

**DERRY TOWNSHIP MUNICIPAL AUTHORITY  
HERSHEY, PENNSYLVANIA**

**YEARS ENDED DECEMBER 31, 2021 AND 2020**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**DERRY TOWNSHIP MUNICIPAL AUTHORITY  
HERSHEY, PENNSYLVANIA**

**For the Years Ended December 31, 2021 and 2020**

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# *Zelenkofske Axelrod LLC*

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board  
Derry Township Municipal Authority  
Hershey, Pennsylvania

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the business-type activities of Derry Township Municipal Authority (the "Authority"), a component unit of the Township of Derry, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of December 31, 2021, and the changes in its financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Other Matter***

The financial statements of the Authority for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on June 22, 2021.

### ***Responsibilities of Management for the Financial Statements***

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

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



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## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

## **Adoption of Governmental Accounting Standards Board Principles**

As discussed in Note 1 to the financial statements in 2021, the Authority adopted the provisions of GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB 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", GASB Statement No. 98, "The Annual Comprehensive Financial Report" and Statement No. 99 "Omnibus 2022" requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63. Our opinion is not modified with respect to these matters.



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## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 19 and the schedule of changes in the total OPEB liability and related ratios on page 43 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was 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 the schedule of operating expenses are presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The combining statements and the schedule of operating expenses are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of operating expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Zelenkofske Axelrod LLC*

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania  
June 27, 2022

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2021 AND 2020**

#### **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 years ended December 31, 2021 and 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. With the exception of the Authority's statements of revenues, expenses and changes in net position, the values listed in the MD&A are approximate and rounded to the nearest thousandth or nearest hundredth dollars.

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, 2021 AND 2020

### FINANCIAL HIGHLIGHTS – YEAR ENDED DECEMBER 31, 2021

- ❖ The Authority's total assets and deferred outflows of resources exceeded total liabilities by \$61.54 million, including \$46.67 million invested in capital assets and \$14.9 million unrestricted. The Authority's net position increased by \$558,300 (0.9%).
- ❖ Current assets increased by \$227,700 (1.7%).
- ❖ Current liabilities increased by \$1.18 million (25.3%).
- ❖ Operating revenues from all sources increased by \$167,800 (1.3%).
- ❖ Operating expenses decreased by \$135,000 (1.8%).

### 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, 2021 and 2020 is presented in Table 1, below.

TABLE 1  
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

	(in thousands of dollars)			
	2021	2020	\$ Change	% Change
Operating revenues	\$ 12,705.1	\$ 12,537.3	\$ 167.8	1.3 %
Operating expenses	7,567.6	7,702.5	(135.0)	(1.8) %
Total operating income before depreciation and amortization	5,137.5	4,834.8	302.7	6.3 %
Depreciation and amortization	3,313.6	3,270.1	43.5	1.3 %
Total operating income	1,823.9	1,564.7	259.3	16.6 %
Nonoperating revenues	981.7	1,070.9	(89.2)	(8.3) %
Nonoperating expenses	2,197.3	1,645.4	551.9	33.5 %
Income before cost-sharing agreement expense, net	608.3	990.2	(381.8)	(38.6) %
Cost-sharing agreement, net	50.0	50.0	-	0.0 %
Increase (decrease) in net position	558.3	940.2	\$ (381.8)	(40.6) %
Net position:				
Beginning of year	60,979.5	60,039.3		
End of year	\$ 61,537.8	\$ 60,979.5		

## **DERRY TOWNSHIP MUNICIPAL AUTHORITY**

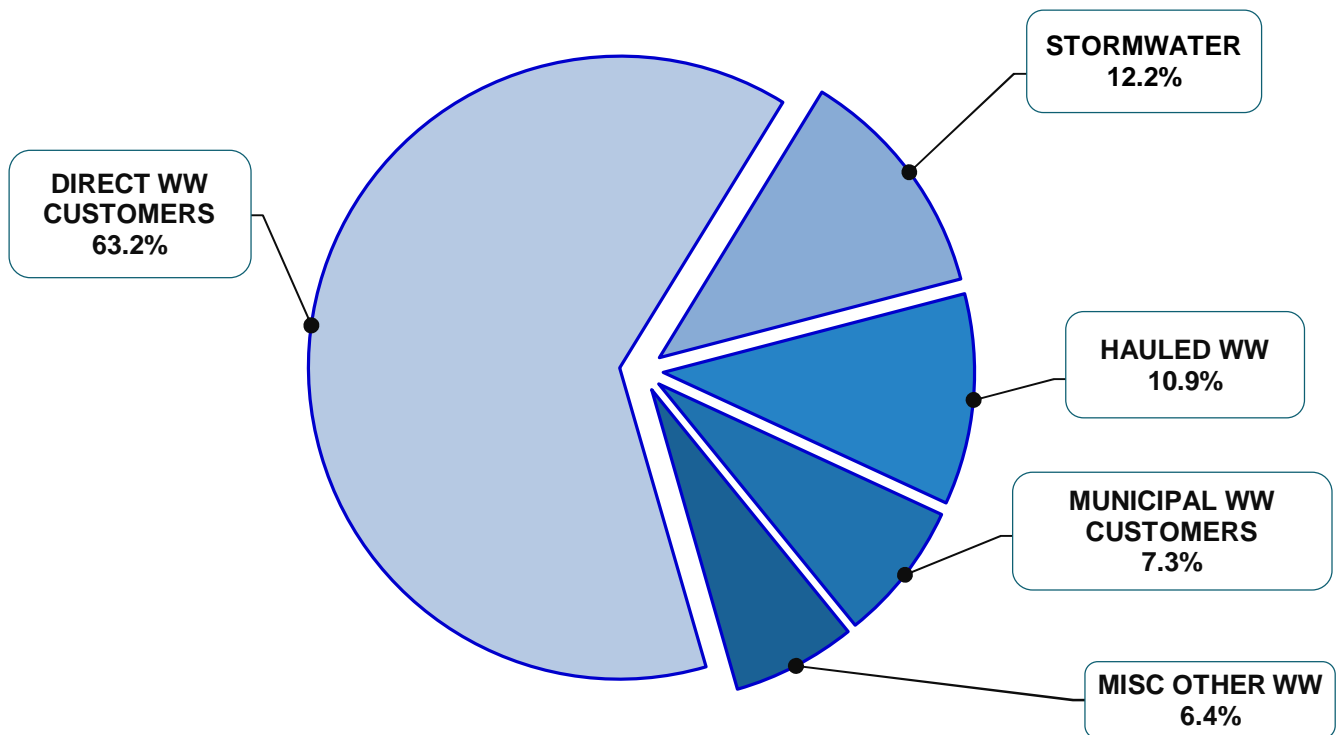
### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2021 AND 2020**

#### **REVENUE**

*Combined* – The overall combined 2021 Authority operating revenues increased by \$167,800 (1.3%), comparatively to 2020. The major contributing factor to this is due to the increase of total billable wastewater volume and revenue for the Direct and Municipal Customers which is comparable to similar levels prior to the economic impacts caused by the COVID-19 pandemic. In 2021, local tourism and commercial establishments within the Authority's service area such as the amusement park, concert venues, sporting events, and restaurants returned to normal operations. The Authority also observed an increase in the strength of waste surcharge fees for the commercial and industrial establishments. The 2021 Stormwater revenue decreased by 8.3% over 2020.

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

**FIGURE 1  
2021 COMBINED OPERATING REVENUE DETAIL**





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

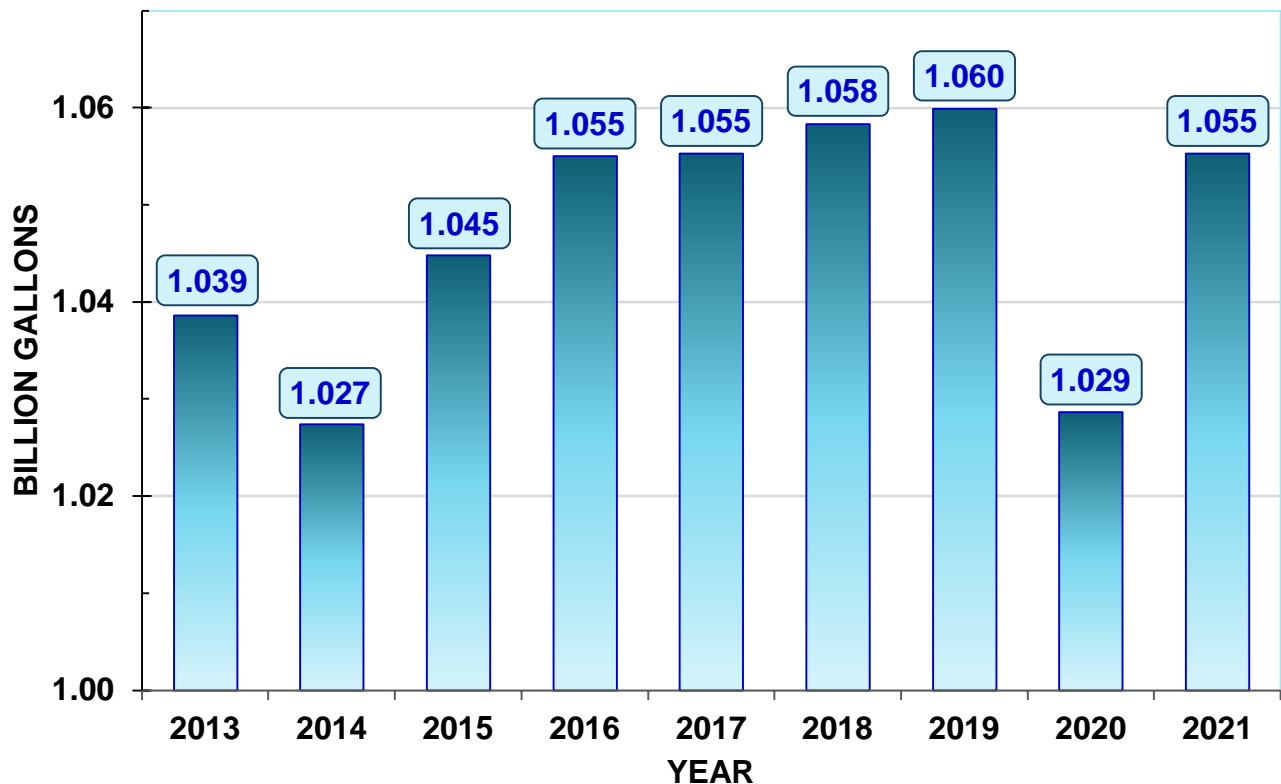
### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2021 AND 2020**

#### **REVENUE (Continued)**

*WW Revenue* – During 2021, WW revenue increased by \$199,900 (2.3%) from all the Authority's WW customers, comparatively to 2020. The main contributing factors include the increase of total billable wastewater volume, receipt of surcharge fees, and new customer connections within the Authority's service area.

