

**DERRY TOWNSHIP MUNICIPAL AUTHORITY
HERSHEY, PENNSYLVANIA**

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

**DERRY TOWNSHIP MUNICIPAL AUTHORITY
HERSHEY, PENNSYLVANIA**

For the Years Ended December 31, 2022 and 2021

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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 years ended December 31, 2022 and 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, 2022 and 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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



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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 2022, the Authority adopted the provisions of GASB Statement No. 87, "Leases", GASB Statement No. 91, "Conduit Debt Obligations", GASB Statement No. 92, "Omnibus", certain requirements of GASB Statement No. 93 "Replacement of Interbank Offered Rates" and certain provisions of GASB Statement No. 99, "Omnibus 2022". 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 21 and the schedule of changes in the total OPEB liability and related ratios on page 44 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 Supplementary 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 23, 2023

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2022

INTRODUCTION

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

This Management's Discussion and Analysis (MD&A) is presented to provide the reader with an understanding of the financial activities of the Authority for the fiscal year ended December 31, 2022, 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. The values listed in the MD&A are rounded to 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) YEAR ENDED DECEMBER 31, 2022

FINANCIAL HIGHLIGHTS – YEAR ENDED DECEMBER 31, 2022

- ❖ The Authority's total assets and deferred outflows of resources exceeded total liabilities by \$61,272,900, including \$34,619,100 invested in capital assets and \$26,653,800 unrestricted. The Authority's net position decreased by \$264,900 (-0.4%).
- ❖ Current assets decreased by \$2,368,900 (-17.2%).
- ❖ Current liabilities increased by \$728,500 (12.5%).
- ❖ Operating revenues from all sources increased by \$322,700 (2.5%).
- ❖ Operating expenses increased by \$1,480,500 (19.6%).

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, 2022, 2021 and 2020 is presented in Table 1, below.

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2022

TABLE 1
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	2022	2021	2020
Operating revenues	\$ 13,027,800	\$12,705,100	\$ 12,537,300
Operating expenses	9,048,100	7,567,600	7,702,500
Total operating income before depreciation and amortization	3,979,700	5,137,500	4,834,800
Depreciation and amortization	3,378,300	3,313,600	3,270,100
Total operating income	601,400	1,823,900	1,564,700
Nonoperating revenues	1,366,000	981,700	1,070,900
Nonoperating expenses	2,232,300	2,197,300	1,645,400
Income (Loss) before cost-sharing agreement expense, net	(264,900)	608,300	990,200
Cost-sharing agreement, net	-	50,000	50,000
Increase (decrease) in net position	(264,900)	558,300	940,200
Net position:			
Beginning of year	61,537,800	60,979,500	60,039,300
End of year	\$ 61,272,900	\$61,537,800	\$ 60,979,500

REVENUE

Combined – The overall combined 2022 Authority operating revenues increased by \$332,700 (2.5%), comparatively to 2021. The major contributing factors include the following:

- Increase in Direct Wastewater (WW) Customers by \$213,200 (2.7%) over 2021. The Direct WW Customers revenue increase is most likely as a result of the 2.0% WW user rate adjustment in early 2022 and a slight increase in billable customers.

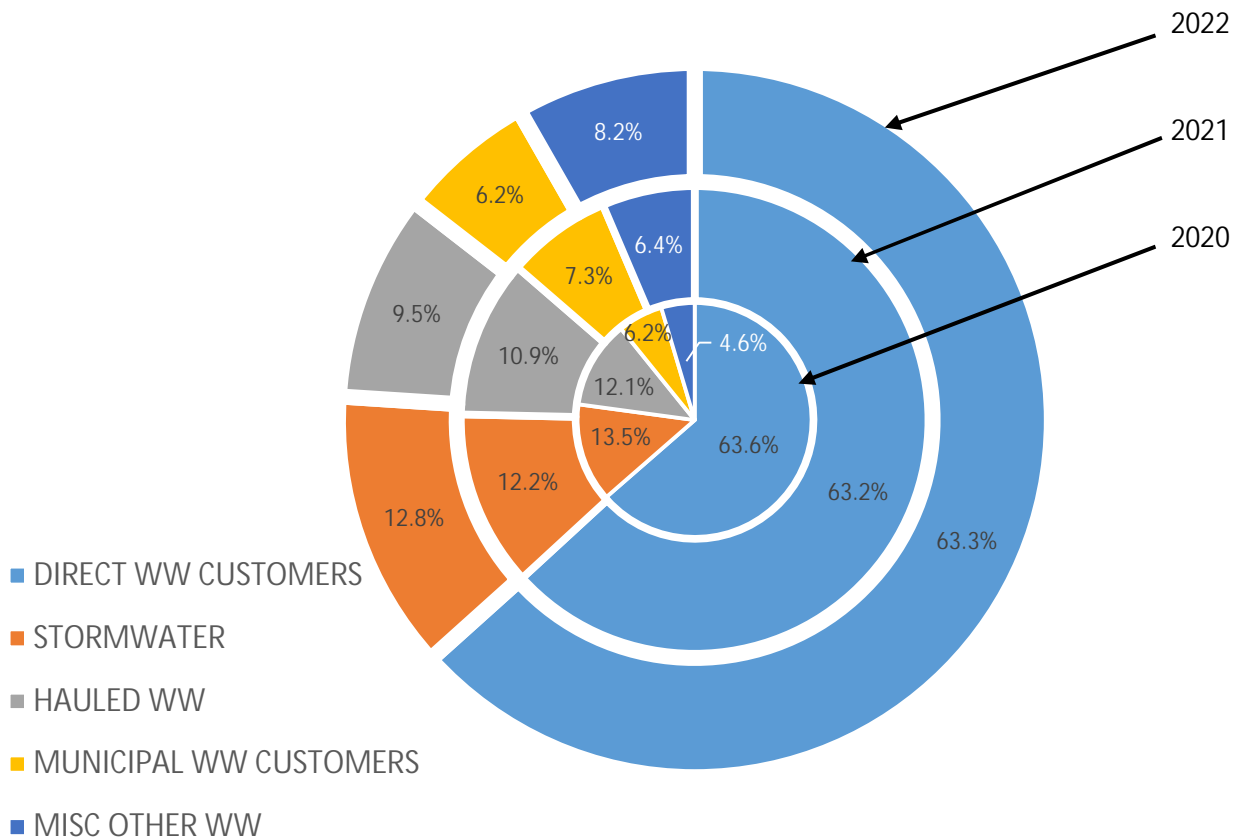
DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2022

