.6	212.8 %
Net position:				
Beginning of year	60,039.4	59,738.8		
End of year	\$ 60,979.6	\$ 60,039.4		

# DERRY TOWNSHIP MUNICIPAL AUTHORITY

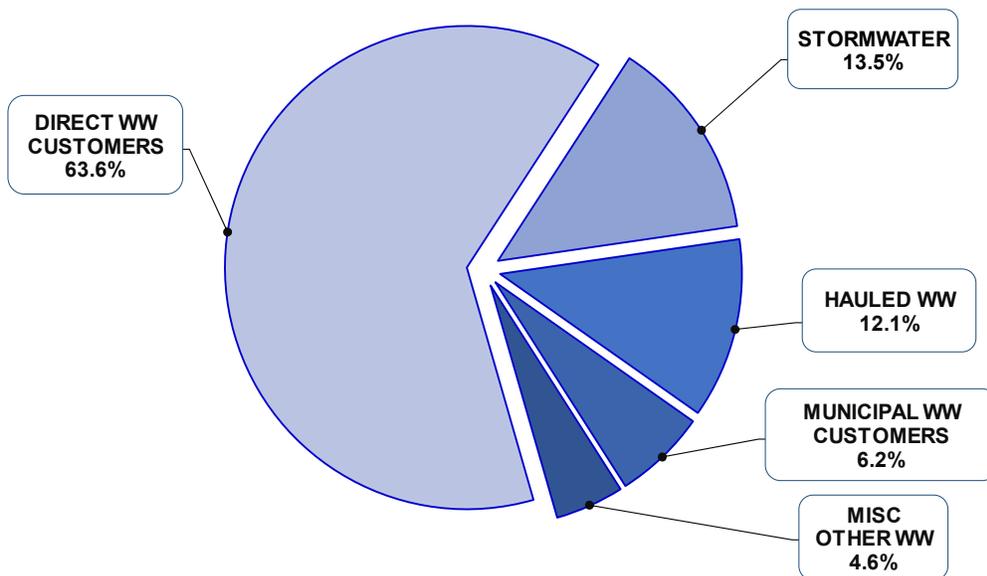
## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2020 AND 2019

### REVENUE

*Combined* – The overall combined 2020 Authority operating revenues decreased by \$392,600 (-3.0%), comparatively to 2019. The major contributing factor to the decreased revenues is due to the economic impacts caused by the COVID-19 pandemic. This mostly affected local tourism and commercial establishments within the Authority's service area, such as the amusement park, concert venues, sporting events and restaurants which operated under a reduced capacity in 2020. This resulted in a reduced total billable wastewater volume for Direct and Municipal Customers, as well as the collection of the strength of waste surcharge fees for the commercial and industrial establishments. The Authority also observed a slight increase in total billable wastewater volume contributed by metered residential customers. The 2.0% increase in both the Wastewater (WW) user rate and the Hauled Waste processing rates in early 2020 lessened the impact on operating revenues caused by the COVID-19 pandemic. The 2020 Stormwater revenue increased slightly by 0.9% over 2019.

Figure 1 presents a detailed breakdown of the various components of the Authority's combined operating revenue for 2020.

**FIGURE 1  
2020 COMBINED OPERATING REVENUE DETAIL**



## DERRY TOWNSHIP MUNICIPAL AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2020 AND 2019

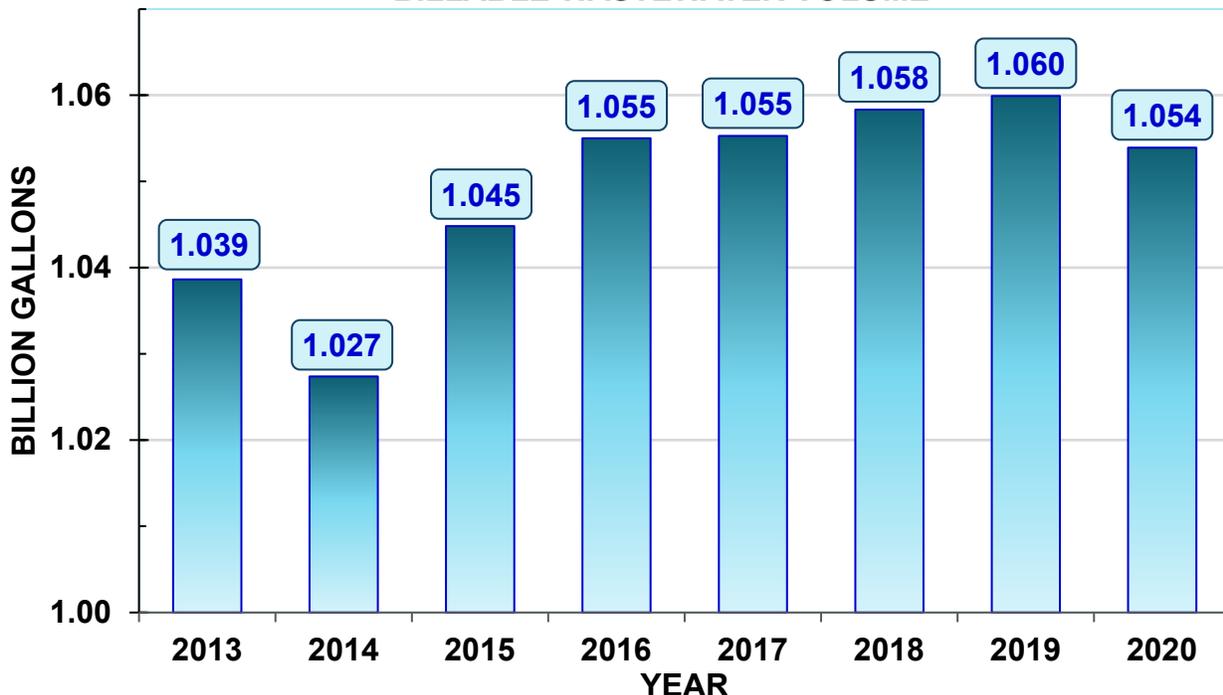
#### REVENUE (CONTINUED)

*WW Revenue* – During 2020, WW revenue decreased by \$407,000 (-3.6%) from all the Authority's WW customers, comparatively to 2019. The main contributing factors include the reduction of total billable wastewater volume and the suspension of surcharge fees and penalty charges as a result of the COVID-19 pandemic.

The billable wastewater volume decreased slightly in 2020 over the 2019 volume, reversing the previous five-year upward trend, as presented in Figure 2. The slight decrease in the total billable wastewater is due to the impacts caused by COVID-19 pandemic, as previously stated. In 2020, the decreases were partially offset based on an observed increase in metered residential customer use and a 22.4% increase in the total billable wastewater volume contributed by The Hershey Company, comparatively to 2019. The Authority will continue to monitor this trend for future changes.

As a result of the COVID-19 pandemic, the strength of waste surcharge fees collected from the commercial and industrial establishments decreased in 2020 compared to 2019 by \$185,600 as these establishments were operating at a reduced capacity. The Authority suspended penalties and collection procedures for past due customer accounts from the period between April and December 2020 resulting in a revenue decrease of \$28,900.

**FIGURE 2**  
**BILLABLE WASTEWATER VOLUME**



**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2020 AND 2019

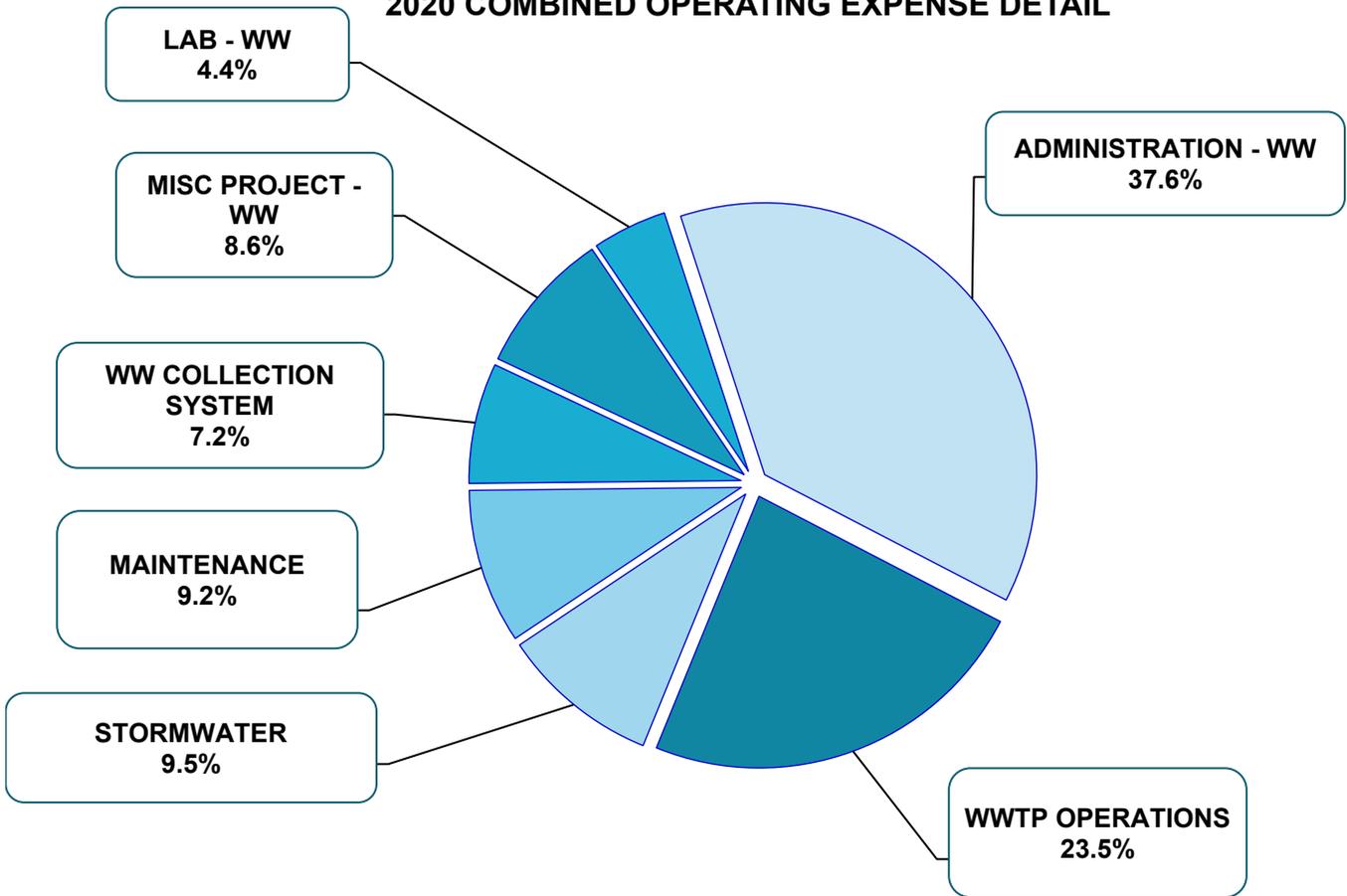
REVENUE (CONTINUED)

*Stormwater (SW) Revenue* – During 2020, approximately \$1.70 million in revenues were collected and represents approximately the same level of revenue as collected for 2019. Based on this and previous recent revenue numbers, the SW revenue stream has stabilized and will remain near this level for the foreseeable future.

EXPENSES

*Combined Operating Expenses* – The 2020 combined operating expenses before depreciation increased by \$232,200 (3.1%) over the 2019 expenses. Figure 3 presents the breakdown of overall combined 2020 Authority operating expenses.

**FIGURE 3  
2020 COMBINED OPERATING EXPENSE DETAIL**



## ***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2020 AND 2019

#### EXPENSES (CONTINUED)

*WW Operating Expenses* – The 2020 WW operating expenses increased by \$303,900 (4.6%) from 2019. There were two major one-time expenses in 2020: 1) The settlement of a disputed prior year contract, which increased the projects expense, and 2) The accrual of the retirement and separation agreement with the Authority's Executive Director which increased the retiree benefits. When you factor out these two extraordinary expenses, the WW operating expenses for 2020 actually decreased by 362,100 (-0.9%).