The billable wastewater volume increased in 2021 over the 2020 volume, reversing the previous year's downward trend, as presented in Figure 2. This trend is a direct result of the reduced impact within our service area by the COVID-19 pandemic as local tourism and commercial businesses returned to normalcy. The Authority will continue to monitor this trend for future changes.

**FIGURE 2  
BILLABLE WASTEWATER VOLUME**



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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2021 AND 2020**

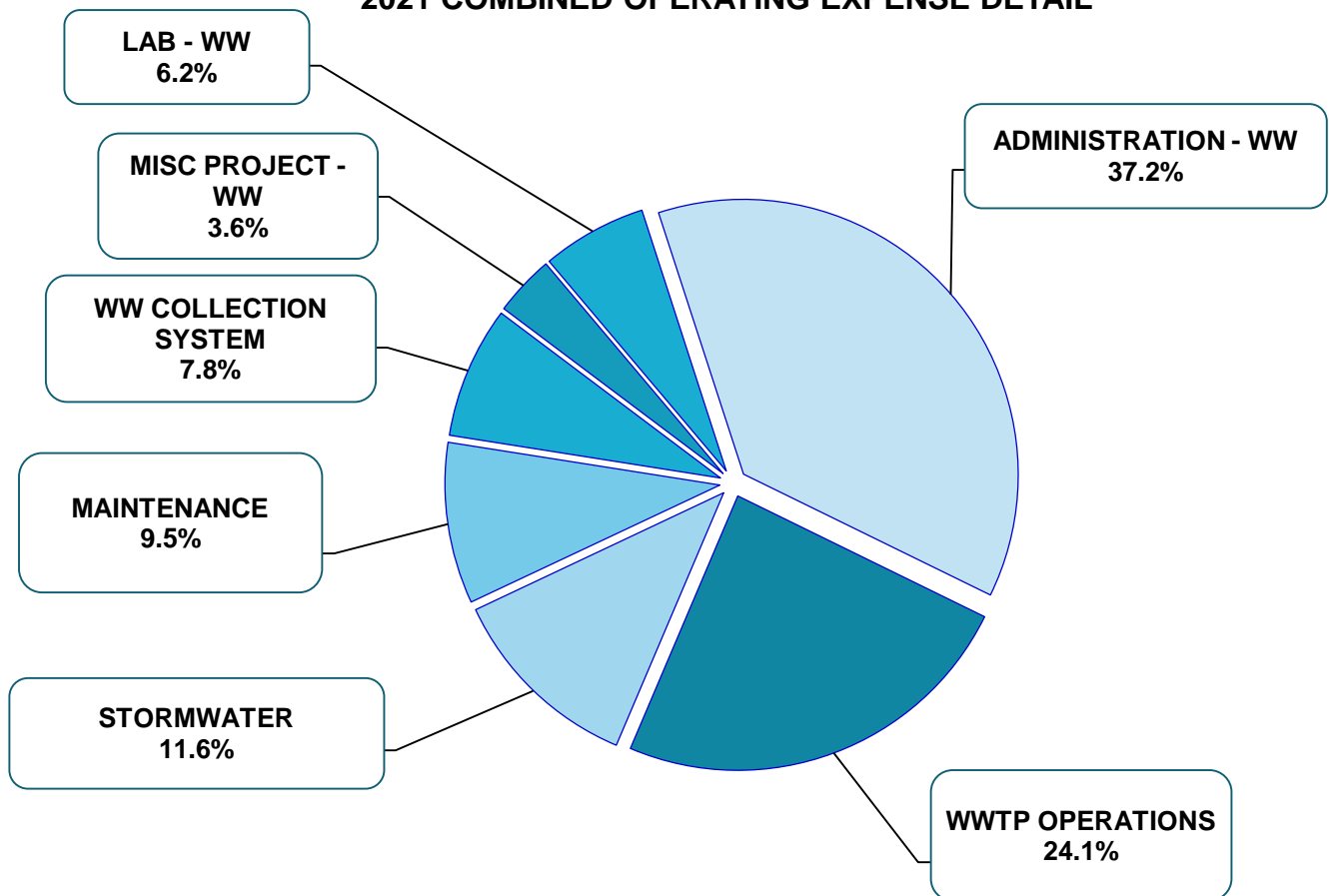
#### **REVENUE (Continued)**

*Stormwater (SW) Revenue* – During 2021, approximately \$1.55 million in revenues were collected resulting in a decrease of \$140,600 (8.3%), comparatively to 2020. The major contributing factor was due to a stormwater fee credit which was applied to the properties owned and maintained by the Hershey Trust, which serves as the Trustee for the Milton Hershey School.

#### **EXPENSES**

*Combined Operating Expenses* – The 2021 combined operating expenses before depreciation decreased by \$135,000 (-1.8%) over the 2020 expenses. Figure 3 presents the breakdown of overall combined 2020 Authority operating expenses.

**FIGURE 3  
2021 COMBINED OPERATING EXPENSE DETAIL**



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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2021 AND 2020**

#### **EXPENSES (Continued)**

*WW Operating Expenses* – The 2021 WW operating expenses decreased by \$282,800 (-4.1%) from 2020. The following describes the variances in the operating expenses:

- Administrative expenses decreased by \$78,600 (-2.7%). The major contributing factors for the decrease in expenses include: 1) decrease in engineering services of \$53,500 (-52%) due to re-classification and payment of services from the capital project funds, and 2) decrease in legal services of \$28,400 (-47.1%).
- Collection system expenses increased by \$35,100 (6.3%) due to an increase of lateral installations and contract emergency repairs within the collection and conveyance system.
- Operations expenses for the plant operations decreased by 15,100 (0.8%). The major contributing factors include: 1) reduction in plant operations labor costs of \$45,000 (-5.6%) with the retirement of the operations supervisor as well as the re-organization of the senior level positions, 2) reduction of \$17,400 (-74.7%) in operational equipment repair costs, and 3) increase in plant treatment chemical costs of \$44,400 (19.9%).
- Maintenance expenses increased by approximately \$8,200 (1.2%) due to an increase in maintenance labor costs of \$17,400 (6.4%) with the hiring of an additional staff for the succession planning and future retirement of a senior level mechanic. Equipment repairs and contract services for electrician, SCADA and building HVAC control systems decreased by \$15,700 (-7.5%).

*SW Operating Expenses* – During 2021, the SW fund operating expenses increased by \$147,900 (20.3%) from 2020 SW expenses. The major contributing factors include: 1) contract repairs increased by \$109,300 (148.9%), and 2) increase in capital project costs of \$90,200 (403.1%) as 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.

#### **COMBINED NONOPERATING REVENUE**

The 2021 nonoperating revenues, including interest income, grants and capacity fees decreased by \$89,200 (-8.3%) over 2020. Interest income reduced by \$165,600 (-86.8%) due to the combination of lower interest rates in 2021 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 2021, strong development activity continued within the Authority's service area with a slight increase in capacity fee revenue of \$24,900 (5.9%) compared to 2020.

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2021 AND 2020**

#### **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 2021, no developer contributions for sanitary sewer or storm sewer extensions occurred.

#### **COMBINED NONOPERATING EXPENSE**

In 2021, the overall bonds and notes payable and amortization of bond premiums increased by \$434,800 (33.7%). Interest on bonds increased by \$434,800 (31.1%) due to the issuance of the Sewer Revenue Bonds, Series of 2021A, 2021B & 2021C, and also a full year of interest on the General Obligation Bonds, Series A of 2020. The debt issuance costs increased by \$123,200 (38.4%) compared to 2020.