After considering these two events, the following describes other changes in operating expenses:

- Administrative expenses increased by \$176,000 (6.7%). The major contributing factors for the increase in expenses are: an increase in annual insurance premiums of \$54,000 (14.7%), an increase in retiree benefits of \$53,700 (66.1%) due to higher than usual retiree healthcare and retiree PTO accruals and an increase of \$30,200 (19.4%) due to an accounting change that accrued FICA on accrued payroll and accrued PTO and the shifting of the January 1, 2021 payroll date to December 31, 2020 due to the holiday.
- Collection system expenses decreased by \$96,600 (-14.9%) due to a reduction in costs for contract emergency repairs of the collection system.
- Operations expenses for the plant operations decreased by \$99,600 (-5.2%). As a result of the COVID-19 pandemic, the 2020 operating year experienced reduced flows at the Clearwater WWTP reducing overall expenses such as materials, supplies and chemical costs. Other major contributing factors include a reduction in contract biosolids reuse/disposal costs and increased electric utility savings/offset with the operation of the cogeneration engine.
- Maintenance expenses decreased by \$45,500 (-6.0%) due to a decrease in equipment repairs and contract services for electrician, SCADA and building HVAC control systems.

*SW Operating Expenses* – During 2020, the SW fund operating expenses decreased by \$71,700 (-9.0%) from 2019 SW expenses. The stormwater management program shifted from reactive or emergency repairs to proactively planned asset rehabilitation, utilizing a design, bid and construction of projects for asset renewal and replacement. As a result, in 2020, contract repair expense decreased by \$155,600 (-68.0%) and engineering design services increased by \$76,900 (58.7%).

#### COMBINED NONOPERATING REVENUE

The 2020 nonoperating revenues, including interest income, grants and capacity fees decreased by \$49,100 (-4.4%) over 2019. Interest income decreased by \$97,000 (-35.0%) due to the combination of lower interest rates in 2020 and the disbursement of construction funds to pay project related expenses. Capacity fees, which often vary widely from year to year, are one-time payments made by property owners, developers and municipalities to reserve capacity in the Authority's sanitary sewer system. In 2020, strong development activity continued within the Authority's service area with only a slight decrease in revenue (-1.3%) compared to 2019.

***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2020 AND 2019

COMBINED CONTRIBUTIONS

Extensions to the existing sanitary sewer system and stormwater management facilities that are constructed by and at the expense of developers and others, may be dedicated to the Authority for ownership, operation and maintenance and vary from year to year. During 2020, no developer contributions for sanitary sewer or storm sewer extensions occurred.

COMBINED NONOPERATING EXPENSE

In 2020, the overall bonds and notes payable and amortization of bond premiums increased by \$38,900 (3.0%). Interest on bonds increased by \$42,300 (3.5%) due to the issuance of the General Obligation Bonds, Series of 2020 and 2020A, and also a full year of interest on the Guaranteed Sewer Revenue Bonds, Series of 2019. The debt issuance costs decreased by \$22,400 (-6.5%) compared to 2019.

TOTAL NET POSITION

As detailed on Table 2, as of December 31, 2020 and 2019, the Authority had total net positions of \$60.98 million and \$60.04 million, respectively.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2020 AND 2019

TOTAL NET POSITION (CONTINUED)

TABLE 2  
CONDENSED STATEMENTS OF NET POSITION  
DECEMBER 31, 2020 AND 2019

	(in thousands of dollars)			
	2020	2019	VARIANCE	
			\$	%
Assets and deferred outflows of resources:				
Current assets	\$ 13,115.8	\$ 11,925.5	\$ 1,190.3	10.0 %
Capital assets	77,209.3	75,522.2	1,687.1	2.2 %
Other assets	22,535.4	16,348.7	6,186.7	37.8 %
<b>Total assets</b>	<b>112,860.5</b>	<b>103,796.4</b>	<b>9,064.1</b>	<b>8.7 %</b>
Deferred outflows of resources	1,090.8	1,286.6	(195.8)	(15.2) %
<b>Total assets and deferred outflows of resources</b>	<b>\$ 113,951.3</b>	<b>\$ 105,083.0</b>	<b>\$ 8,868.3</b>	<b>8.4 %</b>
Liabilities and net position:				
Current liabilities	\$ 4,658.8	\$ 3,451.5	\$ 1,207.3	35.0 %
Long-term liabilities	48,304.1	41,592.1	6,712.0	16.1 %
<b>Total liabilities</b>	<b>52,962.9</b>	<b>45,043.6</b>	<b>7,919.3</b>	<b>17.6 %</b>
Deferred inflows of resources	8.9	-	8.9	100.0 %
<b>Total liabilities and deferred inflows of resources</b>	<b>52,971.8</b>	<b>45,043.6</b>	<b>7,928.2</b>	<b>17.6 %</b>
Net position:				
Net investment in capital assets	45,053.2	46,255.7	(1,202.5)	(2.6) %
Restricted for debt service	1,693.0	1,512.4	180.6	11.9 %
Unrestricted	14,233.3	12,271.3	1,962.0	16.0 %
<b>Total net position</b>	<b>60,979.5</b>	<b>60,039.4</b>	<b>940.1</b>	<b>1.6 %</b>
<b>Total liabilities, deferred outflows of resources and net position</b>	<b>\$ 113,951.3</b>	<b>\$ 105,083.0</b>	<b>\$ 8,868.3</b>	<b>8.4 %</b>

## ***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2020 AND 2019

#### ASSETS

The 2020 year-end value of total assets increased by \$9.06 million (8.7%) when compared to 2019 year end. A breakdown of the total assets by category is presented in Table 2. The 2020 value of capital assets increased \$1.69 million (2.2%) over 2019 levels. Once construction projects are completed, their asset values are reclassified from construction or projects in progress and recorded in the appropriate capital asset category under property, plant and equipment.

In April 2020, the Authority leveraged low interest rates to refinance the General Obligations (GO) Bonds (Series of 2015 and 2016) with the issuance of the GO Bonds, Series of 2020, in the amount of \$8,915,000. The proceeds were used to pay the costs of issuing the bond and to refund the GO Bonds (Series of 2015 and of 2016). The refunding resulted in a net savings to the Authority of approximately \$436,000. In July 2020, the Authority completed the transaction of the GO Bonds, Series of 2020A, in the amount of \$8,880,000 to fund various capital improvement projects. Both the GO Bonds (Series of 2020 and of 2020A) were bank qualified and issued by the Township of Derry, on behalf of the Authority, which included a guarantee of payment by the Authority through an amendment to the subsidy agreement.

During 2020, funds were disbursed from the 2018 Construction Fund and the 2019 Capital Projects Fund to pay invoices related to the Authority's capital projects. The major projects included: installation of building flood proofing gates, sanitary and stormwater infrastructure replacements, Clearwater WWTP site improvements and stormwater management, relocation of power center #2, influent pump replacement, Southwest WWTP upgrades and the energy enhancements (cogeneration) project.

The Wastewater Resource Allocation Fund increased by \$462,600 with the transfer of capacity fees paid in 2019. The intended use of this fund is the financing component of the long-range, strategic Wastewater Asset Management Program with the purpose of proactively managing and maintaining the wastewater infrastructure assets of the Authority.

In addition to the Wastewater Resource Allocation Fund, the Authority maintains two other restricted reserve funds: the Operating Reserve Fund and the Flood Fund. The Operating Reserve Fund, which maintains a balance of approximately 10% of the Authority's annual expenses, serves as a fallback against unexpected revenue losses or unexpected expenditures. During 2020, the Operating Reserve Fund increased by \$756,900. The Flood Fund, which was designated to cover flood insurance deductibles, is capped at \$200,000 and that balance was maintained during 2020.

## ***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2020 AND 2019

#### DEFERRED OUTFLOWS OF RESOURCES

This section is presented in compliance with GASB 65 to set forth the balances of deferred losses on bond issues.

*Liabilities* – Current liabilities increased by \$1.21 million (35.0%). Accounts payable increased by \$790,900 (196.4%), which was primarily due to a one-time payment related to a contract settlement. The PTO liability increased by \$67,900 (36.6%) as a result of a temporary personnel policy change made in response to the COVID-19 pandemic and the inability of staff to use their accrued PTO due to stay-at-home orders and travel restrictions during the pandemic. The accrued payroll and payroll deduction liabilities increased by \$8,400 (7.1%) due to the previously mentioned accrual of payroll taxes, PTO and retiree severance.

In 2020, long-term liabilities (net of current) increased by \$6.71 million (16.1%). The major contributor for this increase was the issuance of the GO Bonds, Series of 2020A. The long-term debt increased by \$9.03 million (49.8%) due to the issuance of general obligation bonds (Series of 2020A) by the Township of Derry on behalf of the Authority and covered by the Subsidy Agreement (as amended). It was decreased by \$2.08 million, in accordance with debt repayment schedules. Capital lease liabilities with Conewago Township and Conewago Municipal Authority decreased by \$338,600 due to normally scheduled principal payments. Further information about long-term liabilities can be found in Notes 5 to 8 to the financial statements.

With the changes in both current and long-term liabilities, the resulting total liabilities increased by \$7.92 million (17.6%) from 2019 levels.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2020 AND 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

*Capital Assets* – The Authority's capital assets, net of accumulated depreciation, as of December 31, 2020 were \$77.21 million. The Authority's investment in capital assets includes land, infrastructure, buildings and equipment. Additional information on the Authority's capital assets can be found in Note 4 of the financial statements. A condensed summary of the Authority's capital assets at December 31, 2020 and 2019 is summarized in Table 3 below.

TABLE 3  
PROPERTY, PLANT AND EQUIPMENT

	<u>2020</u>	<u>2019</u>
Land and right-of-ways	\$ 2,370,024	\$ 2,370,024
Collection lines	43,573,958	43,049,165
Sewage treatment plant	71,962,422	71,093,235
Plant equipment	4,451,408	4,368,587
Vehicles	1,814,352	1,717,064
Office equipment	1,331,709	1,245,835
Miscellaneous equipment	76,448	76,448
Capitalized interest and financing costs prior to plant operation	3,267,456	3,267,456
Stormwater system	9,278,931	7,835,940
Construction in progress	4,072,381	1,255,065
Projects in progress	<u>69,540</u>	<u>1,032,616</u>
 Total capital assets	 142,268,629	 137,311,435
 Less accumulated depreciation	 <u>65,059,312</u>	 <u>61,789,198</u>
 Total capital assets, net	 <u>\$ 77,209,317</u>	 <u>\$ 75,522,237</u>

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2020 AND 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

*Long-Term Debt* – At the end of 2020, the Authority had outstanding long-term debt obligations of \$47.74 million. More information about the Authority's long-term debt can be found in Note 5 of the financial statements.

A condensed summary of the Authority's long-term debt obligations for the past four years is summarized in Table 4 below.

TABLE 4  
LONG-TERM DEBT

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 41,864,740	\$ 35,326,329	\$ 33,034,622	\$ 35,619,648
New debt issues	17,795,000	13,870,000	5,010,000	
Principal retirement	<u>(11,919,921)</u>	<u>(7,331,589)</u>	<u>(2,718,293)</u>	<u>(2,585,026)</u>
Ending balance	<u>\$ 47,739,819</u>	<u>\$ 41,864,740</u>	<u>\$ 35,326,329</u>	<u>\$ 33,034,622</u>

*Bond Ratings* – The General Obligation Bonds (Series of 2020 and 2020A) were issued by the Township of Derry with AA rating from S&P Global Ratings at the time of issuance.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2020 AND 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

*Debt Coverage Ratio* – The Authority's debt coverage ratio (available revenue to debt service expenses) for 2020 is 1.43, down from the 2019 ratio of 1.64. Table 5 presents the Authority's debt coverage ratio for the past four years.