#### **TOTAL NET POSITION**

As detailed on Table 2, as of December 31, 2021 and 2020, the Authority had total net positions of \$61.54 million and \$60.98 million, respectively.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

TABLE 2  
CONDENSED STATEMENTS OF NET POSITION  
DECEMBER 31, 2021 AND 2020

	(in thousands of dollars)			
	2021	2020	VARIANCE	
			\$	%
Assets and deferred outflows of resources:				
Current assets	\$ 13,343.5	\$ 13,115.8	\$ 227.7	1.7 %
Capital assets	85,239.2	77,209.3	8,029.9	10.4 %
Other assets	21,863.4	22,535.4	(672.0)	(3.0) %
Total assets	120,446.1	112,860.5	7,585.6	6.7 %
Deferred outflows of resources	1,349.5	1,090.8	258.7	23.7 %
Total assets and deferred outflows of resources	<u>\$ 121,795.6</u>	<u>\$ 113,951.3</u>	<u>\$ 7,844.3</u>	<u>6.9 %</u>
Liabilities and net position:				
Current liabilities	\$ 5,839.6	\$ 4,658.8	\$ 1,180.8	25.3 %
Long-term liabilities	54,400.0	48,304.1	6,095.9	12.6 %
Total liabilities	60,239.6	52,962.9	7,276.6	13.7 %
Deferred inflows of resources	18.2	8.8	9.4	106.4 %
Total liabilities and deferred inflows of resources	<u>\$ 60,257.8</u>	<u>\$ 52,971.8</u>	<u>\$ 7,286.0</u>	<u>13.8 %</u>
Net position:				
Net investment in capital assets	46,666.6	45,053.3	1,613.4	3.6 %
Restricted for debt service	-	1,693.0	(1,693.0)	(100.0) %
Unrestricted	14,871.2	14,233.2	637.9	4.5 %
Total net position	<u>61,537.8</u>	<u>60,979.5</u>	<u>558.3</u>	<u>0.9 %</u>
Total liabilities and net position	<u>\$ 121,795.6</u>	<u>\$ 113,951.3</u>	<u>\$ 7,844.3</u>	<u>6.9 %</u>

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2021 AND 2020**

#### **ASSETS**

The 2021 year-end value of total assets increased by \$7.84 million (6.9%) when compared to 2020 year end. A breakdown of the total assets by category is presented in Table 2. The 2021 value of capital assets increased \$8.03 million over 2020 levels. Once construction projects are completed, their asset values are reclassified and recorded under the appropriate capital asset category such as property, plant or equipment.

The Authority's long-term growth plans and additional future borrowing needs created an opportunity to successfully move to a new legal structure or Trust Indenture for future borrowing. The new Trust Indenture 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 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 issued Sewer Revenue Bonds, Series A and B of 2021, under the new Trust Indenture, in which proceeds were applied to the refunding of the outstanding bonds under the 1998 Trust Indenture, therefore nullifying the lien of the 1998 Trust Indenture. This transaction resulted in a very favorable outcome with a net savings to the Authority's debt service in the amount of \$463,000.

Based on the various capital projects in progress and as identified in the Authority's 10-yr Capital Improvement Plan (CIP), a majority of the construction funds were 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 and beyond. This bond issuance included 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, as well as the next four (4) operating years.

During 2021, funds were disbursed from the 2018 Construction Fund and the 2019 and 2020 Capital Project Funds to pay invoices related to the Authority's capital projects. The major projects included: sanitary sewer infrastructure replacements, Clearwater WWTP Energy Enhancements, Relocation of Power Center #2, Clearwater WWTP Influent Pumps Replacement, Southwest WWTP Upgrades, Clearwater WWTP UV System Replacement, Spring Creek Interceptor Improvements, Egg-shaped Digester Coatings Replacement, Highmeadow Pump Station Upgrades, and the Clearwater WWTP Phase I Improvements. The 2018 Construction Fund and the 2019 Capital Project Fund was fully disbursed in 2021.

As part of the Authority's asset management program, the Authority maintains two separate Resource Allocation Funds to support capital projects including renewal or replacement of any wastewater fixed asset within the Clearwater WWTP or Southwest WWTP service areas. All capacity fees collected during any given fiscal year, with a minimum transfer target of \$250,000, will be transferred to these funds. If the capacity fees do not meet the target minimum during any year, the difference will be made up with a

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2021 AND 2020**

transfer from cash reserves at the end of each year. During 2021, the Resource Allocation Funds increased by \$655,200 with the transfer of capacity fee receipts.

In addition to the Resource Allocation Funds, 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 was increased by \$756,900 due to a pending settlement of a disputed contract. During 2021, the Operating Reserve Fund was decreased by \$700,600 with the settlement of the disputed contract and to return the fund balance to normal levels at approximately 10% of the Authority's annual expenses. The Flood Fund, which was designated to cover flood insurance deductibles, is capped at \$200,000 and that balance was maintained during 2021.

#### **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 \$1.18 Million (25.3%). Accounts payable increased by \$1.25 million (105.2%) was primarily due to the accrual of construction invoices and retainage. The PTO liability decreased by approximately -16.8% as a result of staff utilizing PTO balances for traveling and vacation purposes as compared to 2020 when stay-at-home orders and travel restrictions were enforced during the COVID-19 pandemic. The accrued payroll and payroll deduction liabilities decreased by approximately -58.5% due to the previously mentioned accrual of payroll taxes, PTO and retiree severance.

In 2021, long-term liabilities (net of current) increased by \$6.10 million (12.6%) due to the issuance of Sewer Revenue Bonds, Series A, B & C of 2021. Capital lease liabilities with Conewago Township and Conewago Municipal Authority decreased by \$341,700 due to normally scheduled principal payments. Further information about long-term liabilities can be found in Notes 8 to 12 to the financial statements.

With the changes in both current and long-term liabilities, the resulting total liabilities increased by \$7.29 million (13.8%) from 2020 levels.

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets* – The Authority's capital assets, nets of accumulated depreciation, as of December 31, 2021 were \$85.24 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, 2021 and 2020 is summarized in Table 3 below.

***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

TABLE 3  
PROPERTY, PLANT AND EQUIPMENT

	2021	2020
Land and right-of-ways	\$ 2,370,024	\$ 2,370,024
Collection lines	43,618,494	43,573,958
Sewage treatment plant	74,709,777	71,962,422
Plant equipment	4,492,670	4,451,408
Vehicles	2,222,034	1,814,352
Office equipment	1,389,949	1,331,709
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	9,278,931
Construction in progress	12,087,859	4,072,381
Projects in progress	98,468	69,540
Total capital assets	153,612,110	142,268,629
Less accumulated depreciation	68,372,929	65,059,312
Total capital assets, net	\$ 85,239,181	\$ 77,209,317



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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2021 AND 2020**

*Long-Term Debt* – At the end of 2021, the Authority had outstanding long-term debt obligations of \$53.09 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 48,304,100	\$ 41,864,740	\$ 35,326,329	\$ 33,034,622
New debt issues	27,335,000	17,795,000	13,870,000	5,010,000
Principal retirement	<u>(21,239,100)</u>	<u>(11,355,640)</u>	<u>(7,331,589)</u>	<u>(2,718,293)</u>
Ending balance	<u>\$ 54,400,000</u>	<u>\$ 48,304,100</u>	<u>\$ 41,864,740</u>	<u>\$ 35,326,329</u>

*Bond Ratings* – The Authority issued Sewer Revenue Bonds, Series A, B & C of 2021, with AA- rating (stable outlook) from S&P Global Ratings at the time of issuance.

*Debt Coverage Ratio* – The Authority's debt coverage ratio (available revenue to debt service expenses) for 2021 is 1.32, down from last year's ratio of 1.43. Table 5 presents the Authority's debt coverage ratio for the past 4 years.

**DERRY TOWNSHIP MUNICIPAL AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

TABLE 5  
DEBT COVERAGE RATIO

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net operating income	\$ 1,823,952	\$ 1,564,677	\$ 2,024,410	\$ 742,912
Plus:				
Depreciation & amortization of property	3,313,616	3,270,115	3,335,091	3,334,100
Tap and capacity fees	655,161	630,292	638,964	391,536
Investment income	<u>25,360</u>	<u>190,934</u>	<u>335,447</u>	<u>222,081</u>
Total available revenue	<u>\$ 5,818,089</u>	<u>\$ 5,656,018</u>	<u>\$ 6,333,912</u>	<u>\$ 4,690,629</u>
Debt:				
Principal	\$ 2,953,285	\$ 2,779,921	\$ 2,796,589	\$ 2,718,293
Interest	<u>1,452,629</u>	<u>1,185,961</u>	<u>1,072,011</u>	<u>884,814</u>
Total debt service	<u>\$ 4,405,914</u>	<u>\$ 3,965,882</u>	<u>\$ 3,868,600</u>	<u>\$ 3,603,107</u>
Ratio	1.32	1.43	1.64	1.30

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2021 AND 2020**

#### **CONCLUDING COMMENTS**

The economic impact caused by the COVID-19 pandemic, within the Authority's service area, significantly decreased in 2021 as commercial establishments, such as the amusement park, concert venues, sporting events, and restaurants returned to normal operations. The local tourism and commercial businesses have a strong and positive impact on the Authority's financial position. 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.

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 proved to be very effective in balancing the budget for the 2021 operating year.

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 any potential financial impact as a result of the COVID-19 pandemic.

In summary, the Authority experienced an increase in the total billable wastewater volume for Direct and Municipal Customers over 2020. 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 as well as the stable local economy with local tourism and commercial businesses returning to normalcy.

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 2021. 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. 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 repair and/or replacement projects also continued to be implemented as all projects are funded by annual stormwater fee receipts.

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

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEARS ENDED DECEMBER 31, 2021 AND 2020

TABLE 6  
REVENUE TO EXPENSE RATIOS

	2021	2020	2019	2018
Operating revenue	\$ 12,705,136	\$ 12,537,329	\$ 12,929,879	\$ 12,459,128
Operating expenses*	7,567,567	7,702,537	7,470,378	8,282,116
Operating revenue/expense ratio	1.68	1.63	1.73	1.50
Total revenue	\$ 13,686,813	\$ 13,608,199	\$ 14,049,862	\$ 13,174,986
Total expenses	9,814,907	9,397,922	10,414,238	9,953,939
Total revenue/expense ratio	1.39	1.45	1.35	1.32

*\*(before depreciation and amortization)*

#### 2022 OUTLOOK

In preparation of the 2022 Budget, the Authority remains very optimistic that the 2022 Operating Year will continue to build upon the improved economic stability within our service area as commercial businesses and tourist attractions return to normalcy as well as the projected growth projections of new customers. Staff continue to reasonably minimize operational costs and project expenditures with effective planning strategies in an effort to balance the 2022 Budget. Operating expenses in 2022 are projected to significantly increase due to the rising commodity costs for wastewater treatment process chemicals, equipment repairs and replacement.