TABLE 5  
DEBT COVERAGE RATIO

	2020	2019	2018	2017
Net operating income	\$ 1,564,677	\$ 2,024,410	\$ 742,912	\$ 1,950,899
Plus:				
Depreciation and amortization of property	3,270,115	3,335,091	3,334,100	3,369,374
Tap and capacity fees	630,292	638,964	391,536	311,840
Investment income	190,934	335,447	222,081	93,329
Total available revenue	<u>\$ 5,656,018</u>	<u>\$ 6,333,912</u>	<u>\$ 4,690,629</u>	<u>\$ 5,725,442</u>
Debt:				
Principal	\$ 2,779,921	\$ 2,796,589	\$ 2,718,293	\$ 2,585,025
Interest	1,185,961	1,072,011	884,814	813,095
Total debt service	<u>\$ 3,965,882</u>	<u>\$ 3,868,600</u>	<u>\$ 3,603,107</u>	<u>\$ 3,398,120</u>
Ratio	1.43	1.64	1.30	1.68

CONCLUDING COMMENTS

In March 2020, the nation, Pennsylvania and the local region experienced a significant negative impact due to the COVID-19 pandemic. Since the beginning of the pandemic, Authority staff continuously monitored any potential impacts to the Authority's financial position for the near-term, as well as any potential long-term impacts to future financial planning. From a staffing perspective, the Authority is considered an essential employer and was not required by the Governor's Order to reduce our workforce. However, in order to help protect the health and safety of our employees, the Authority initiated departmental staffing protocols and pandemic policies to ensure the continued operations of the critical functions of our system.

The commercial establishments within the Authority's service area, such as the amusement park, concert venues, sporting events and restaurants, were required by the Governor's Order to either shutdown or operate under a reduced capacity. For the period between March and July, local tourism and commercial businesses within our service area were significantly impacted. The Authority's monthly revenue began to increase in July as the commercial businesses began to re-open.

## ***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2020 AND 2019

#### CONCLUDING COMMENTS (CONTINUED)

In summary, the Authority experienced a reduction in the total billable wastewater volume for direct and municipal customers. During this period, the Authority also observed a slight increase in total billable wastewater volume contributed by metered residential customers, which would be expected with residents staying home during the pandemic. The budgeted 2% increase in both the Wastewater (WW) user rate and the Hauled Waste processing rates in early 2020 also lessened the financial impact of the COVID-19 pandemic. The positive upward trend of total billable wastewater volume will likely continue with the anticipated growth of new customers within the Authority's service area and the re-opening of the local economy as local tourism and commercial businesses begin to return to normal operations.

As shown in Table 6, the positive net position and strong revenue to expense ratios indicate that the Authority's financial position remained stable in 2020. This is due in large part to the diversified customer base of residential, commercial and industrial customers. These financial indicators ensure that the future revenues will be sufficient to cover normal increases in expenses and the debt service; thereby, allowing the Authority to continue to undertake capital asset replacements and facility improvements. Although the combined revenues decreased by 3%, the Authority's operating expenses were well below the budgeted amounts during 2020. Authority staff worked diligently to reduce expenses wherever possible. Critical asset maintenance and/or replacement projects continued to be implemented as all major capital projects are funded by bonds. Stormwater projects also continued to be undertaken.

During 2020, the Authority continued implementation of elements of the strategic planning program, including the continued funding of the wastewater resource allocation fund. This fund supports the long-term capital asset management program, including the renewal or replacement of any fixed asset. All capacity fees collected during any given fiscal year, with a minimum transfer target of \$250,000, will be transferred to this fund. If the capacity fees do not meet the target minimum during any year, the difference will be made up with a transfer from cash reserves at the end of each year. Additionally, with the significant potential development occurring in Londonderry Township in 2020 and beyond, the Authority has established a separate southwest wastewater resource allocation fund to earmark the capacity fees collected in the contributing service area to help address the future needs of the southwest WWTP.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2020 AND 2019

CONCLUDING COMMENTS (CONTINUED)

TABLE 6  
REVENUE TO EXPENSE RATIOS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenue	\$ 12,537,329	\$ 12,929,879	\$ 12,459,128	\$ 11,817,604
Operating expenses*	<u>7,702,537</u>	<u>7,470,378</u>	<u>8,282,116</u>	<u>6,497,331</u>
Operating revenue/expense ratio	1.63	1.73	1.50	1.82
Total revenue	\$ 13,608,199	\$ 14,049,862	\$ 13,174,986	\$ 12,258,876
Total expenses	<u>9,397,922</u>	<u>10,414,238</u>	<u>9,953,939</u>	<u>7,444,305</u>
Total revenue/expense ratio	1.45	1.35	1.32	1.65

*\*(before depreciation and amortization)*

2021 OUTLOOK

In preparation of the 2021 budget, Authority staff developed and implemented strategies to stabilize the Authority's financial position to include establishing a budgeting baseline (bottom-up approach rather than cost-averaging from prior years' budget) for the annual operating expenses and project expenditure forecasting, as well as adjusting the anticipated annual revenue budget for the hauled-in waste program and the customer surcharge revenues, which have continuously exceeded budget expectations in previous years. This effort provided a conservative and balanced budget for the 2021 operating year. The local tourism and commercial businesses are beginning to return to some level of normalcy, which will have a strong and positive impact to the Authority's financial position.

The Authority Board previously approved an annual wastewater user rate adjustment for 2021 as part of a multi-year rate adjustment program. For 2021, the Authority Board adopted a resolution to rescind the rate increase for 2021, but instead implement a three-year rate adjustment strategy beginning in 2022 (2022--2%, 2023--2%, 2024--3%). These annual rate adjustments will provide for a financially stable operation and ensure the positive financial position of the Authority. As shown in Table 7, through the implementation of modest annual user rate increases, the Authority has maintained the available operating reserve funds to withstand the financial impact of the COVID-19 pandemic.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2020 AND 2019

2021 OUTLOOK (CONTINUED)

The Authority's long-term growth plans and additional future borrowing needs created an opportunity to move to a new legal structure or Trust Indenture for future borrowing. This eliminates the Township of Derry's involvement with the issuance of bank qualified loans, as well as a guarantee agreement. On February 2, 2021, the Authority was assigned a bond rating of AA- with a stable outlook for the 2021 bonds. This strong credit rating provides the Authority a significant savings opportunity for the 2021 bonds and future borrowings to lock in lower interest rates and reduce the cost of bond issuance by eliminating the bond insurance requirement. In February 2021, the Authority was reassigned under a new Trust Indenture with the issuance of Sewer Revenue Bonds (Series A and B of 2021), which proceeds (\$18.58 million) were applied to the refunding of the outstanding bonds under the 1998 Trust Indenture, therefore nullifying the lien of the 1998 Trust Indenture.

Based on the various capital projects in progress and as identified in the Authority's 10-year Capital Improvement Plan (CIP), the construction funds are anticipated to be completely disbursed by the end of 2021. In May 2021, the Authority proceeded with the issuance of Sewer Revenue Bonds (Series C of 2021), in the amount of \$9.80 million, for the additional borrowing needed to fund current capital projects in 2021. This bond issuance includes a wrap-around payment structure which provides for the fill-in of the annual savings generated by the refunding transaction (Series A and B of 2021), providing minimal financial impact to the Authority's gross debt service as budgeted in 2021 and the next four operating years.

TABLE 7  
OPERATING RESERVES

	<u>January 1, 2020</u>	<u>Additions/(deletions)</u>	<u>December 31, 2020</u>
Operating Reserve Fund	\$ 1,048,541	\$ 702,164	\$ 1,750,705
WW Resource Allocation Fund	984,310	482,638	1,466,948
Operating Flood Fund	<u>208,485</u>	<u>613</u>	<u>209,098</u>
Total operating reserve	<u>\$ 2,241,336</u>	<u>\$ 1,185,415</u>	<u>\$ 3,426,751</u>

Additional information on this MD&A and the accompanying financial statements may be obtained by contacting the Executive Director, Derry Township Municipal Authority, 670 Clearwater Road, Hershey, PA 17033.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

STATEMENTS OF NET POSITION – DECEMBER 31, 2020 AND 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2020</u>	<u>2019</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 12,316,025	\$ 11,365,348
Sewer rents receivable	335,407	232,598
Accounts receivable, other	193,561	106,237
Interest receivable	31	2,496
Inventory		7,193
Prepaid insurance	270,802	211,629
	<u>13,115,826</u>	<u>11,925,501</u>
<b>Total current assets</b>	<b>13,115,826</b>	<b>11,925,501</b>
Property, plant and equipment	138,126,708	135,023,754
Less accumulated depreciation and amortization	65,059,312	61,789,198
	73,067,396	73,234,556
Construction work in progress	4,072,381	1,255,065
Projects in progress	69,540	1,032,616
	<u>77,209,317</u>	<u>75,522,237</u>
<b>Other assets:</b>		
Cash and cash equivalents designated for improvements and contingency	3,944,310	2,777,950
Cash and cash equivalents restricted for capital projects and debt service	18,591,062	13,570,728
	<u>22,535,372</u>	<u>16,348,678</u>
<b>Total other assets</b>	<b>22,535,372</b>	<b>16,348,678</b>
<b>Total assets</b>	<b>112,860,515</b>	<b>103,796,416</b>
<b>Deferred outflows of resources:</b>		
Other postemployment benefits	77,729	14,506
Deferred loss on refunded debt	1,013,042	1,272,079
	<u>1,090,771</u>	<u>1,286,585</u>
<b>Total deferred outflows of resources</b>	<b>1,090,771</b>	<b>1,286,585</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 113,951,286</b>	<b>\$ 105,083,001</b>

See notes to financial statements.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

STATEMENTS OF NET POSITION – DECEMBER 31, 2020 AND 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2020</u>	<u>2019</u>
<b>Current liabilities:</b>		
Accrued interest on debt	\$ 67,002	\$ 45,633
Current maturities of:		
Sewer revenue bonds	2,000,000	1,685,000
Subsidy agreements with Derry Township	680,000	680,000
Capital lease obligations	338,285	334,643
Accounts payable	1,193,556	402,665
Accrued:		
Paid time off	253,810	185,834
Payroll and payroll deductions	126,143	117,731
<b>Total current liabilities</b>	<b><u>4,658,796</u></b>	<b><u>3,451,506</u></b>
<b>Long-term liabilities:</b>		
Other postemployment benefits liability	1,255,290	1,158,332
Long-term debt, net of current portion:		
Sewer revenue bonds	17,311,758	19,390,591
Subsidy agreements with Derry Township	27,170,558	18,138,116
Capital lease obligations	2,566,534	2,905,097
<b>Total long-term liabilities</b>	<b><u>48,304,140</u></b>	<b><u>41,592,136</u></b>
<b>Total liabilities</b>	<b><u>52,962,936</u></b>	<b><u>45,043,642</u></b>
<b>Deferred inflows of resources, other postemployment benefits</b>	<b><u>8,829</u></b>	
<b>Net position:</b>		
Net investment in capital assets	45,053,280	46,255,639
Restricted for debt service	1,693,006	1,512,390
Unrestricted	14,233,235	12,271,330
<b>Total net position</b>	<b><u>60,979,521</u></b>	<b><u>60,039,359</u></b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b><u>\$ 113,951,286</u></b>	<b><u>\$ 105,083,001</u></b>

See notes to financial statements.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Operating revenues:</b>		
Service charges:		
Direct customers	\$ 7,973,798	\$ 8,029,290
Municipal customers	778,647	837,495
Hauled waste processing	1,511,718	1,531,931
Surcharges	456,059	641,704
Biosolids processing		23,615
Connection and related fees	26,804	57,469
Stormwater fees	1,694,081	1,674,423
Miscellaneous	96,222	133,952
	<u>12,537,329</u>	<u>12,929,879</u>
<b>Total operating revenues</b>	<b>12,537,329</b>	<b>12,929,879</b>
<b>Operating expenses:</b>		
Administrative, payroll taxes and employee benefits	3,421,242	3,096,849
Collection system	734,586	962,594
Plant operations	1,811,106	1,910,713
Maintenance	712,932	758,435
Technical services	341,350	303,498
Miscellaneous project expense	681,321	438,289
	<u>7,702,537</u>	<u>7,470,378</u>
<b>Total operating expenses</b>	<b>7,702,537</b>	<b>7,470,378</b>
Operating income before depreciation and amortization	4,834,792	5,459,501
Depreciation and amortization	3,270,115	3,335,091
	<u>1,564,677</u>	<u>2,124,410</u>
<b>Operating income (carried forward)</b>	<b>1,564,677</b>	<b>2,124,410</b>