With the three-year rate adjustment strategy, the 2022 Operating Year projection for the wastewater revenue includes the Board approved sewer user rate increase of 2% in order to meet the needs of our rate payers by continuing to provide a reliable and cost effective service.

With the increasing material shortages and the inflationary cost increases for equipment and material, as experienced to date in 2022, it has become very difficult to plan and implement capital improvement projects within the anticipated budget and completion timeframe. Additionally, the material and equipment shortages have caused significant delays in the completion of current construction projects. This has ultimately extended the construction schedules beyond the original completion dates, whereby, reducing the anticipated monthly drawdown projections for payment of construction invoices from the Authority's capital project funds.

***DERRY TOWNSHIP MUNICIPAL AUTHORITY***

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

In February 2022, the Authority learned that the Federal Reserve will begin raising interest rates by Spring 2022, causing uncertainty in the municipal bond market. Due to the uncertainty in the bond market as well as the need for additional borrowing to fund the Board approved wastewater projects, the Authority issued Sewer Revenue Bonds, Series of 2022, in April 2022 in the amount of \$9.375 million. This bond issuance is bank qualified with a wrap-around payment structure. The Authority received AA- rating (stable outlook) from S&P Global Ratings at the time of issuance.

**TABLE 7  
OPERATING RESERVES**

	<u>January 1, 2021</u>	<u>Additions/(deletions)</u>	<u>December 31, 2021</u>
Operating Reserve Fund	\$ 1,750,705	\$ (700,564)	\$ 1,050,141
WW Resource Allocation Fund	1,466,948	13,923	1,480,871
SWTP Resource Allocation Fund	-	1,000,453	1,000,453
Operating Flood Fund	<u>209,098</u>	<u>16</u>	<u>209,114</u>
Total operating reserve	<u>\$ 3,426,751</u>	<u>\$ 313,828</u>	<u>\$ 3,740,579</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, 2021 AND 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2021	2020
Current Assets:		
Cash and cash equivalents	\$ 12,625,423	\$ 12,316,025
Sewer rents receivables	321,838	335,407
Accounts receivable, other	103,201	193,561
Interest receivable	13	31
Prepaid insurance	293,040	270,802
	<hr/>	<hr/>
Total current assets	13,343,515	13,115,826
	<hr/>	<hr/>
Non-current assets:		
Cash and cash equivalents restricted for improvements and contingency	4,276,301	3,944,310
Cash and cash equivalents restricted for capital projects and debt service	17,587,111	18,591,062
Capital assets, not being depreciated	14,556,350	4,141,921
Capital assets, being depreciated, net	70,682,831	73,067,396
	<hr/>	<hr/>
Total non-current assets	107,102,593	99,744,689
	<hr/>	<hr/>
Total assets	120,446,108	112,860,515
	<hr/>	<hr/>
Deferred outflows of resources:		
Other postemployment benefits	71,032	77,729
Deferred loss on refunded debt	1,278,461	1,013,042
	<hr/>	<hr/>
Total deferred outflows	1,349,493	1,090,771
	<hr/>	<hr/>
Total assets and deferred outflows of resources	\$ 121,795,601	\$ 113,951,286
	<hr/>	<hr/>

This statement is continued on the next page

The accompanying notes are an integral part of the financial statements.

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2021 AND 2020

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2021	2020
Current liabilities:		
Accrued interest on debt	\$ 62,210	\$ 67,002
Current portion of:		
Sewer revenue bonds	1,760,000	2,000,000
Subsidy agreements with Derry Twp.	965,000	680,000
Capital lease obligations	341,684	338,285
Accounts payable	2,447,021	1,193,556
Accrued:		
Paid time off	211,260	253,810
Payroll and payroll deductions	52,381	126,143
Total current liabilities	<u>5,839,556</u>	<u>4,658,796</u>
Non-current liabilities:		
Other postemployment benefits liability	1,307,039	1,255,290
Long-term debt, net of current position:		
Sewer revenue bonds	24,810,249	17,311,758
Subsidy agreements with Derry Twp	26,057,873	27,170,558
Capital lease obligations	2,224,850	2,566,534
Total noncurrent liabilities	<u>54,400,011</u>	<u>48,304,140</u>
Total liabilities	<u>60,239,567</u>	<u>52,962,936</u>
Deferred inflows of resources, other postemployment benefits	<u>18,224</u>	<u>8,829</u>
Net position:		
Net investment in capital assets	46,666,636	45,053,280
Restricted for debt service	-	1,693,006
Unrestricted	14,871,174	14,233,235
Total net position	<u>61,537,810</u>	<u>60,979,521</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 121,795,601</u>	<u>\$ 113,951,286</u>

The accompanying notes are an integral part of the financial statements.

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2021 AND 2020

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	2021	2020
Operating revenues:		
Sewer Service charges:		
Direct customers	\$ 8,030,729	\$ 7,973,798
Municipal customers	921,655	778,647
Hauled waste process	1,388,714	1,511,718
Surcharges	623,505	456,059
Connection and related fees	43,288	26,804
Stormwater fees	1,546,984	1,694,081
Miscellaneous	150,261	96,222
Total operating revenues	12,705,136	12,537,329
Operating expenses:		
Administrative, payroll taxes, and employee benefits	3,279,747	3,421,242
Collection system	890,185	734,586
Plant operations	1,826,208	1,811,106
Maintenance	721,134	712,932
Technical services	467,502	341,350
Miscellaneous project expense	382,792	681,321
Total operating expenses	7,567,568	7,702,537
Operating income before depreciation and amortization	5,137,568	4,834,792
Depreciation and amortization	3,313,616	3,270,115
Operating income	1,823,952	1,564,677
Non-operating revenues and (expenses):		
Capacity fees	655,161	630,292
Interest income	25,360	190,934
Amortization of bond premiums	282,404	190,822
Miscellaneous revenue	18,752	58,822
Interest expense:		
Capital lease	(27,501)	(30,865)
Bonds and notes payable	(1,726,610)	(1,291,841)
Miscellaneous expense	(15)	(2,637)
Bond issuance costs	(443,214)	(320,042)
Total non-operating revenues and (expenses)	(1,215,663)	(574,515)
Cost-sharing agreement expense	50,000	50,000
Increase in Net Position	558,289	940,162
Net Position at Beginning of Year	60,979,521	60,039,359
Net Position at End of Year	\$ 61,537,810	\$ 60,979,521

The accompanying notes are an integral part of the financial statements.



DERRY TOWNSHIP MUNICIPAL AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from customers and users	\$ 12,809,064	\$ 13,852,832
Cash payments to:		
Suppliers	(2,410,836)	(5,149,104)
Employees	<u>(3,973,976)</u>	<u>(2,992,894)</u>
Net cash provided by operating activities	<u>6,424,252</u>	<u>5,710,834</u>
Cash flows from capital and related financing activities		
Non-operating income	(31,248)	8,822
Capacity fees	655,161	630,292
Purchase of property, plant, and equipment	(11,343,480)	(5,184,174)
Debt principal paid	(21,250,000)	(11,586,750)
Capital lease paid	(338,285)	(334,921)
Bond proceeds, net of issuance costs, premium and discounts	27,519,996	18,813,450
Interest paid on debt	<u>(2,029,949)</u>	<u>(1,113,581)</u>
Net cash used by capital and related financing activities	<u>(6,817,805)</u>	<u>1,233,138</u>
Cash flows provided by investing activities, interest received	<u>30,991</u>	<u>193,399</u>
Net increase (decrease) in cash and cash equivalents	(362,562)	7,137,371
Cash and cash equivalents		
Beginning of the year	<u>34,851,397</u>	<u>27,714,026</u>
End of Year	<u><u>\$ 34,488,835</u></u>	<u><u>\$ 34,851,397</u></u>
Financial Statement Presentation:		
Cash and cash equivalents	\$ 12,625,423	\$ 12,316,025
Cash and cash equivalents restricted for improvements and contingency	4,276,301	3,944,310
Cash and cash equivalents restricted for capital projects and debt service	17,587,111	18,591,062
Total	<u><u>\$ 34,488,835</u></u>	<u><u>\$ 34,851,397</u></u>

The accompanying notes are an integral part of the financial statements.

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 1,823,952	\$ 1,564,677
Adjustments:		
Depreciation expense	3,313,616	3,270,115
Non-cash expenses	-	78,083
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	103,928	(190,133)
Inventory	-	7,193
Prepaid insurance	(22,238)	(59,173)
Deferred outflow-OPEB	6,697	(63,223)
Increase (decrease) in:		
Accounts payable, trade and other	1,253,465	921,120
OPEB liability	51,749	96,958
Accrued expenses	(116,312)	76,388
Deferred inflow-OPEB	9,395	8,829
Net cash provided by operating activities	<u>\$ 6,424,252</u>	<u>\$ 5,710,834</u>
Non-cash activities		
Amortization of bond premiums	\$ 282,404	\$ 190,822
Amortization of deferred loss on refunded debt	12,222	187,756

The accompanying notes are an integral part of the financial statements.

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

The Derry Township Municipal Authority (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.

B. Reporting Entity

Governmental Accounting Standards Board ("GASB") Statement No. 61, *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34"* established the criteria used by the Authority to evaluate the possible inclusion of related entities within its reporting entity based upon financial accountability and the nature and significance of the relationship. Based on the foregoing criteria, the Authority has no component units that are required to be included in the Authority's financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The Authority applies Governmental Accounting Standards Board (GASB) pronouncements.

The Authority operations are reported as a proprietary fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) is segregated into "net investment in capital assets", "restricted", and "unrestricted" components.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary funds' principal ongoing operations. The principal operating revenues and expenses of the Authority are sewer service charges, hauled waste process, stormwater fees, administrative, payroll taxes and employee benefits expense, plant operations expense and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed for their intended purposes

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments, including investments in external investment pools and money market mutual funds as discussed in Note 2, with a maturity of three months or less when purchased to be cash equivalents.