(continued)

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)  
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Operating income (brought forward)</b>	<b>\$ 1,564,677</b>	<b>\$ 2,124,410</b>
<b>Nonoperating income:</b>		
Capacity fees	630,292	638,964
Interest income	190,934	335,447
Amortization of bond premiums	190,822	96,756
Miscellaneous	58,822	48,816
<b>Total nonoperating income</b>	<b>1,070,870</b>	<b>1,119,983</b>
<b>Nonoperating expense:</b>		
Interest on:		
Capital lease	30,865	34,196
Bonds and notes payable	1,291,841	1,249,575
Miscellaneous	2,637	12
Bond issuance costs	320,042	342,354
Loss on disposal of fixed assets		1,267,735
<b>Total nonoperating expense</b>	<b>1,645,385</b>	<b>2,893,872</b>
Income before cost sharing agreement expense, net	990,162	350,521
Cost-sharing agreement expense, net	50,000	50,000
<b>Increase in net position</b>	<b>940,162</b>	<b>300,521</b>
<b>Net position:</b>		
Beginning of year	60,039,359	59,738,838
<b>End of year</b>	<b>\$ 60,979,521</b>	<b>\$ 60,039,359</b>

See notes to financial statements.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

STATEMENTS OF CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2020 AND 2019

	Net position			Net investment in capital assets
	Total	Unrestricted	Restricted	
<b>Balance, January 1, 2019</b>	<b>\$ 59,738,838</b>	<b>\$ 9,695,778</b>	<b>\$ 2,016,366</b>	<b>\$ 48,026,694</b>
Increase (decrease) in net position	300,521	2,575,552	(503,976)	(1,771,055)
<b>Balance, December 31, 2019</b>	<b>60,039,359</b>	<b>12,271,330</b>	<b>1,512,390</b>	<b>46,255,639</b>
Increase (decrease) in net position	940,162	1,961,905	180,616	(1,202,359)
<b>Balance, December 31, 2020</b>	<b>\$ 60,979,521</b>	<b>\$ 14,233,235</b>	<b>\$ 1,693,006</b>	<b>\$ 45,053,280</b>

See notes to financial statements.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 13,852,832	\$ 12,931,578
Cash payments to:		
Suppliers	(5,149,104)	(4,910,403)
Employees	(2,992,894)	(2,398,265)
	<u>5,710,834</u>	<u>5,622,910</u>
<b>Net cash provided by operating activities</b>		
	<u><b>5,710,834</b></u>	<u><b>5,622,910</b></u>
<b>Cash flows from capital and related financing activities:</b>		
Nonoperating income	8,822	(1,184)
Capacity fees	630,292	638,964
Purchase of property, plant and equipment	(5,184,174)	(2,853,789)
Debt principal paid	(11,586,750)	(7,000,000)
Capital lease paid	(334,921)	(331,589)
Bond proceeds, net of issuance costs, premiums and discounts	18,813,450	14,376,806
Interest paid on debt	(1,113,581)	(1,109,491)
	<u>1,233,138</u>	<u>3,719,717</u>
<b>Net cash provided by capital and related financing activities</b>		
	<u><b>1,233,138</b></u>	<u><b>3,719,717</b></u>
<b>Cash flows provided by investing activities, interest received</b>		
	<u><b>193,399</b></u>	<u><b>337,122</b></u>
<b>Net increase in cash and cash equivalents</b>		
	<u><b>7,137,371</b></u>	<u><b>9,679,749</b></u>
<b>Cash and cash equivalents (Note 2):</b>		
Beginning of year	<u>27,714,026</u>	<u>18,034,277</u>
<b>End of year</b>	<u><u><b>\$ 34,851,397</b></u></u>	<u><u><b>\$ 27,714,026</b></u></u>

(continued)

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 1,564,677	\$ 2,124,410
Adjustments:		
Depreciation and amortization of property, plant and equipment	3,270,115	3,335,091
Noncash expenses	78,083	170,869
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(190,133)	92,587
Inventory	7,193	144
Prepaid insurance	(59,173)	(24,604)
Deferred outflow, OPEB	(63,223)	(14,506)
Increase (decrease) in:		
Accounts payable, trade and other	921,120	(110,172)
OPEB liability	96,958	56,101
Accrued expenses	76,388	(7,010)
Deferred inflow, OPEB	8,829	
<b>Net cash provided by operating activities</b>	<b><u>\$ 5,710,834</u></b>	<b><u>\$ 5,622,910</u></b>
Noncash activities:		
Accounts payable for property, plant and equipment at year end		\$ 130,229
Amortization of bond premiums	\$ 190,822	96,756
Deferred loss on refunded debt	187,756	8,008

See notes to financial statements.

# ***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

### **1. Operations and significant accounting policies:**

The Authority was incorporated April 20, 1971, under the Municipality Authorities Act of 1945 as amended, to acquire, hold, construct, improve, maintain, operate, own and lease, either in the capacity of lessor or lessee, sewers, sewer systems, interceptor lines, sewage treatment works and works for the treatment and disposal of industrial waste. The Authority is considered a component unit of the Township of Derry.

#### *Reporting entity:*

Generally accepted accounting principles require that the reporting entity include (1) the Authority, (2) organizations for which the Authority is financially accountable and (3) other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board (GASB) Statement No. 61 have been considered, and there are no agencies or entities which should be presented with the Authority.

#### *Measurement focus and basis of accounting:*

The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources and all liabilities associated with the operations are included in the statements of net position.

The Authority has adopted the accrual basis of accounting to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered substantially through user charges. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

The Derry Township Municipal Authority complies with accounting principles generally accepted in the United States of America (GAAP). The Authority applies all relevant GASB pronouncements.

#### *Cash equivalents:*

For purposes of reporting cash flows, the Authority considers money market investments and all debt instruments with a maturity of 90 days or less when purchased to be cash equivalents.

#### *Investments and fair value measurement:*

The Authority reports investments at fair value based on a hierarchy of valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

# ***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

### **1. Operations and significant accounting policies (continued):**

#### *Other postemployment benefits plan:*

The Authority reports other postemployment benefits obligations (OPEB) as earned by participants using actuarial calculations, which allocate expected costs over employees' service periods.

#### *Property, plant and equipment:*

Property, plant and equipment are carried at cost, except for sewer extensions contributed to the Authority, which are reported at acquisition value based on acquisition costs provided by developers at the date of contribution. Depreciation and amortization have been provided using the straight-line method over the expected economic useful life of the assets.

#### *Compensated absences:*

The Authority records its obligation to compensate employees for paid time off (PTO) as the liability is incurred. Employees are permitted to accumulate a maximum of 320 hours of PTO, which they can carry forward each fiscal year. Upon termination, an employee will be paid for all accrued PTO at their current base rate.

#### *Deferred outflows of resources:*

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods, and thus, will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category. One item relates to the deferred loss on refunding debt. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item relates to the other postretirement benefit (OPEB) liability and changes in actuarial assumptions, which is amortized over a 13-year period, including the current year.

#### *Deferred inflows of resources:*

The statement of net position reports a separate section for deferred inflows of resources, which represents the acquisition of net position or fund balance that applies to future periods, and thus, will not be recognized as an inflow of resources until then. The Authority has one item that qualifies for this reporting. Deferred inflows of resources related to other postemployment benefits represent the difference in projected and actual experience, amortized over a 13-year period, including the current year.

# ***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

### **1. Operations and significant accounting policies (continued):**

#### *Use of estimates:*

The process of preparing financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### *Reclassification:*

Certain 2019 amounts have been reclassified to conform to the current year presentation.

#### *Pending GASB statements:*

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions of GASB Statement No. 87 are effective for the Authority's December 31, 2022 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The provisions of GASB Statement No. 89 are effective for the Authority's December 31, 2021 financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. The provisions of GASB Statement No. 91 are effective for the Authority's December 31, 2022 financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions of GASB Statement No. 92 are effective for the Authority's December 31, 2022 financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate is effective for the Authority's December 31, 2022 financial statements. All other requirements of the Statement are effective for the Authority's December 31, 2023 financial statements.

# ***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

### **1. Operations and significant accounting policies (continued):**

#### *Pending GASB statements:*

In January 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement is to improve financial reporting by addressing issues related to public-private and public-public partnerships arrangements (PPPs). The provisions of GASB Statement No. 94 are effective for the Township's December 31, 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The provisions of GASB No. 96 are effective for the Township's December 31, 2023 financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The provisions of GASB Statement No. 97 related to (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans or other employee benefit plans and (2) that limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The provisions of GASB Statement No. 97 related to Section 457 plans are effective for the Township's December 31, 2021 financial statements.

The effect of implementation of these statements has not yet been determined.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**2. Cash and cash equivalents:**

*Custodial credit risk, deposits and investments:*

For deposits, custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned to it. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral security that is in the possession of an outside party. The Authority's current investment policy follows the requirements set forth in Section 5611 of the Municipality Authorities Act of 1945.

The Authority holds its cash deposits and money market investments at three financial institutions. As of December 31, 2020, the cash balances reported by the financial institutions and included in investment accounts totaled approximately \$34,938,000. Cash held at each financial institution was covered by Federal Deposit Insurance Corporation (FDIC) insurance up to \$250,000 per financial institution. Approximately \$34,188,000 was covered by collateral held in accordance with Act 72 not in the Authority's name.

Investments

As of December 31, 2020 and 2019, the Authority had the following deposits and money market investments:

<u>Investments</u>	<u>Maturities</u>	<u>Ratings</u>	<u>2020</u>	<u>2019</u>
Cash and money market investments			\$ 28,208,535	\$ 20,652,752
Accrued interest on government securities			70	4,990
Total deposits, including petty cash			<u>6,642,792</u>	<u>7,056,284</u>
Total deposits and investments			<u>\$ 34,851,397</u>	<u>\$ 27,714,026</u>

For cash flow purposes, cash and cash equivalents are comprised of cash, money market investments and total deposits.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**2. Cash and cash equivalents (continued):**

*Custodial credit risk, deposits and investments:*

Reconciliation to the statements of net position

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 6,642,792	\$ 7,056,284
Money market investments	<u>5,673,233</u>	<u>4,309,064</u>
	12,316,025	11,365,348
Other assets, cash and investments	<u>22,535,372</u>	<u>16,348,678</u>
	<u>\$ 34,851,397</u>	<u>\$ 27,714,026</u>

*Interest rate risk:*

The Authority has a formal investment policy that permits investments as authorized by law and requires that maturities of investments are consistent with cash flow requirements. The policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates since it is anticipated that investments will be held to maturity.

*Custodial credit risk:*

The Authority does not currently have a formal policy for custodial credit risk.