E. Receivables

All receivables are shown net of an allowance for uncollectables, as applicable, trade receivables are evaluated for collectability and an allowance is established, as deemed necessary based on the best information available and in an amount that management believes is adequate. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

F. Investments and External Investment Pools

The Authority invests its idle funds in various instruments, including external investment pools which invest in government secured instruments and certificates of deposit with federally insured financial institutions. This investment is valued at fair value. The Authority's investment in external investment pools, as discussed in Note 2, and government secured money market instruments are valued at fair value, or amortized cost, which approximates cost and is classified as cash and cash equivalents in the balance sheet.

G. Capital Assets and Depreciation

The Authority uses a capitalization threshold of \$5,000 to record capital assets purchased and constructed. The expenses are recorded at cost including any liability for contract retainage and construction costs payable. In addition, the Authority included any stormwater rights associated with a project as part of the cost of that project and depreciated them accordingly. Intangible assets with an indefinite life are not subject to amortization. The construction accounts have also been charged with applicable administrative expenses.

Contributed assets are carried at estimated acquisition value at the time of contribution. Depreciation is determined using the straight-line method based upon the following estimated useful lives:

	<u>Years</u>
Collection lines	10 - 80
Sewage treatment plant	10 - 80
Plant equipment	5 - 20
Vehicles	5 - 20
Office equipment	3 - 10
Miscellaneous equipment	3 - 20
Stormwater system	3 - 80

Normal maintenance and repairs are charged to operations as incurred. Renewals and betterments are capitalized and depreciated based upon the expected life of such improvements.

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

G. Capital Assets and Depreciation (Continued)

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Non-exchange transactions, such as donated system assets and assets acquired by contributions, are recognized as capital contributions in accordance with GASB Statement No. 33.

H. 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 can carry forward each year. Upon termination of, an employee will be paid for all accrued PTO at their current base rate.

The following table summarizes unused compensated absences liability:

	<u>2021</u>	<u>2020</u>
Balance at Beginning of Year	\$ 253,810	\$ 185,834
Additions	211,260	253,810
Retirements	<u>(253,810)</u>	<u>(185,834)</u>
Balance at End of Year	<u>\$ 211,260</u>	<u>\$ 253,810</u>

Unused PTO are generally utilized within 12 months and are reported in current liabilities.

I. Deferred Outflows of Resources

The statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category: deferred outflows related to OPEB and refunding losses on bonds.

J. Deferred Inflows of Resources

The statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category: deferred inflows related to OPEB.

K. Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

L. Adoption of Governmental Accounting Standards Board Statements

The Authority adopted the provisions of Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB 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", and GASB Statement No. 98, "The Annual Comprehensive Financial Report", and GASB Statement No. 99, "Omnibus 2022" requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63.

M. Pending Changes in Accounting Principles

In June 2017, the GASB issued Statement No. 87, "*Leases*". The Authority is required to adopt statement No. 87 for its calendar year 2022 financial statements.

In May 2019, the GASB issued Statement No. 91, "*Conduit Debt Obligations*". The Authority is required to adopt statement No. 91 for its calendar year 2022 statements.

In January 2020, the GASB issued Statement No. 92, "*Omnibus 2020*". The Authority is required to adopt statement No. 92 for its calendar year 2022 statements.

In March 2020, the GASB issued Statement No. 93, "*Replacement of Interbank Offered Rates*". The Authority is required to adopt statement No. 93 for its calendar year 2022 statements, except for the requirements of paragraphs 11b, 13, and 14 which are effective for the Authority's calendar year 2023 statements.

In March 2020, the GASB issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*". The Authority is required to adopt statement No. 94 for its calendar year 2023 statements.

In May 2020, the GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*". The Authority is required to adopt statement No. 96 for its calendar year 2023 statements.

In April 2022, the GASB issued Statement No. 99, "*Omnibus 2022*". The Authority is required to adopt statement No. 99 upon issuance, except for the requirements related to leases, PPPs, and SBITAs which are effective for the Authority's calendar year 2023 statements and the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53.

The Authority has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

N. 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.

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2: DEPOSITS AND INVESTMENTS

The carrying amounts of the cash and investments at December 31 consist of the following:

Investments	2021	2020
Cash and money market investments	\$ 29,686,205	\$ 28,208,535
Accrued interest on government securities	159	70
Total deposits, including petty cash	<u>4,802,471</u>	<u>6,642,792</u>
Total deposits and investments	<u>\$ 34,488,835</u>	<u>\$ 34,851,397</u>

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

Reconciliation to the Statements of Net Position

	2021	2020
Current assets:		
Cash	\$ 4,802,471	\$ 6,642,792
Money Market Investments	<u>7,822,952</u>	<u>5,673,233</u>
	12,625,423	12,316,025
Non-current		
Money Market Investments	<u>21,863,412</u>	<u>22,535,372</u>
Total deposits and investments	<u>\$ 34,488,835</u>	<u>\$ 34,851,397</u>

Deposits:

The Authority has a policy that requires all deposits and investments, other than U.S. government obligations, to be covered by Federal insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not insured by the Federal Deposit Insurance Corporation are collateralized using the pooled asset method to 100% of value as required by Pennsylvania Law.

The securities pledged as collateral are held by the trust department of a financial institution or by its agent in the financial institution's name. When certificates of deposit are purchased, the Authority or its agent either holds the actual certificate of deposit or receives a safekeeping certificate as its proof of ownership.

The Authority has custodial credit risk on cash and investment deposits. This is the risk that, in the event of a financial institution failure, the Authority's deposits may not be returned. On December 31, 2021 and 2020, the carrying amounts of the Authority's bank deposits were \$34,488,835 and \$34,851,397 respectively, and the bank balance of \$34,620,625 and \$34,111,635, respectively. As of December 31, 2021, and 2020, \$16,284,499 and \$15,094,393 of deposits were exposed to custodial risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

PLGIT is a common law trust organized to provide Pennsylvania local governments with a convenient method of pooling their cash for temporary investment. PLGIT functions similar to a money market fund, seeking to maintain a net asset value of \$1 per share. Participants purchase "shares" in PLGIT, which invests the proceeds in: obligations of the United States Government, its agencies or instrumentalities; obligations of the Commonwealth of Pennsylvania, its agencies, instrumentalities or political subdivisions; and deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured, and for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository. Shares may be withdrawn at any time, in any amount, with no liquidity fee or redemption gates. PLGIT/PLGIT PLUS have received an "AAAm" rating from Standard & Poor's, an independent credit rating agency. At December 31, 2021 and 2020, the carrying amount of the Authority's deposits with PLGIT were \$17,587,105 and \$18,591,062, respectively.

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.

Credit Risk:

The Authority limits the type of investments permitted as defined in the Municipality Authorities Act and the related trust indentures. Permitted investments are defined above. The Authority's investment policy is consistent with these limitations. As of December 31, 2021 and 2020, the Authority does not hold any investments which are subject to credit risk.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	<u>2021</u>	<u>2020</u>
Connection fees	\$ 20,286	\$ 27,017
Stormwater charges	65,056	64,486
Insurance surplus	7,923	67,682
Miscellaneous	<u>9,936</u>	<u>34,376</u>
	<u>\$ 103,201</u>	<u>\$ 193,561</u>



DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 4: CAPITAL ASSETS

Capital assets of the Authority for 2021 and 2020 consist of the following:

	January 1, 2020	Additions	Deletions	Reclassifications	December 31, 2020	Additions	Deletions	Reclassifications	December 31, 2021
Land and right-of-ways	\$ 2,370,024	\$ -	\$ -	\$ -	\$ 2,370,024	\$ -	\$ -	\$ -	\$ 2,370,024
Collection lines	43,049,165	-	-	524,793	43,573,958	44,536	-	-	43,618,494
Sewage treatment plant	71,093,235	-	-	869,187	71,962,422	2,747,355	-	-	74,709,777
Plant equipment	4,368,587	-	-	82,821	4,451,408	41,262	-	-	4,492,670
Vehicles	1,717,064	-	-	97,288	1,814,352	407,682	-	-	2,222,034
Office equipment	1,245,835	-	-	85,874	1,331,709	58,240	-	-	1,389,949
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	-	-	1,442,991	9,278,931	-	-	-	9,278,931
Construction in progress	1,255,065	4,305,852	(73,428)	(1,415,108)	4,072,381	11,173,869	(3,297,893)	-	11,948,357
Projects in progress	1,032,616	748,093	(23,323)	(1,687,846)	69,540	168,429	-	-	237,969
	137,311,435	5,053,945	(96,751)	-	142,268,629	14,641,373	(3,297,893)	-	153,612,109
Less accumulated depreciation	61,789,198	3,270,114	-	-	65,059,312	3,313,616	-	-	68,372,928
	<u>\$75,522,237</u>	<u>\$1,783,831</u>	<u>\$ (96,751)</u>	<u>\$ -</u>	<u>\$77,209,317</u>	<u>\$11,327,757</u>	<u>\$ (3,297,893)</u>	<u>\$ -</u>	<u>\$85,239,181</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 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.

Long-term bonds and leases outstanding at December 31, 2021 are as follows:

	Original borrowing	Date of issue/maturity	Interest rates to maturity	Annual principal payments to maturity	Outstanding December 31, 2021
Sewer Revenue Bonds:					
Series of 2021A	\$ 7,360,000	2021/2025	1.00% to 4.00%	\$180,000 to \$2,040,000	\$ 5,590,000
Series of 2021B	10,840,000	2021/2037	0.437% to 2.760%	\$100,000 to \$1,295,000	10,675,000
Series of 2021C	9,135,000	2021/2035	1.50% to 3.00%	\$60,000 to \$1,950,000	9,135,000
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	4,995,000
Series of 2019	4,335,000	2019/2027	1.16% to 3.00%	\$5,000 to \$2,295,000	4,130,000
Series of 2020	8,915,000	2020/2028	1.00% to 4.00%	\$610,000 to \$2,660,000	7,520,000
Series of 2020A	8,880,000	2020/2040	1.00% to 4.00%	\$5,000 to \$1,065,000	8,875,000
Capital Lease Obligations:					
Phase I	2,740,609	2007/2025	1.00%	\$119,230 to \$157,590	574,630
Phase II	4,591,356	2010/2032	1.00%	\$51,453 to \$204,524	1,991,904
	<u>\$61,806,965</u>				<u>\$ 53,486,534</u>

In March 2021, the Authority issued Sewer Revenue Bonds, Series A and B of 2021, in the amount of \$18,200,000. The principal on these bonds is payable in annual installments ranging from \$100,000 to \$2,040,000 in 2037. Interest payments on the outstanding principal shall be due semi-annually, on June 15 and December 15 of each year, beginning June 15, 2021. The bonds bear fixed interest rates ranging from 0.437% to 4.00% and included a premium of \$538,000. The proceeds of the bonds were used to refund the Guaranteed Sewer Revenue Bonds, Series of 2005, 2015, 2016 and 2019 and to pay issuance costs. The bonds decreased debt service payments for the Authority by \$1,881,849 and resulted in an economic gain of \$463,310. The principal balance outstanding on the bonds at December 31, 2021 was \$5,590,000 and \$10,675,000, respectively.

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 5: LONG-TERM DEBT (CONTINUED)

In May 2021, the Authority issued Sewer Revenue Bonds, Series C of 2021, in the amount of \$9,135,000. The principal on these bonds is payable in annual installments ranging from \$60,000 to \$1,950,000 in 2035. Interest payments on the outstanding principal shall be due semi-annually, on June 15 and December 15 of each year, beginning December 15, 2021. The bonds bear fixed interest rates ranging from 1.50% to 4.00%. The proceeds of the bonds were used to fund capital improvements and to pay issuance costs.

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%).

	Balance as of January 1, 2020	Additions	Retirements	Balance as of December 31, 2020	Additions	Retirements	Balance as of December 31, 2021
Sewer Revenue Bonds:							
Series 2005	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ -	\$ (5,000)	\$ -
Series 2015	5,215,000	-	(945,000)	4,270,000	-	(4,270,000)	-
Series 2016	5,565,000	-	(735,000)	4,830,000	-	(4,830,000)	-
Series 2019	9,535,000	-	(5,000)	9,530,000	-	(9,530,000)	-
Series 2021A	-	-	-	-	7,360,000	(1,770,000)	5,590,000
Series 2021B	-	-	-	-	10,840,000	(165,000)	10,675,000
Series 2021C	-	-	-	-	9,135,000	-	9,135,000
Subsidy Agreements:							
Series 2015	7,160,000	-	(7,160,000)	-	-	-	-
Series 2016	1,980,000	-	(1,980,000)	-	-	-	-
Series 2018	5,005,000	-	(5,000)	5,000,000	-	(5,000)	4,995,000
Series 2019	4,160,000	-	(5,000)	4,155,000	-	(25,000)	4,130,000
Series 2020	-	8,915,000	(750,000)	8,165,000	-	(645,000)	7,520,000
Series 2020A	-	8,880,000	-	8,880,000	-	(5,000)	8,875,000
Total bonds payable	38,625,000	17,795,000	(11,585,000)	44,835,000	27,335,000	(21,250,000)	50,920,000
Capital lease obligations	3,239,740	-	(334,921)	2,904,819	-	(338,285)	2,566,534
	<u>\$ 41,864,740</u>	<u>\$ 17,795,000</u>	<u>\$ (11,919,921)</u>	<u>\$ 47,739,819</u>	<u>\$ 27,335,000</u>	<u>\$ (21,588,285)</u>	<u>\$ 53,486,534</u>
Current Maturities				(3,018,285)			(3,066,684)
Unamortized original issue premium, net				2,327,316			2,673,122
Long-term debt, net of current maturities				<u>\$ 47,048,850</u>			<u>\$ 53,092,972</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 5: LONG-TERM DEBT (CONTINUED)

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

<u>Years Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 3,066,684	\$ 1,516,831	\$ 4,583,515
2023	3,139,829	1,444,558	4,584,387
2024	3,233,293	1,352,549	4,585,842
2025	3,306,849	1,237,620	4,544,469
2026	3,514,553	1,157,328	4,671,881
2027-2031	17,547,480	6,690,445	24,237,925
2032-2036	16,952,846	8,877,874	25,830,720
2037-2041	2,725,000	186,206	2,911,206
Totals	<u>\$ 53,486,534</u>	<u>\$ 22,463,411</u>	<u>\$ 75,949,945</u>

Defeased Debt

In March 2021, the Authority defeased \$9,530,000 of the Guaranteed Sewer Revenue Bonds, Series of 2019, by placing the bond proceeds in an irrevocable trust to provide for future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At December 31, 2021, \$9,525,000 of the defeased bonds are still outstanding.

NOTE 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 \$140,290 and \$138,078 for the years ended December 31, 2021 and 2020, respectively.

NOTE 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.

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

*Plan membership:*

As of December 31, 2021 and 2020, the OPEB plan membership consisted of the following (actual number of plan members):

	<u>2021</u>	<u>2020</u>
Active plan members	33	33
Inactive plan members or beneficiaries currently receiving benefits	<u>2</u>	<u>2</u>
Total	<u><u>35</u></u>	<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.

*Contributions:* The contribution requirements of the plan members and the Authority are established and may be amended by the Authority. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations.

*Changes in Total 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 total OPEB liability was measured as of January 1, 2020, and the total 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 1.93% to 2.25%.

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The Authority's annual change in total OPEB liability to the plan for the years ended December 31, 2021 and 2020 was as follows:

	2021	2020
Service Cost	\$ 116,350	\$ 93,969
Interest	25,644	39,121
Difference between expected and actual experience	-	(9,565)
Changes in assumptions	(10,975)	69,920
Benefit payments	(79,270)	(96,487)
Change in Total OPEB liability	51,749	96,958
Total OPEB Liability:		
Beginning of the year	1,255,290	1,158,332
End of the year	\$1,307,039	\$1,255,290
Covered employee payroll	\$2,220,118	\$2,220,118
Total OPEB liability as a percentage of covered employee payroll	58.87%	56.54%

*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.

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 2.25%, based on S&P Municipal Bond 20-Year High Grade Rate Index at December 31, 2021.

Health Care Cost Trend Rate 5.5% in 2020 to 6.5% in 2022 then decrease to 6.0% in 2023. Rates gradually decrease from 5.5% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-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.

Withdraw 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%

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 rate 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.

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 2.25%. This is based on the S&P Bond 20-Year High Grade Rate Index at December 31, 2021. 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.

*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:

	<u>1% Decrease</u>	<u>Current discount rate</u>	<u>1% Increase</u>
Total OPEB liability December 31, 2021	\$ 1,352,363	\$ 1,307,039	\$ 1,261,170
Total OPEB liability December 31, 2020	\$ 1,298,059	\$ 1,255,290	\$ 1,211,635

*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:

	<u>1% Decrease</u>	<u>Current valuation rates</u>	<u>1% Increase</u>
Total OPEB liability December 31, 2021	\$ 1,181,932	\$ 1,307,039	\$ 1,455,044
Total OPEB liability December 31, 2020	\$ 1,298,059	\$ 1,255,290	\$ 1,211,635

*OPEB expense:*

The OPEB expense for the Authority for the years ended December 31, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 116,350	\$ 93,969
Interest	25,644	39,121
Amortization of deferred outflows	6,697	6,697
Amortization of deferred inflows	<u>(1,580)</u>	<u>(736)</u>
Total OPEB expense	<u>\$ 147,111</u>	<u>\$ 139,051</u>



DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	\$ 71,032	\$ 10,131	\$ 77,729	\$ -
Difference between expected and actual experience	-	8,093	-	8,829
	<u>\$ 71,032</u>	<u>\$ 18,224</u>	<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>	
2022	\$ 5,117
2023	5,117
2024	5,117
2025	5,117
2026	5,117
Thereafter	<u>27,223</u>
	<u>\$ 52,808</u>

NOTE 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, 2021 and 2020. The following is a schedule by years of minimum future rentals relating to the land leased to the ICDA:

<u>Years ended</u>	<u>Amount</u>
2022	\$ 24,000
2023	24,000
2024	24,000
2025	24,000
2026	24,000
2027-2031	120,000
2032-2036	120,000
2037-2041	120,000
2042-2046	120,000

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 9: DEFERRED COMPENSATION PLAN

In September 1992, the Authority entered into an agreement with MissionSquare 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 (MissionSquare 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.

NOTE 10: CAPITAL LEASE

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 balances of \$574,630 and \$727,565 at December 31, 2021 and 2020, respectively. The cost of the related capital asset is \$4,229,548, with accumulated depreciation of \$895,299 and \$842,374 at December 31, 2021 and 2020, respectively. The capital lease obligation to Conewago Municipal Authority had balances of \$1,991,904 and \$2,177,255 at December 31, 2021 and 2020, respectively. The cost of the related capital asset is \$4,099,169, with accumulated depreciation of \$614,875 and \$563,636 at December 31, 2021 and 2020, respectively. The total amount of interest payments remaining on the capital leases are \$116,804 and \$144,586 as of December 31, 2021 and 2020, respectively.

NOTE 11: COMMITMENTS

In the normal course of business, the Authority may be subject to pending and threatened lawsuits in which claims for monetary damage could be asserted. In management's opinion, the Authority's financial position and results of operations would not be materially affected by the outcome of such legal proceedings.