**3. Accounts receivable:**

Accounts receivable consisted of the following:

	<u>2020</u>	<u>2019</u>
Connection fees	\$ 27,017	\$ 28,738
Stormwater charges	64,486	34,529
Insurance surplus	67,682	6,810
Miscellaneous	<u>34,376</u>	<u>36,160</u>
	<u>\$ 193,561</u>	<u>\$ 106,237</u>

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**4. Property, plant and equipment:**

Property, plant and equipment consisted of the following for 2020 and 2019:

	January 1, 2019	Additions	Deletions	Reclassifications	December 31, 2019	Additions	Deletions	Reclassifications	December 31, 2020
Land and right-of-ways	\$ 2,370,024				\$ 2,370,024				\$ 2,370,024
Collection lines	42,885,870			\$ 163,295	43,049,165			\$ 524,793	43,573,958
Sewage treatment plant	71,832,914		\$(1,521,281)	781,602	71,093,235			869,187	71,962,422
Plant equipment	3,930,834			437,753	4,368,587			82,821	4,451,408
Vehicles	1,541,876	\$ 49,688		125,500	1,717,064			97,288	1,814,352
Office equipment	1,043,457	15,304		187,074	1,245,835			85,874	1,331,709
Miscellaneous equipment	76,448				76,448				76,448
Capitalized interest and financing costs prior to plant operation	3,267,456				3,267,456				3,267,456
Stormwater system	7,835,940				7,835,940			1,442,991	9,278,931
Construction in progress	707,477	2,355,920	(141,405)	(1,666,927)	1,255,065	\$ 4,305,852	\$(73,428)	(1,415,108)	4,072,381
Projects in progress	719,028	341,885		(28,297)	1,032,616	748,093	(23,323)	(1,687,846)	69,540
	136,211,324	2,762,797	(1,662,686)	-	137,311,435	5,053,945	(96,751)	-	142,268,629
Less accumulated depreciation	58,707,652	3,335,091	(253,545)		61,789,198	3,270,114			65,059,312
	\$ 77,503,672	\$ (572,294)	\$(1,409,141)	\$ -	\$ 75,522,237	\$ 1,783,831	\$(96,751)	\$ -	\$ 77,209,317

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**5. Long-term debt:**

The Authority's long-term debt consists of three types of obligations. The Authority has issued its own debt instruments in the form of Sewer Revenue Bonds, which are typically guaranteed by the Township of Derry. In addition, in certain circumstances, the Authority has requested the Township of Derry to issue General Obligation Bonds or Notes to fund Authority projects and the Township has done so. This approach has provided certain financial benefits to the Authority. The Authority and Township have entered into subsidy agreements and amendments thereto which make the Authority fully responsible to the Township to repay the debt associated with the Authority's projects. Finally, the Authority has entered into capital lease obligations with neighboring Conewago Township and Conewago Municipal Authority.

The subsidy agreements with the Township of Derry contain various covenants of the Authority. Included in the subsidy agreements, as well as in the Guaranteed Sewer Revenue Bonds, are covenants to impose and collect sewer rentals, rates and other charges in each year sufficient, together with other available funds, to pay the administrative expenses and operation and maintenance expenses of the Authority's sewer system. Additionally, in accordance with the terms of the subsidy agreements, the Authority is bound to pay its share of the debt service on the related debt.

The Guaranteed Sewer Revenue Bonds are secured solely by the receipts and revenues of the sewer system.

Long-term bonds and leases outstanding at December 31, 2020 are as follows:

	Original borrowing	Date of issue/ maturity	Interest rates to maturity	Annual principal payments to maturity	Outstanding December 31, 2020
Guaranteed Sewer Revenue Bonds:					
Series of 2005	\$ 10,000,000	2005/2028	4.50%	\$5,000	\$ 5,000
Series of 2015	9,020,000	2015/2024	2.00% to 3.00%	\$900,000 to \$1,290,000	4,270,000
Series of 2016	8,850,000	2016/2025	2.00% to 4.00%	\$525,000 to \$1,120,000	4,830,000
Series of 2019	9,535,000	2019/2037	1.70% to 4.00%	\$5,000 to \$1,275,000	9,530,000
Township of Derry, General Obligation Bonds - subsidy agreements:					
Series of 2018	5,010,000	2018/2030	1.70% to 4.00%	\$5,000 to \$2,445,000	5,000,000
Series of 2019	4,335,000	2019/2027	1.16% to 3.00%	\$5,000 to \$2,295,000	4,155,000
Series of 2020	8,915,000	2020/2028	1.00% to 4.00%	\$610,000 to \$2,660,000	8,165,000
Series of 2020A	8,880,000	2020/2040	1.00% to 4.00%	\$5,000 to \$1,065,000	8,880,000
Capital Lease Obligations:					
Phase I	2,740,609	2007/2025	1.00%	\$119,230 to \$157,590	727,564
Phase II	4,591,356	2010/2032	1.00%	\$51,453 to \$204,524	2,177,255
	<u>\$ 71,876,965</u>				<u>\$ 47,739,819</u>

## ***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **5. Long-term debt (continued):**

On April 30, 2019, Guaranteed Sewer Revenue Bonds, Series of 2019 were issued in the amount of \$9,535,000. Proceeds from the bonds were used to pay the costs of issuing the bonds and to finance certain capital projects of the Authority. The annual principal payments range from \$5,000 to \$1,275,000 with final payment due December 15, 2037 (with interest rates ranging from 1.70% to 4.00%).

An amendment to the subsidy agreement with the Township of Derry was signed in September 2019, and a General Obligation Bond, Series A of 2019 was issued on September 30, 2019 in the amount of \$4,335,000. Proceeds from the bonds were used to pay the costs of issuing the bonds and to refund the General Obligation Bonds, Series of 2014. The annual principal payments range from \$5,000 to \$2,295,000 with final payment due December 15, 2027 (with interest rates ranging from 1.16% to 3.00%). The present value savings from the issue of this bond was approximately \$249,000.

An amendment to the subsidy agreement with the Township of Derry was signed in April 2020, and a General Obligation Bond, Series of 2020 was issued on April 3, 2020 in the amount of \$8,915,000. Proceeds from the bond were used to pay the costs of issuing the bond and to refund the General Obligation bonds Series of 2015 and General Obligation bonds Series of 2016. The annual principal payments range from \$610,000 to \$2,660,000 with final payment due December 15, 2028 (with interest rates ranging from 1.00% to 4.00%). The present value savings from the issue of this bond was approximately \$436,000.

An amendment to the subsidy agreement with the Township of Derry was signed in July 2020, and a General Obligation Bond, Series of 2020A was issued on July 16, 2020 in the amount of \$8,880,000. Proceeds from the bond will be used to fund various capital improvement projects of the Authority. The annual principal payments range from \$5,000 to \$1,065,000 with final payment due December 15, 2040 (with interest rates ranging from 1.00% to 4.00%).

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**5. Long-term debt (continued):**

Changes in long-term liabilities for the year ended December 31, 2020 and 2019 are as follows:

	Balance as of January 1, 2019	Additions	Retirements	Balance as of December 31, 2019	Additions	Retirements	Balance as of December 31, 2020
Sewer revenue bonds:							
Series of 2005	\$ 5,000			\$ 5,000			\$ 5,000
Series of 2015	6,145,000		\$ (930,000)	5,215,000		\$ (945,000)	4,270,000
Series of 2016	6,265,000		(700,000)	5,565,000		(735,000)	4,830,000
Series of 2019		\$ 9,535,000		9,535,000		(5,000)	9,530,000
Subsidy agreements:							
Series of 2014	4,535,000		(4,535,000)	-			-
Series of 2015	7,565,000		(405,000)	7,160,000		(7,160,000)	-
Series of 2016	2,230,000		(250,000)	1,980,000		(1,980,000)	-
Series of 2018	5,010,000		(5,000)	5,005,000		(5,000)	5,000,000
Series of 2019		4,335,000	(175,000)	4,160,000		(5,000)	4,155,000
Series of 2020					\$ 8,915,000	(750,000)	8,165,000
Series of 2020A					8,880,000		8,880,000
Total bonds payable	31,755,000	13,870,000	(7,000,000)	38,625,000	17,795,000	(11,585,000)	44,835,000
Capital lease obligations	3,571,329		(331,589)	3,239,740		(334,921)	2,904,819
	<u>\$ 35,326,329</u>	<u>\$ 13,870,000</u>	<u>\$ (7,331,589)</u>	41,864,740	<u>\$ 17,795,000</u>	<u>\$ (11,919,921)</u>	47,739,819
Current maturities				(2,699,643)			(3,018,285)
Unamortized original issue premium, net				1,268,707			2,327,316
Long-term debt, net of current maturities				<u>\$ 40,433,804</u>			<u>\$ 47,048,850</u>

# **DERRY TOWNSHIP MUNICIPAL AUTHORITY**

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

### **5. Long-term debt (continued):**

#### *Capital lease obligations:*

The Authority has entered into two capital leases with Conewago Township and Conewago Municipal Authority, respectively. Under two separate sewer service and lease agreements, Conewago Township and its Authority lease their sewer systems to the Derry Township Municipal Authority for operation and maintenance. The capital lease obligation to Conewago Township had a balance of \$727,565 at December 31, 2020. The cost of the related capital asset is \$4,229,548, with accumulated depreciation of \$842,374. The capital lease obligation to Conewago Municipal Authority had a balance of \$2,177,255 at December 31, 2020. The cost of the related capital asset is \$4,099,169, with accumulated depreciation of \$563,636.

#### *Debt service requirements to maturity:*

The annual requirements for the Authority's long-term debt are shown below:

<u>Year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,018,285	\$ 1,504,595	\$ 4,522,880
2022	3,376,399	1,296,368	4,672,767
2023	3,439,829	1,232,411	4,672,240
2024	3,508,293	1,164,671	4,672,964
2025	3,551,849	1,079,221	4,631,070
2026-2030	16,042,509	4,112,413	20,154,922
2031-2035	10,192,655	2,077,058	12,269,713
2036-2040	4,610,000	382,000	4,992,000
	<u>\$ 47,739,819</u>	<u>\$ 12,848,737</u>	<u>\$ 60,588,556</u>

### **6. Defined contribution pension plan:**

Under the authority of the Municipality Authorities Act of 1945 and by resolution of the Board, the Authority has established a defined contribution plan which provides pension benefits for all of its employees who meet specified service requirements. Benefits depend solely on amounts contributed to the plan plus investment earnings. Board action requires that the Authority contribute an amount equal to 6.0% of the employee's total compensation each month. The Authority's contributions for each employee (and earnings allocated to the employee's account) are fully vested after seven years of continuous service. Authority contributions for, and earnings forfeited by, employees who leave employment before being fully vested are used to reduce the Authority's current period contribution requirement. Voluntary participant contributions are permitted by the plan. The Authority made the required contributions in the gross amounts of \$138,078 and \$119,455 for the years ended December 31, 2020 and 2019, respectively.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**7. Other postemployment benefits:**

The Authority applies GASB standards for the measurement, recognition and reporting of expenditures for OPEB other than pensions and the related liabilities in the financial reports of state and local governmental employers.

*Plan description:*

The Authority provides certain postemployment healthcare benefits to its employee retirees through one single-employer, defined benefit other postemployment benefit (OPEB) plan. The Authority's OPEB plan is governed by the Derry Township Municipal Authority Board, which may amend provisions, and which is responsible for the management of plan assets. The OPEB plan does not issue a separate report.

Eligibility: Any employee who retires after having at least 15 years of service and after attaining age 60, or who retires after having at least 10 years of service after attaining age 62.

*Plan membership:*

As of December 31, 2020, the OPEB plan membership consisted of the following (actual number of plan members):

Active plan members	33
Inactive plan members or beneficiaries currently receiving benefits	<u>2</u>
Total	<u><u>35</u></u>

*Benefits provided:*

Medical and prescription drug coverage is provided to the retiree until the earlier of Medicare age or five years maximum. The retiree is responsible for paying \$250 per year for coverage. Coverage will not be provided if the retiree is eligible for coverage from another employer, and upon loss of coverage, the retiree is not eligible to return to the plan. Spouses of retirees are also eligible for the same benefits under the same terms as long as they are not eligible for coverage from another employer.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**7. Other postemployment benefits (continued):**

*Changes in net OPEB liability:*

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend rate. Amounts determined are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future.

The net OPEB liability was measured as of December 31, 2020, and the net OPEB liability was determined by rolling forward the liability from an actuarial valuation as of January 1, 2020. No other significant events or changes in assumptions occurred between the valuation date and year end, except for the discount rate changing from 3.26% to 1.93%.

The Authority's annual change in net OPEB liability to the plan for the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
	<u>          </u>	<u>          </u>
Service cost	\$ 93,969	\$ 88,850
Interest	39,121	41,578
Difference between expected and actual experience	(9,565)	
Changes in assumptions	69,920	15,825
Benefit payments	<u>(96,487)</u>	<u>(90,152)</u>
 Change in net OPEB liability	 96,958	 56,101
 Net OPEB liability:		
Beginning of year	<u>1,158,332</u>	<u>1,102,231</u>
End of year	<u><u>\$ 1,255,290</u></u>	<u><u>\$ 1,158,332</u></u>
 Covered employee payroll	 \$ 2,220,118	 \$ 2,338,104
 Net OPEB liability as a percentage of covered employee payroll	 56.54%	 49.54%

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**7. Other postemployment benefits (continued):**

*Actuarial methods and assumptions:*

The Authority's net OPEB liability was determined as part of an actuarial valuation at January 1, 2020, applied to all periods included in the measurement.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of the valuation and on the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculation. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Information as of the latest actuarial valuation is as follows:

Valuation date	January 1, 2020	
Actuarial cost method	Entry age normal	
Actuarial assumptions:		
Salary	Annual increase of 5.50%	
Discount rate	1.93%, based on S&P Municipal Bond 20-Year High Grade Rate Index at December 31, 2020.	
Health Care Cost Trend Rate	5.50% in 2020 through 2023. Rates gradually decrease from 5.40 % in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Lon-Run Medical Cost Trend Model.	
Retiree contributions	Retiree contributions, if any, are assumed to increase at the same rate as the Health Care Cost Trend Rate.	
Withdrawal rates	Age	Rate
	20	5.50%
	25	5.00%
	30	4.00%
	35	2.50%
	40	1.00%
	45	0.50%
	50	0.00%
	55	0.00%
	60	0.00%

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**7. Other postemployment benefits (continued):**

*Actuarial methods and assumptions:*

Actuarial assumptions (continued):

Per capita claims cost

	Medical and Prescription Drug Combined		
	Age	Males	Females
	45-49	\$ 7,412	\$ 10,704
	50-54	9,816	12,097
	55-59	11,955	12,658
	60-64	15,601	14,541

Disability

No disability was assumed

Retirement

10% for age 60-62, 50% for ages 62-64, and 100% at age 65.

Mortality

PubG-2010 mortality table, including rates for disabled retirees and contingent survivors

Eligible retirees electing coverage

100%

Married at retirement

80%

Spouse age

Wives are assumed to be three years younger than their husbands

Currently, the Authority does not have an investment policy statement for the OPEB plan, since the Authority does not maintain investments for the OPEB plan. Therefore, the Authority's OPEB plan does not have a target allocation or a long-term expected real rate of return for investments.

*Discount rate:*

The discount rate used to measure the total OPEB liability was 1.93%. This is based on the S&P Bond 20-Year High Grade Rate Index at December 31, 2020.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**7. Other postemployment benefits (continued):**

*Sensitivity of the net OPEB liability to changes in the discount rate:*

The following presents the net OPEB liability of the plan calculated using the discount rate described above, as well as what the plan's net OPEB liability would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rates:

	1% Decrease 0.93%	Current discount rate 1.93%	1% Increase 2.93%
Total net OPEB liability	<u>\$ 1,298,059</u>	<u>\$ 1,255,290</u>	<u>\$ 1,211,635</u>

*Sensitivity of the net OPEB liability to changes in the Healthcare Cost Trend Rate:*

The following presents the net OPEB liability of the plan calculated using the Healthcare Cost Trend Rate described above, as well as what the plan's net OPEB liability would be if they were calculated using Healthcare Cost Trend Rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease	Current valuation rates	1% Increase
Total net OPEB liability	<u>\$ 1,144,446</u>	<u>\$ 1,255,290</u>	<u>\$ 1,385,763</u>

*OPEB expense:*

The OPEB expense for the Authority for the years ended December 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 93,969	\$ 88,850
Interest	39,121	41,578
Amortization of deferred outflows	6,697	1,319
Amortization of deferred inflows	<u>(736)</u>	<u></u>
Total OPEB expense	<u>\$ 139,051</u>	<u>\$ 131,747</u>

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**7. Other postemployment benefits (continued):**

*Deferred outflows of resources and deferred inflows of resources related to OPEB:*

At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes in assumptions	\$ 77,729	
Difference between expected and actual experience		\$ 8,829
	<u>\$ 77,729</u>	<u>\$ 8,829</u>

The effect of the changes of assumptions are recognized over the average expected remaining service lives of active and inactive members. Amounts reported as deferred outflows of resources related to the OPEB plan will be recognized in OPEB expense as follows for the years ended December 31:

<u>Year ended</u>	
2021	\$ 5,961
2022	5,961
2023	5,961
2024	5,961
2025	5,961
Thereafter	<u>39,095</u>
	<u>\$ 68,900</u>

**8. Lease with the Township of Derry Industrial and Commercial Development Authority:**

On January 1, 2006, the Derry Township Municipal Authority entered into an agreement with the Township of Derry Industrial and Commercial Development Authority (the ICDA) to lease to the ICDA approximately 12 acres of land along Hersheypark Drive, Hershey, Pennsylvania. The cost of the land was \$1,104,304. The ICDA has constructed three buildings to provide office and operational space for the Township of Derry's administrative staff, police force and Tax Collection Association. The lease is for a period of 40 years and provides for varying levels of rental payments over the term of the lease, currently \$2,000 per month. Rental income pertaining to the lease was \$24,000 for each of the years ended December 31, 2020 and 2019.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**8. Lease with the Township of Derry Industrial and Commercial Development Authority (continued):**

The following is a schedule by years of minimum future rentals relating to the land leased to the ICDA:

<u>Year ended</u>	<u>Amount</u>
2021	\$ 24,000
2022	24,000
2023	24,000
2024	24,000
2025	24,000
2026-2030	120,000
2031-2035	120,000
2036-2040	120,000
2041-2045	120,000

**9. Deferred compensation plan:**

In September 1992, the Authority entered into an agreement with The International City Management Association (ICMA) Retirement Corporation to provide a deferred compensation plan in accordance with Internal Revenue Code, Section 457 on a voluntary basis to full-time employees. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is only available to participants at employment termination, retirement, death or unforeseeable emergencies. In 2016, an employee loan provision was added to the plan. The Authority makes a matching contribution to the plan in the amount of 50% of the first 4% of salary deferred by the employee. In accordance with federal law, a trust fund was established for the deposit of Section 457 assets. The trust fund is for the exclusive benefit of plan participants and beneficiaries. Because the assets are not owned by the Authority, but are held in a trust, the deferred compensation assets and related liabilities are not recorded in the Authority's financial statements. The Authority's responsibilities are to submit participant payroll deductions and enrollment change forms to the plan administrator (ICMA Retirement Corporation) and review the quarterly statements for accuracy. Investments are managed by the plan's trustee, with various investment options available. The choice of the investment options is made by the employee.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**10. Commitments:**

The Authority has active construction projects as of December 31, 2020. At year end, the financial commitments with contractors related to these projects are as follows:

Project	Remaining commitment as of December 31, 2020
Relocation of power center #2 and power improvements	\$ 535,717
Energy enhancements	12,005,267
CHP Congregation Engines	968,080
Raw sewage pumps replacement	2,707,015
UV system replacement	738,000
Vactor flush truck	406,494
Totals	<u>\$ 17,360,573</u>

**11. Risks and uncertainties:**

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has the potential to cause business disruption to the Authority beginning in March 2020, due to state government-imposed shutdowns of businesses and other results of the illness. While the Authority expects this matter may negatively impact its results, the extent of the impact of the COVID-19 on the Authority's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of the COVID-19 on overall demand for the Authority's services, all of which are highly uncertain and cannot be predicted.

## ***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **12. Subsequent events:**

In March 2021, Sewer Revenue Bonds 2021 Series A & B were issued by the Derry Township Municipal Authority as follows:

2021 Series A Bonds (Arb Yield 0.4136%) were issued in the amount of \$7,360,000 for the purpose of: (1) currently refund the Authority's outstanding Guaranteed Sewer Revenue Bonds, Series of 2005, (2) currently refund the Authority's outstanding Guaranteed Sewer Revenue Bonds, Series of 2015, (3) currently refund the Authority's outstanding Guaranteed Sewer Revenue Bonds, Series of 2016 and (4) pay the allocable costs of insuring and issuing the 2021A Bonds.

2021 Series B Bonds (Arb Yield 2.4014%) were issued in the amount of \$10,840,000 for the purpose of: (1) advance refund the Authority's outstanding Guaranteed Sewer Revenue Bonds, Series of 2019 and (2) pay the allocable costs of insuring and issuing the 2021B Bonds.

In May 2021, Sewer Revenue Bonds 2021 Series C were issued by the Derry Township Municipal Authority. 2021 Series C Bonds (Arb Yield 1.29932%) were issued in the amount of \$9,135,000 for the purpose of: (1) funding of a 2021 Capital Project fund for the Construction of Capital Additions to the Sewer System, including, but not limited to the Clearwater WWTF Energy Enhancements, Power and Control Systems Flood Mitigation, Southwest WWTF Upgrade and Clearwater Phase I Facility Improvements and (2) pay the allocable costs of insuring and issuing the 2021C Bonds.

The Authority has evaluated subsequent events through June 22, 2021, which is the date the financial statements were available to be issued.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
(Required supplementary information) (unaudited)  
YEARS ENDED DECEMBER 31

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 93,969	\$ 88,850	
Interest	39,121	41,578	
Change in benefit terms			\$ 1,102,231
Difference between expected and actual experience	(9,565)		
Changes in assumptions	69,920	15,825	
Benefit payments	<u>(96,487)</u>	<u>(90,152)</u>	
Change in net OPEB liability	96,958	56,101	1,102,231
Net OPEB liability:			
Beginning of year	<u>1,158,332</u>	<u>1,102,231</u>	
End of year	<u>\$ 1,255,290</u>	<u>\$ 1,158,332</u>	<u>\$ 1,102,231</u>
Covered employee payroll	\$ 2,220,118	\$ 2,338,104	\$ 2,338,104
Net OPEB liability as a percentage of covered employee payroll	56.54%	49.54%	47.14%

Notes to schedule:

*Changes in assumptions:*

The discount rate changed annually as follows:

	<u>Discount rate</u>
2018	3.64%
2019	3.26%
2020	1.93%

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is complete the Authority is presenting information for those years for which information is available.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

COMBINING STATEMENTS OF NET POSITION  
YEAR ENDED DECEMBER 31, 2020  
(See independent auditor's report)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Wastewater fund	Stormwater fund	Eliminations	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 9,765,485	\$ 2,550,540		\$ 12,316,025
Sewer rents receivable	335,407			335,407
Accounts receivable	1,433,853	1,790,375	\$ (3,030,667)	193,561
Interest receivable	31			31
Prepaid insurance	270,802			270,802
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total current assets</b>	<b>11,805,578</b>	<b>4,340,915</b>	<b>(3,030,667)</b>	<b>13,115,826</b>
Property, plant and equipment	128,544,866	9,581,842		138,126,708
Less accumulated depreciation and amortization	64,270,091	789,221		65,059,312
	64,274,775	8,792,621		73,067,396
Construction work in progress	4,072,381			4,072,381
Projects in progress		69,540		69,540
	68,347,156	8,862,161		77,209,317
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Other assets:</b>				
Cash and cash equivalents designated for improvements and contingency	3,944,310			3,944,310
Cash and cash equivalents restricted for capital projects and debt service	18,429,038	162,024		18,591,062
	22,373,348	162,024		22,535,372
<b>Total other assets</b>	<b>22,373,348</b>	<b>162,024</b>		<b>22,535,372</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total assets</b>	<b>102,526,082</b>	<b>13,365,100</b>	<b>(3,030,667)</b>	<b>112,860,515</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Deferred outflows of resources:</b>				
Other postemployment benefits	69,956	7,773		77,729
Deferred loss on refunded debt	1,013,042			1,013,042
	1,082,998	7,773		1,090,771
<b>Total deferred outflows of resources</b>	<b>1,082,998</b>	<b>7,773</b>		<b>1,090,771</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 103,609,080</b>	<b>\$ 13,372,873</b>	<b>\$ (3,030,667)</b>	<b>\$ 113,951,286</b>