The Authority has active construction projects as of December 31, 2021 and 2020. At year end, the financial commitments with contractors related to these projects are as follows:

Project	Remaining commitment as of December 31, 2021	Remaining commitment as of December 31, 2020
Relocation of power center #2	\$ -	\$ 535,717
Clearwater WWTF Energy enhancements	8,917,044	12,005,267
CHP Cogeneration Engines	-	968,080
Raw sewage pumps replacement	2,095,188	2,707,015
UV system replacement	-	738,000
ESD Cladding	830,689	-
2021 Storm and Sanitary Sewer Rehabilitation	404,934	-
Vactor flush truck	-	406,494
Totals	<u>\$ 12,247,855</u>	<u>\$ 17,360,573</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 12: SUBSEQUENT EVENTS

After being assigned a bond rating of AA- with a stable outlook, in March 2022, Sewer Revenue Bonds, Series of 2022 were issued by the Derry Township Municipal Authority. The Bonds were issued in the amount of \$9,375,000 for the purpose of: (1) funding of a capital improvements including the Spring Creek Interceptor Improvements, Highmeadow Pump Station Upgrade, Southwest WWTF Upgrade and the Clearwater Phase I Facility Improvements and pay the costs of issuance.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
REQUIRED SUPPLEMENTARY INFORMATION

Fiscal Year Ending	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 116,350	\$ 93,969	\$ 88,850	\$ -
Interest	25,644	39,121	41,578	-
Changes of Benefit Terms	-	-	-	1,102,231
Differences Between Expected and Actual Experience	-	(9,565)	-	-
Changes of Assumptions	(10,975)	69,920	15,825	
Benefit Payments	(79,270)	(96,487)	(90,152)	
Other Changes	-	-	-	-
Net Change in Suburban Plan Total OPEB Liability	51,749	96,958	56,101	1,102,231
Total OPEB Liability - Beginning	1,255,290	1,158,332	1,102,231	-
Total OPEB Liability - Ending	<u>\$ 1,307,039</u>	<u>\$ 1,255,290</u>	<u>\$ 1,158,332</u>	<u>\$ 1,102,231</u>
Covered-Employee Payroll	\$ 2,220,118	\$ 2,220,118	\$ 2,338,104	\$ 2,338,104
Total OPEB Liability as a % of Covered-Employee Payroll	58.87%	56.54%	49.54%	47.14%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.  
This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

*Changes in assumptions:*

For 2021, the discount rate changed from 1.93% to 2.25%. The trend and mortality assumptions were updated.

**OTHER  
SUPPLEMENTARY  
INFORMATION**

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
COMBINING STATEMENTS OF NET POSITION  
YEAR ENDED DECEMBER 31, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Wastewater fund	Stormwater fund	Eliminations	Total
Current Assets:				
Cash and cash equivalents	\$ 9,050,295	\$ 3,575,128	\$ -	\$ 12,625,423
Sewer rents receivables	321,838	-	-	321,838
Accounts Receivable	38,145	65,056	-	103,201
Due from Stormwater	13,137	-	(13,137)	-
Interest receivable	13	-	-	13
Prepaid insurance	293,040	-	-	293,040
Total current assets	9,716,468	3,640,184	(13,137)	13,343,515
Non-current assets:				
Cash and cash equivalents restricted for improvements and contingency	4,276,301	-	-	4,276,301
Cash and cash equivalents restricted for capital projects and debt service	17,587,111	-	-	17,587,111
Capital assets, not being depreciated	14,416,849	139,501	-	14,556,350
Capital assets, being depreciated, net	61,904,533	8,778,298	-	70,682,831
Total non-current assets	98,184,794	8,917,799	-	107,102,593
Total assets	107,901,262	12,557,983	(13,137)	120,446,108
Deferred outflows of resources:				
Other postemployment benefits	63,929	7,103	-	71,032
Deferred loss on refunded debt	1,278,461	-	-	1,278,461
Total deferred outflows	1,342,390	7,103	-	1,349,493
Total assets and deferred outflows of resources	\$ 109,243,652	\$ 12,565,086	\$ (13,137)	\$ 121,795,601

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
COMBINING STATEMENTS OF NET POSITION (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Wastewater Fund	Stormwater Fund	Eliminations	Total
Current liabilities:				
Accrued interest on debt	\$ 59,980	\$ 2,230	\$ -	\$ 62,210
Current portion of:				
Sewer revenue bonds	1,760,000	-	-	1,760,000
Subsidy agreements with Derry Twp	963,400	1,600	-	965,000
Capital lease obligations	341,684	-	-	341,684
Due to Wastewater	-	13,137	(13,137)	-
Accounts payable	2,173,243	273,778	-	2,447,021
Accrued:				
Paid time off	209,020	2,240	-	211,260
Payroll and payroll deductions	47,821	4,560	-	52,381
Total current liabilities	<u>5,555,148</u>	<u>297,545</u>	<u>(13,137)</u>	<u>5,839,556</u>
Non-current liabilities:				
Other postemployment benefits liability	1,176,335	130,704	-	1,307,039
Long-term debt, net of current position:				
Sewer revenue bonds	24,810,249	-	-	24,810,249
Subsidy agreements with Derry Twp	24,440,271	1,617,602	-	26,057,873
Capital lease obligations	2,224,850	-	-	2,224,850
Total noncurrent liabilities	<u>52,651,705</u>	<u>1,748,306</u>	<u>-</u>	<u>54,400,011</u>
Total liabilities	<u>58,206,853</u>	<u>2,045,851</u>	<u>(13,137)</u>	<u>60,239,567</u>
Deferred inflows of resources, other postemployment benefits	<u>16,402</u>	<u>1,822</u>	<u>-</u>	<u>18,224</u>
Net position:				
Net investment in capital assets	39,368,039	7,298,597	-	46,666,636
Restricted for debt service	-	-	-	-
Unrestricted	11,652,358	3,218,816	-	14,871,174
Total net position	<u>51,020,397</u>	<u>10,517,413</u>	<u>-</u>	<u>61,537,810</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 109,243,652</u>	<u>\$ 12,565,086</u>	<u>\$ (13,137)</u>	<u>\$ 121,795,601</u>



DERRY TOWNSHIP MUNICIPAL AUTHORITY  
COMBINING STATEMENTS OF NET POSITION  
YEAR ENDED DECEMBER 31, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Wastewater fund	Stormwater fund	Eliminations	Total
Current Assets:				
Cash and cash equivalents	\$ 9,765,485	\$ 2,550,540	\$ -	\$ 12,316,025
Sewer rents receivables	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
Total current assets	11,805,578	4,340,915	(3,030,667)	13,115,826
Non-current assets:				
Cash and cash equivalents restricted 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
Capital assets, not being depreciated	4,072,381	69,540	-	4,141,921
Capital assets, being depreciated, net	64,274,775	8,792,621	-	73,067,396
Total non-current assets	90,720,504	9,024,185	-	99,744,689
Total assets	102,526,082	13,365,100	(3,030,667)	112,860,515
Deferred outflows of resources:				
Other postemployment benefits	69,956	7,773	-	77,729
Deferred loss on refunded debt	1,013,042	-	-	1,013,042
Total deferred outflows	1,082,998	7,773	-	1,090,771
Total assets and deferred outflows of resources	\$ 103,609,080	\$ 13,372,873	\$ (3,030,667)	\$ 113,951,286

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
COMBINING STATEMENTS OF NET POSITION (CONTINUED)  
YEAR ENDED DECEMBER 31, 2020

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Wastewater Fund	Stormwater Fund	Eliminations	Total
Current liabilities:				
Accrued interest on debt	\$ 64,770	\$ 2,232	\$ -	\$ 67,002
Current portion of:				
Sewer revenue bonds	2,000,000	-	-	2,000,000
Subsidy agreements with Derry Twp	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
Total current liabilities	6,371,463	1,318,000	(3,030,667)	4,658,796
Non-current liabilities:				
Other postemployment benefits liability	1,129,761	125,529	-	1,255,290
Long-term debt, net of current position:				
Sewer revenue bonds	17,311,758	-	-	17,311,758
Subsidy agreements with Derry Twp	25,407,430	1,763,128	-	27,170,558
Capital lease obligations	2,566,534	-	-	2,566,534
Total noncurrent liabilities	46,415,483	1,888,657	-	48,304,140
Total liabilities	52,786,946	3,206,657	(3,030,667)	52,962,936
Deferred inflows of resources, other postemployment benefits	7,946	883	-	8,829
Net position:				
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
Total net position	50,814,188	10,165,333	-	60,979,521
Total liabilities, deferred inflows of resources and net position	\$ 103,609,080	\$ 13,372,873	\$ (3,030,667)	\$ 113,951,286

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
COMBINING STATEMENTS OF REVENUES AND EXPENSES  
YEAR ENDED DECEMBER 31, 2021