See notes to financial statements.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

COMBINING STATEMENTS OF NET POSITION  
YEAR ENDED DECEMBER 31, 2020  
(See independent auditor's report)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Wastewater fund	Stormwater fund	Eliminations	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Current liabilities:</b>				
Accrued interest on debt	\$ 64,770	\$ 2,232		\$ 67,002
Current maturities of:				
Sewer revenue bonds	2,000,000			2,000,000
Subsidy agreements with Derry Township	678,250	1,750		680,000
Capital lease obligations	338,285			338,285
Accounts payable	2,919,445	1,304,778	\$ (3,030,667)	1,193,556
Accrued:				
Paid time off	248,330	5,480		253,810
Payroll and payroll deductions	122,383	3,760		126,143
	<u>6,371,463</u>	<u>1,318,000</u>	<u>(3,030,667)</u>	<u>4,658,796</u>
<b>Total current liabilities</b>				
<b>Long-term liabilities:</b>				
Other postemployment benefits liability	1,129,761	125,529		1,255,290
Long-term debt, net of current portion:				
Sewer revenue bonds	17,311,758			17,311,758
Subsidy agreements with Derry Township	25,407,430	1,763,128		27,170,558
Capital lease obligations	2,566,534			2,566,534
	<u>46,415,483</u>	<u>1,888,657</u>		<u>48,304,140</u>
<b>Total long-term liabilities</b>				
	<u>52,786,946</u>	<u>3,206,657</u>	<u>(3,030,667)</u>	<u>52,962,936</u>
<b>Total liabilities</b>				
<b>Deferred inflows of resources, other postemployment benefits</b>	<u>7,946</u>	<u>883</u>		<u>8,829</u>
<b>Net position:</b>				
Net investment in capital assets	37,793,973	7,259,307		45,053,280
Restricted for debt service	1,693,006			1,693,006
Unrestricted	11,327,209	2,906,026		14,233,235
	<u>50,814,188</u>	<u>10,165,333</u>		<u>60,979,521</u>
<b>Total net position</b>				
<b>Total liabilities, deferred inflows and net position</b>	<u>\$ 103,609,080</u>	<u>\$ 13,372,873</u>	<u>\$ (3,030,667)</u>	<u>\$ 113,951,286</u>

See notes to financial statements.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

COMBINING STATEMENTS OF NET POSITION  
 YEAR ENDED DECEMBER 31, 2019  
 (See independent auditor's report)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Wastewater fund	Stormwater fund	Eliminations	Total
	<u>          </u>	<u>          </u>		<u>          </u>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 9,556,591	\$ 1,808,757		\$ 11,365,348
Sewer rents receivable	232,598			232,598
Accounts receivable	639,712	991,556	\$(1,525,031)	106,237
Interest receivable	2,496			2,496
Inventory	7,193			7,193
Prepaid insurance	211,629			211,629
	<u>          </u>	<u>          </u>		<u>          </u>
<b>Total current assets</b>	<b>10,650,219</b>	<b>2,800,313</b>	<b>(1,525,031)</b>	<b>11,925,501</b>
Property, plant and equipment	126,894,641	8,129,113		135,023,754
Less accumulated depreciation and amortization	61,196,444	592,754		61,789,198
	<u>          </u>	<u>          </u>		<u>          </u>
	65,698,197	7,536,359		73,234,556
Construction work in progress	1,255,065			1,255,065
Projects in progress	63,758	968,858		1,032,616
	<u>          </u>	<u>          </u>		<u>          </u>
	67,017,020	8,505,217		75,522,237
	<u>          </u>	<u>          </u>		<u>          </u>
<b>Other assets:</b>				
Cash and cash equivalents designated for improvements and contingency	2,777,950			2,777,950
Cash and cash equivalents restricted for capital projects and debt service	12,933,566	637,162		13,570,728
	<u>          </u>	<u>          </u>		<u>          </u>
<b>Total other assets</b>	<b>15,711,516</b>	<b>637,162</b>		<b>16,348,678</b>
	<u>          </u>	<u>          </u>		<u>          </u>
<b>Total assets</b>	<b>93,378,755</b>	<b>11,942,692</b>	<b>(1,525,031)</b>	<b>103,796,416</b>
<b>Deferred outflows of resources:</b>				
Other postemployment benefits	14,506			14,506
Deferred loss on refunded debt	1,272,079			1,272,079
	<u>          </u>			<u>          </u>
<b>Total deferred outflows of resources</b>	<b>1,286,585</b>			<b>1,286,585</b>
	<u>          </u>			<u>          </u>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 94,665,340</b>	<b>\$ 11,942,692</b>	<b>\$ (1,525,031)</b>	<b>\$ 105,083,001</b>
	<u>          </u>	<u>          </u>		<u>          </u>

See notes to financial statements.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

COMBINING STATEMENTS OF NET POSITION  
 YEAR ENDED DECEMBER 31, 2019  
 (See independent auditor's report)

LIABILITIES AND NET POSITION

	Wastewater fund	Stormwater fund	Eliminations	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Current liabilities:</b>				
Accrued interest on debt	\$ 43,400	\$ 2,233		\$ 45,633
Current maturities of:				
Sewer revenue bonds	1,685,000			1,685,000
Subsidy agreements with Derry Township	678,250	1,750		680,000
Capital lease obligations	334,643			334,643
Accounts payable	1,359,692	568,004	\$ (1,525,031)	402,665
Accrued:				
Paid time off	172,318	13,516		185,834
Payroll and payroll deductions	117,731			117,731
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total current liabilities</b>	<b>4,391,034</b>	<b>585,503</b>	<b>(1,525,031)</b>	<b>3,451,506</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Long-term liabilities, net of current portion:</b>				
Other postemployment benefits liability	1,030,916	127,416		1,158,332
Long-term debt, net of current portion:				
Sewer revenue bonds	19,390,591			19,390,591
Subsidy agreements with Derry Township	16,371,726	1,766,390		18,138,116
Capital lease obligations	2,905,097			2,905,097
	<u>          </u>	<u>          </u>		<u>          </u>
<b>Total long-term liabilities</b>	<b>39,698,330</b>	<b>1,893,806</b>		<b>41,592,136</b>
	<u>          </u>	<u>          </u>		<u>          </u>
<b>Total liabilities</b>	<b>44,089,364</b>	<b>2,479,309</b>	<b>(1,525,031)</b>	<b>45,043,642</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net position:</b>				
Net investment in capital assets	38,881,400	7,374,239		46,255,639
Restricted for debt service	1,512,390			1,512,390
Unrestricted	10,182,186	2,089,144		12,271,330
	<u>          </u>	<u>          </u>		<u>          </u>
<b>Total net position</b>	<b>50,575,976</b>	<b>9,463,383</b>		<b>60,039,359</b>
	<u>          </u>	<u>          </u>		<u>          </u>
<b>Total liabilities and net position</b>	<b>\$ 94,665,340</b>	<b>\$ 11,942,692</b>	<b>\$ (1,525,031)</b>	<b>\$ 105,083,001</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

See notes to financial statements.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

COMBINING STATEMENTS OF REVENUES AND EXPENSES  
 YEAR ENDED DECEMBER 31, 2020  
 (See independent auditor's report)

	Wastewater fund	Stormwater fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating revenues:</b>			
Sewer service charges:			
Direct customers	\$ 7,973,798		\$ 7,973,798
Municipal customers	778,647		778,647
Hauled waste processing	1,511,718		1,511,718
Surcharges	456,059		456,059
Connection and related fees	26,804		26,804
Stormwater fees		\$ 1,694,081	1,694,081
Miscellaneous	93,026	3,196	96,222
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total operating revenues</b>	<b>10,840,052</b>	<b>1,697,277</b>	<b>12,537,329</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating expenses:</b>			
Administrative, payroll taxes and employee benefits	2,896,905	524,337	3,421,242
Collection system	552,655	181,931	734,586
Plant operations	1,811,106		1,811,106
Maintenance	712,932		712,932
Technical services	341,350		341,350
Miscellaneous project expense	658,933	22,388	681,321
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total operating expenses</b>	<b>6,973,881</b>	<b>728,656</b>	<b>7,702,537</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Operating income before depreciation and amortization	3,866,171	968,621	4,834,792
Depreciation and amortization	3,073,647	196,468	3,270,115
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating income (carried forward)</b>	<b>792,524</b>	<b>772,153</b>	<b>1,564,677</b>
	<u>          </u>	<u>          </u>	<u>          </u>

(continued)

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

COMBINING STATEMENTS OF REVENUES AND EXPENSES (CONTINUED)

YEAR ENDED DECEMBER 31, 2020

(See independent auditor's report)

	Wastewater fund	Stormwater fund	Total
<b>Operating income (brought forward)</b>	<b>\$ 792,524</b>	<b>\$ 772,153</b>	<b>\$ 1,564,677</b>
<b>Nonoperating income:</b>			
Capacity fees	630,292		630,292
Interest income	179,759	11,175	190,934
Amortization of bond premiums	189,309	1,513	190,822
Miscellaneous	38,128	20,694	58,822
<b>Total nonoperating income</b>	<b>1,037,488</b>	<b>33,382</b>	<b>1,070,870</b>
<b>Nonoperating expense:</b>			
Interest on:			
Capital lease	30,865		30,865
Bonds and notes payable	1,238,256	53,585	1,291,841
Miscellaneous	2,637		2,637
Bond issuance costs	320,042		320,042
<b>Total nonoperating expense</b>	<b>1,591,800</b>	<b>53,585</b>	<b>1,645,385</b>
Income before cost sharing agreement expense, net	238,212	751,950	990,162
Cost-sharing agreement expense, net		50,000	50,000
<b>Increase in net position</b>	<b>238,212</b>	<b>701,950</b>	<b>940,162</b>
<b>Net position:</b>			
Beginning of year	50,575,976	9,463,383	60,039,359
<b>End of year</b>	<b>\$ 50,814,188</b>	<b>\$ 10,165,333</b>	<b>\$ 60,979,521</b>

See notes to financial statements.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

COMBINING STATEMENTS OF REVENUES AND EXPENSES  
YEAR ENDED DECEMBER 31, 2019  
(See independent auditor's report)

	Wastewater fund	Stormwater fund	Total
<b>Operating revenues:</b>			
Sewer service charges:			
Direct customers	\$ 8,029,290		\$ 8,029,290
Municipal customers	837,495		837,495
Hauled waste processing	1,531,931		1,531,931
Surcharges	641,704		641,704
Biosolids processing	23,615		23,615
Connection and related fees	57,469		57,469
Stormwater fees		\$ 1,674,423	1,674,423
Miscellaneous	125,532	8,420	133,952
<b>Total operating revenues</b>	<b>11,247,036</b>	<b>1,682,843</b>	<b>12,929,879</b>
<b>Operating expenses:</b>			
Administrative, payroll taxes and employee benefits	2,644,894	451,955	3,096,849
Collection system	649,267	313,327	962,594
Plant operations	1,910,713		1,910,713
Maintenance	758,435		758,435
Technical services	303,498		303,498
Miscellaneous project expense	403,208	35,081	438,289
<b>Total operating expenses</b>	<b>6,670,015</b>	<b>800,363</b>	<b>7,470,378</b>
Operating income before depreciation and amortization	4,577,021	882,480	5,459,501
Depreciation and amortization	3,124,962	210,129	3,335,091
<b>Operating income (carried forward)</b>	<b>1,452,059</b>	<b>672,351</b>	<b>2,124,410</b>

(continued)

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

COMBINING STATEMENTS OF REVENUES AND EXPENSES (CONTINUED)

YEAR ENDED DECEMBER 31, 2019

(See independent auditor's report)

	Wastewater fund	Stormwater fund	Total
<b>Operating income (brought forward)</b>	<b>\$ 1,452,059</b>	<b>\$ 672,351</b>	<b>\$ 2,124,410</b>
<b>Nonoperating income:</b>			
Capacity fees	638,964		638,964
Interest income	276,820	58,627	335,447
Amortization of bond premiums	95,243	1,513	96,756
Miscellaneous	33,816	15,000	48,816
<b>Total nonoperating income</b>	<b>1,044,843</b>	<b>75,140</b>	<b>1,119,983</b>
<b>Nonoperating expense:</b>			
Interest on:			
Capital lease	34,196		34,196
Bonds and notes payable	1,195,960	53,615	1,249,575
Miscellaneous	12		12
Bond issuance costs	342,354		342,354
Loss on disposal of fixed assets	1,267,735		1,267,735
<b>Total nonoperating expense</b>	<b>2,840,257</b>	<b>53,615</b>	<b>2,893,872</b>
Income (loss) before cost sharing agreement expense, net	(343,355)	693,876	350,521
Cost-sharing agreement expense, net		50,000	50,000
<b>Increase (decrease) in net position</b>	<b>(343,355)</b>	<b>643,876</b>	<b>300,521</b>
<b>Net position:</b>			
Beginning of year	50,919,331	8,819,507	59,738,838
<b>End of year</b>	<b>\$ 50,575,976</b>	<b>\$ 9,463,383</b>	<b>\$ 60,039,359</b>

See notes to financial statements.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

COMBINING STATEMENTS OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2020  
 (See independent auditor's report)

	Wastewater fund	Stormwater fund	Eliminations	Total
<b>Cash flows from operating activities:</b>				
Cash received from customers and users	\$ 10,711,964	\$ 1,635,232	\$ 1,505,636	\$ 13,852,832
Cash payments to:				
Suppliers	(3,644,830)	(465,385)	(1,038,889)	(5,149,104)
Employees	(2,270,057)	(256,090)	(466,747)	(2,992,894)
<b>Net cash provided by operating activities</b>	<b>4,797,077</b>	<b>913,757</b>	<b>-</b>	<b>5,710,834</b>
<b>Cash flows from capital and related financing activities:</b>				
Nonoperating income (expense)	38,128	(29,306)		8,822
Capacity fees	630,292			630,292
Purchase of property, plant and equipment	(4,610,529)	(573,645)		(5,184,174)
Debt principal paid	(11,585,000)	(1,750)		(11,586,750)
Capital lease paid	(334,921)			(334,921)
Bond proceeds, net of issuance costs, premiums and discounts	18,813,450			18,813,450
Interest paid on debt	(1,059,995)	(53,586)		(1,113,581)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>1,891,425</b>	<b>(658,287)</b>		<b>1,233,138</b>
<b>Cash flows from investing activities, interest received</b>	<b>182,224</b>	<b>11,175</b>		<b>193,399</b>
<b>Net increase in cash and cash equivalents</b>	<b>\$ 6,870,726</b>	<b>\$ 266,645</b>	<b>-</b>	<b>\$ 7,137,371</b>
<b>Cash and cash equivalents (Note 2):</b>				
Beginning of year	25,268,107	2,445,919		27,714,026
<b>End of year</b>	<b>\$ 32,138,833</b>	<b>\$ 2,712,564</b>	<b>\$ -</b>	<b>\$ 34,851,397</b>

(continued)

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

COMBINING STATEMENTS OF CASH FLOWS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2020  
 (See independent auditor's report)

	<u>Wastewater fund</u>	<u>Stormwater fund</u>	<u>Eliminations</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 792,524	\$ 772,153		\$ 1,564,677
Adjustments:				
Depreciation and amortization of property, plant and equipment	3,073,647	196,468		3,270,115
Noncash expenses	57,849	20,234		78,083
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	(896,950)	(798,819)	\$ 1,505,636	(190,133)
Inventory	7,193			7,193
Prepaid insurance	(59,173)			(59,173)
Deferred outflow, OPEB	(55,450)	(7,773)		(63,223)
Increase (decrease) in:				
Accounts payable, trade and other	1,689,982	736,774	(1,505,636)	921,120
OPEB liability	98,845	(1,887)		96,958
Accrued expenses	80,664	(4,276)		76,388
Deferred inflow, OPEB	7,946	883		8,829
<b>Net cash provided by operating activities</b>	<b><u>\$ 4,797,077</u></b>	<b><u>\$ 913,757</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,710,834</u></b>
Noncash activities:				
Amortization of bond premiums	\$ 189,309	\$ 1,513		\$ 190,822
Deferred loss on refunded debt	187,756			187,756

See notes to financial statements.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

COMBINING STATEMENTS OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2019  
 (See independent auditor's report)

	Wastewater fund	Stormwater fund	Eliminations	Total
<b>Cash flows from operating activities:</b>				
Cash received from customers and users	\$ 11,076,434	\$ 1,683,206	\$ 171,938	\$ 12,931,578
Cash payments to:				
Suppliers	(4,442,211)	(349,555)	(118,637)	(4,910,403)
Employees	(2,133,119)	(211,845)	(53,301)	(2,398,265)
<b>Net cash provided by operating activities</b>	<b>4,501,104</b>	<b>1,121,806</b>	<b>-</b>	<b>5,622,910</b>
<b>Cash flows from capital and related financing activities:</b>				
Nonoperating income (expense)	33,816	(35,000)		(1,184)
Capacity fees	638,964			638,964
Purchase of property, plant and equipment	(2,387,690)	(466,099)		(2,853,789)
Debt principal paid	(6,998,250)	(1,750)		(7,000,000)
Capital lease paid	(331,589)			(331,589)
Bond proceeds, net of issuance costs, premiums and discounts	14,376,806			14,376,806
Interest paid on debt	(1,055,875)	(53,616)		(1,109,491)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>4,276,182</b>	<b>(556,465)</b>		<b>3,719,717</b>
<b>Cash flows from investing activities, interest received:</b>	<b>278,495</b>	<b>58,627</b>		<b>337,122</b>
<b>Net change in cash and cash equivalents</b>	<b>9,055,781</b>	<b>623,968</b>	<b>-</b>	<b>9,679,749</b>
<b>Cash and cash equivalents (Note 2):</b>				
Beginning of year	16,212,326	1,821,951		18,034,277
<b>End of year</b>	<b>\$ 25,268,107</b>	<b>\$ 2,445,919</b>	<b>\$ -</b>	<b>\$ 27,714,026</b>

(continued)

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

COMBINING STATEMENTS OF CASH FLOWS (CONTINUED)

YEAR ENDED DECEMBER 31, 2019

(See independent auditor's report)

	Wastewater fund	Stormwater fund	Eliminations	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 1,452,059	\$ 672,351		\$ 2,124,410
Adjustments:				
Depreciation and amortization of property, plant and equipment	3,124,962	210,129		3,335,091
Noncash expenses	170,869			170,869
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	(79,714)	363	\$ 171,938	92,587
Inventory	144			144
Prepaid insurance	(24,604)			(24,604)
Deferred outflow, OPEB	(14,506)			(14,506)
Increase (decrease) in:				
Accounts payable, trade and other	(168,309)	230,075	(171,938)	(110,172)
OPEB	49,930	6,171		56,101
Accrued expenses	(9,727)	2,717		(7,010)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash provided by operating activities</b>	<b>\$ 4,501,104</b>	<b>\$ 1,121,806</b>	<b>\$ -</b>	<b>\$ 5,622,910</b>
Noncash activities:				
Accounts payable for property, plant and equipment at year end	\$ 130,229			\$ 130,229
Amortization of bond premiums	95,243	\$ 1,513		96,756
Deferred loss on refunded debt	8,008			8,008

See notes to financial statements.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

SCHEDULES OF OPERATING EXPENSES  
YEARS ENDED DECEMBER 31, 2020  
(See independent auditor's report)

	Wastewater fund	Stormwater fund	Total
<b>Administrative, payroll taxes and employee benefits:</b>			
Salaries	\$ 614,948	\$ 141,445	\$ 756,393
Materials and supplies	26,969	123	27,092
General expense	585,688	17,791	603,479
Payroll taxes and employee benefits	1,254,183	122,111	1,376,294
Maintenance and repairs	6,873		6,873
Professional services	408,244	242,867	651,111
	<u>2,896,905</u>	<u>524,337</u>	<u>3,421,242</u>
<b>Collection system:</b>			
Salaries	353,901	103,479	457,380
Materials and supplies	10,534	200	10,734
General expense	12,076	2,956	15,032
Maintenance and repairs	98,711	75,296	174,007
Utilities	77,433		77,433
	<u>552,655</u>	<u>181,931</u>	<u>734,586</u>
<b>Plant operations:</b>			
Salaries	797,034		797,034
Materials and supplies	38,254		38,254
General expense	20,685		20,685
Utilities	450,313		450,313
Chemicals	242,379		242,379
Special services	262,441		262,441
	<u>1,811,106</u>		<u>1,811,106</u>

(continued)

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

SCHEDULES OF OPERATING EXPENSES (CONTINUED)  
YEARS ENDED DECEMBER 31, 2020  
(See independent auditor's report)

	<u>Wastewater fund</u>	<u>Stormwater fund</u>	<u>Total</u>
<b>Maintenance:</b>			
Salaries	\$ 273,479		\$ 273,479
Materials and supplies	7,265		7,265
General expense	3,922		3,922
Equipment repairs	388,556		388,556
Vehicle repairs	27,792		27,792
Automation control services	11,918		11,918
	<u>712,932</u>		<u>712,932</u>
<b>Technical services:</b>			
Salaries	263,855		263,855
Materials and supplies	17,483		17,483
General expense	7,233		7,233
Special services	52,779		52,779
	<u>341,350</u>		<u>341,350</u>
Miscellaneous project expense	<u>658,933</u>	\$ 22,388	<u>681,321</u>
<b>Total operating expenses</b>	<b><u><u>\$ 6,973,881</u></u></b>	<b><u><u>\$ 728,656</u></u></b>	<b><u><u>\$ 7,702,537</u></u></b>

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

SCHEDULES OF OPERATING EXPENSES  
YEARS ENDED DECEMBER 31, 2019  
(See independent auditor's report)

	Wastewater fund	Stormwater fund	Total
<b>Administrative, payroll taxes and employee benefits:</b>			
Salaries	\$ 601,085	\$ 135,283	\$ 736,368
Materials and supplies	19,638	122	19,760
General expense	475,524	6,650	482,174
Payroll taxes and employee benefits	1,129,616	127,384	1,257,000
Maintenance and repairs	7,211		7,211
Professional services	411,820	182,516	594,336
	<u>2,644,894</u>	<u>451,955</u>	<u>3,096,849</u>
<b>Collection system:</b>			
Salaries	356,194	79,279	435,473
Materials and supplies	10,149	30	10,179
General expense	5,582	8,288	13,870
Maintenance and repairs	181,819	225,730	407,549
Utilities	95,523		95,523
	<u>649,267</u>	<u>313,327</u>	<u>962,594</u>
<b>Plant operations:</b>			
Salaries	705,714		705,714
Materials and supplies	40,340		40,340
General expense	37,222		37,222
Utilities	575,436		575,436
Chemicals	260,533		260,533
Special services	291,468		291,468
	<u>1,910,713</u>		<u>1,910,713</u>

(continued)

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

SCHEDULES OF OPERATING EXPENSES (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019  
(See independent auditor's report)

	Wastewater fund	Stormwater fund	Total
<b>Maintenance:</b>			
Salaries	\$ 224,165		\$ 224,165
Materials and supplies	5,486		5,486
General expense	7,737		7,737
Equipment repairs	481,602		481,602
Vehicle repairs	24,888		24,888
Automation control services	14,557		14,557
	<u>758,435</u>		<u>758,435</u>
<b>Technical services:</b>			
Salaries	236,234		236,234
Materials and supplies	17,628		17,628
General expense	2,469		2,469
Special services	47,167		47,167
	<u>303,498</u>		<u>303,498</u>
Miscellaneous project expense	403,208	\$ 35,081	438,289
<b>Total operating expenses</b>	<b><u>\$ 6,670,015</u></b>	<b><u>\$ 800,363</u></b>	<b><u>\$ 7,470,378</u></b>