	Wastewater fund	Stormwater fund	Total
Operating revenues:			
Sewer Service charges:			
Direct customers	8,030,729	-	\$ 8,030,729
Municipal customers	921,655	-	921,655
Hauled waste process	1,388,714	-	1,388,714
Surcharges	623,505	-	623,505
Connection and related fees	43,288	-	43,288
Stormwater fees	-	1,546,984	1,546,984
Miscellaneous	140,580	9,681	150,261
	<u>11,148,471</u>	<u>1,556,665</u>	<u>12,705,136</u>
Total operating revenues			
	<u>11,148,471</u>	<u>1,556,665</u>	<u>12,705,136</u>
Operating expenses:			
Administrative, payroll taxes, and employee benefits	2,818,328	461,419	3,279,747
Collection system	587,732	302,453	890,185
Plant operations	1,826,208	-	1,826,208
Maintenance	721,134	-	721,134
Technical services	467,502	-	467,502
Miscellaneous project expense	270,162	112,630	382,792
Depreciation and amortization	3,086,609	227,007	3,313,616
	<u>9,777,675</u>	<u>1,103,509</u>	<u>10,881,184</u>
Total operating expenses			
	<u>9,777,675</u>	<u>1,103,509</u>	<u>10,881,184</u>
Operating income			
	<u>1,370,796</u>	<u>453,156</u>	<u>1,823,952</u>
Non-operating revenues and (expenses):			
Capacity fees	655,161	-	655,161
Interest income	24,414	946	25,360
Amortization of bond premiums	280,891	1,513	282,404
Miscellaneous revenue	18,732	20	18,752
Interest expense:			
Capital lease	(27,501)	-	(27,501)
Bonds and notes payable	(1,673,055)	(53,555)	(1,726,610)
Miscellaneous expense	(15)	-	(15)
Bond issuance costs	(443,214)	-	(443,214)
	<u>(1,164,587)</u>	<u>(51,076)</u>	<u>(1,215,663)</u>
Total non-operating revenues and (expenses)			
	<u>(1,164,587)</u>	<u>(51,076)</u>	<u>(1,215,663)</u>
Cost-sharing agreement expense	-	(50,000)	(50,000)
	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Increase in Net Position	206,209	352,080	558,289
Net Position at Beginning of Year	50,814,188	10,165,333	60,979,521
	<u>50,814,188</u>	<u>10,165,333</u>	<u>60,979,521</u>
Net Position at End of Year	<u>\$ 51,020,397</u>	<u>\$ 10,517,413</u>	<u>\$ 61,537,810</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
COMBINING STATEMENTS OF REVENUES AND EXPENSES  
YEAR ENDED DECEMBER 31, 2020

	Wastewater fund	Stormwater fund	Total
Operating revenues:			
Sewer Service charges:			
Direct customers	7,973,798	\$ -	\$ 7,973,798
Municipal customers	778,647	-	778,647
Hauled waste process	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
Total operating revenues	10,840,052	1,697,277	12,537,329
Operating expenses:			
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
Total operating expenses	6,973,881	728,656	7,702,537
Depreciation and amortization	3,073,647	196,468	3,270,115
Operating income	792,524	772,153	1,564,677
Non-operating revenues and (expenses):			
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 revenue	38,128	20,694	58,822
Interest expense:			
Capital lease	(30,865)	-	(30,865)
Bonds and notes payable	(1,238,256)	(53,585)	(1,291,841)
Miscellaneous expense	(2,637)	-	(2,637)
Bond issuance costs	(320,042)	-	(320,042)
Total non-operating revenues and (expenses)	(554,312)	(20,203)	(574,515)
Cost-sharing agreement expense	-	(50,000)	(50,000)
Increase (Decrease) in Net Position	238,212	701,950	940,162
Net Position at Beginning of Year	50,575,976	9,463,383	60,039,359
Net Position at End of Year	\$ 50,814,188	\$ 10,165,333	\$ 60,979,521

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
COMBINING STATEMENTS OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2021

	Wastewater Fund	Stormwater Fund	Total
Cash flows from operating activities:			
Cash received from customers and users	\$ 11,252,969	\$ 1,556,095	\$ 12,809,064
Cash payments to:			
Suppliers	(2,140,868)	(269,968)	(2,410,836)
Employees	(3,645,564)	(328,412)	(3,973,976)
	<u>5,466,537</u>	<u>957,715</u>	<u>6,424,252</u>
Net cash provided by operating activities			
Cash flows from capital and related financing activities:			
Non-operating income	(273,117)	241,869	(31,248)
Capacity fees	655,161	-	655,161
Purchase of property, plant, and equipment	(11,060,835)	(282,645)	(11,343,480)
Debt principal paid	(21,248,250)	(1,750)	(21,250,000)
Capital lease paid	(338,285)	-	(338,285)
Bond proceeds, net of issuance costs, premium and discounts	27,519,996	-	27,519,996
Interest paid on debt	(1,970,765)	(59,184)	(2,029,949)
	<u>(6,716,095)</u>	<u>(101,710)</u>	<u>(6,817,805)</u>
Net cash provided by capital and related financing activities			
Cash flows provided by investing activities, interest received	<u>24,432</u>	<u>6,559</u>	<u>30,991</u>
Net increase in cash and cash equivalents	(1,225,126)	862,564	(362,562)
Cash and cash equivalents			
Beginning of the year	<u>32,138,833</u>	<u>2,712,564</u>	<u>34,851,397</u>
End of Year	<u>\$ 30,913,707</u>	<u>\$ 3,575,128</u>	<u>\$ 34,488,835</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
 COMBINING STATEMENTS OF CASH FLOWS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2021

	<u>Wastewater Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,370,796	\$ 453,156	\$ 1,823,952
Adjustments:			
Depreciation and amortization of property, plant, and equipment	3,086,609	227,007	3,313,616
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	104,498	(570)	103,928
Prepaid insurance	(22,238)	-	(22,238)
Deferred outflow, OPEB	6,027	670	6,697
Increase (decrease) in:			
Accounts payable, trade and other	979,687	273,778	1,253,465
Opeb liability	46,574	5,175	51,749
Accrued expenses	(113,872)	(2,440)	(116,312)
Deferred inflow, OPEB	<u>8,456</u>	<u>939</u>	<u>9,395</u>
Net cash provided by operating activities	<u>\$ 5,466,537</u>	<u>\$ 957,715</u>	<u>\$ 6,424,252</u>
Non-cash activities			
Amortization of bond premiums			282,404
Deferred loss on refunded debt			12,222

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
 COMBINING STATEMENTS OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2020

	<u>Wastewater Fund</u>	<u>Stormwater Fund</u>	<u>Eliminations</u>	<u>Total</u>
Cash flows from operating activities				
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)
	<u>4,797,077</u>	<u>913,757</u>	<u>-</u>	<u>5,710,834</u>
Net cash provided by operating activities				
Cash flows from capital and related financing activities				
Non-operating income	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, premium and discounts	18,813,450	-	-	18,813,450
Interest paid on debt	(1,059,995)	(53,586)	-	(1,113,581)
	<u>1,891,425</u>	<u>(658,287)</u>	<u>-</u>	<u>1,233,138</u>
Net cash provided by capital and related financing activities				
Cash flows provided by investing activities, interest received	<u>182,224</u>	<u>11,175</u>	<u>-</u>	<u>193,399</u>
Net increase in cash and cash equivalents	6,870,726	266,645	-	7,137,371
Cash and cash equivalents				
Beginning of the year	<u>25,268,107</u>	<u>2,445,919</u>	<u>-</u>	<u>27,714,026</u>
End of Year	<u>\$ 32,138,833</u>	<u>\$ 2,712,564</u>	<u>\$ -</u>	<u>\$ 34,851,397</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
 COMBINING STATEMENTS OF CASH FLOWS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2020

	<u>Wastewater Fund</u>	<u>Stormwater Fund</u>	<u>Eliminations</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:				
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
Non-cash 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
Net cash provided by operating activities	<u>\$ 4,797,077</u>	<u>\$ 913,757</u>	<u>\$ -</u>	<u>\$ 5,710,834</u>
Non-cash activities				
Amortization of bond premiums				\$ 190,822
Deferred loss on refunded debt				187,756



DERRY TOWNSHIP MUNICIPAL AUTHORITY  
SCHEDULES OF OPERATING EXPENSES  
YEAR ENDED DECEMBER 31, 2021

	Wastewater fund	Stormwater fund	Total
Administrative, payroll taxes, and employee benefits:			
Salaries	\$ 500,518	\$ 112,675	\$ 613,193
Materials and supplies	17,248	128	17,376
General expense	757,127	36,237	793,364
Payroll taxes and employee benefits	1,287,591	117,912	1,405,503
Maintenance and repairs	7,295	-	7,295
Professional services	248,549	194,467	443,016
Total admin, payroll taxes, and employee benefits	2,818,328	461,419	3,279,747
Collection system:			
Salaries	367,253	102,169	469,422
Materials and supplies	4,694	-	4,694
General expense	10,775	13,638	24,413
Maintenance and repairs	132,635	186,646	319,281
Utilities	72,375		72,375
Total collection system	587,732	302,453	890,185
Plant operations:			
Salaries	752,079	-	752,079
Materials and supplies	20,231	-	20,231
General expense	26,113	-	26,113
Utilities	451,035	-	451,035
Chemicals	286,725	-	286,725
Special services	290,025	-	290,025
Total plant operations	1,826,208	-	1,826,208
Maintenance:			
Salaries	290,880	-	290,880
Materials and supplies	14,148	-	14,148
General expense	7,437	-	7,437
Equipment repairs	373,145	-	373,145
Vehicle repairs	24,505	-	24,505
Automation control services	11,019	-	11,019
Total maintenance	721,134	-	721,134
Technical services			
Salaries	394,428	-	394,428
Materials and supplies	14,955	-	14,955
General expense	5,274	-	5,274
Special Services	52,845	-	52,845
Total technical services	467,502	-	467,502
Miscellaneous project expense	270,162	112,630	382,792
Total operating expenses	\$ 6,691,066	\$ 876,502	\$ 7,567,568

DERRY TOWNSHIP MUNICIPAL AUTHORITY  
SCHEDULES OF OPERATING EXPENSES  
YEAR ENDED DECEMBER 31, 2020

	Wastewater fund	Stormwater fund	Total
Administrative, payroll taxes, and employee benefits:			
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
Total admin, payroll taxes, and employee benefits	2,896,905	524,337	3,421,242
Collection System:			
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
Total collection system	552,655	181,931	734,586
Plant Operations:			
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
Total plant operations	1,811,106	-	1,811,106
Maintenance:			
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
Total maintenance	712,932	-	712,932
Technical services			
Salaries	263,855	-	263,855
Materials and supplies	17,483	-	17,483
General expense	7,233	-	7,233
Special Services	52,779	-	52,779
Total technical services	341,350	-	341,350
Miscellaneous project expense	658,933	22,388	681,321
Total operating expenses	\$ 6,973,881	\$ 728,656	\$ 7,702,537