- Increase in Stormwater revenue by \$110,800 (7.2%) over 2021. The major contributing factor was due to a one-time reimbursement made to a customer's account in 2021 for the purposes of reconciling a stormwater fee credit that was not initially applied to the customer's account for a period of 3 years.
- Increase in the strength of waste surcharge fees by \$115,300 (18.5%) for the commercial and industrial establishments.
- Decrease in Hauled WW by \$152,800 (-11.0%) over 2021 as a result of an ongoing construction project that limited acceptance and processing of hauled-in waste.

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

FIGURE 1
2022, 2021 & 2020 COMBINED OPERATING REVENUE COMPARISON



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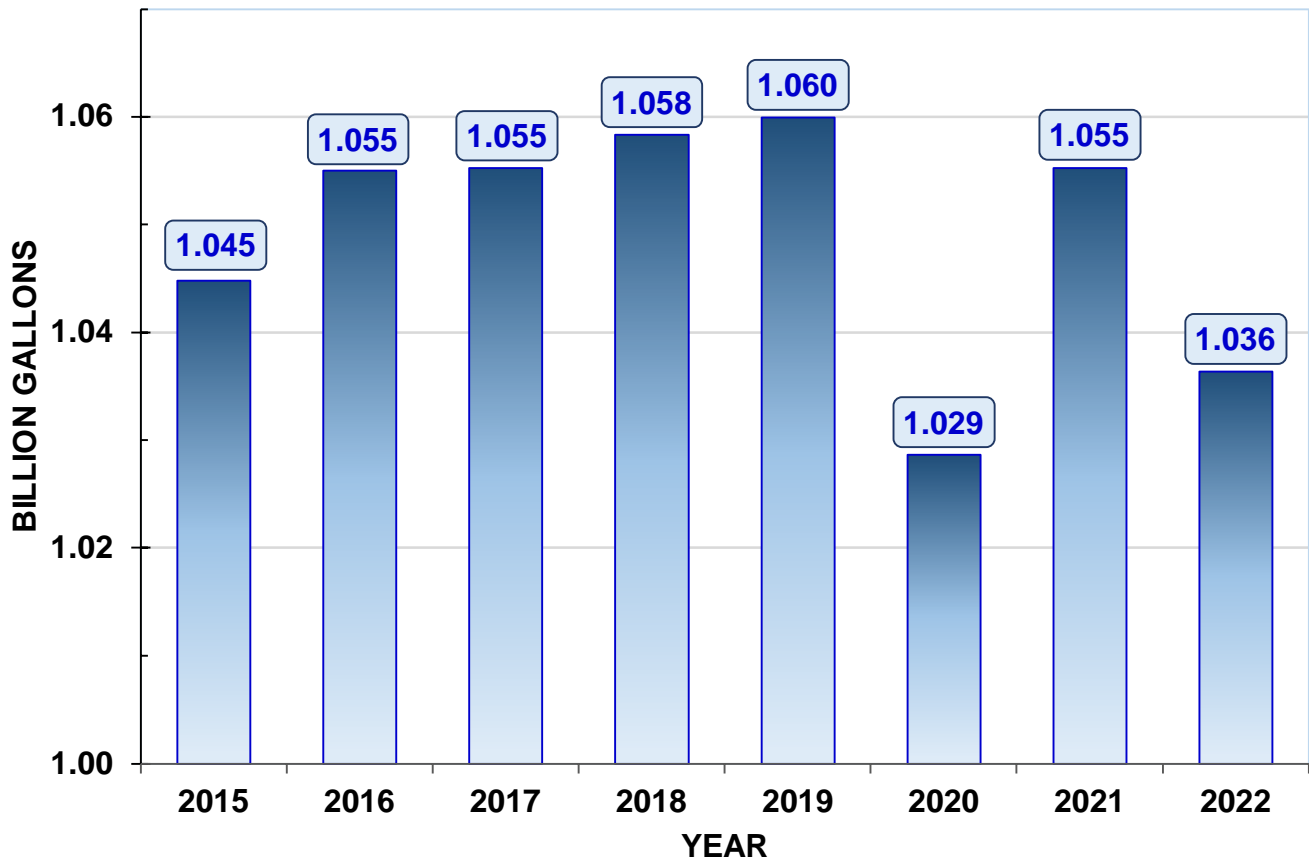
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2022

REVENUE (Continued)

WW Revenue – During 2022, WW revenue increased by \$211,800 (1.9%) from all the Authority's WW customers, comparatively to 2021. The main contributing factors include the 2.0% WW user rate adjustment, receipt of surcharge fees, and new customer connections within the Authority's service area.

The billable wastewater volume decreased in 2022 over the 2021 volume, reversing the previous year's upward trend, as presented in Figure 2. A contributing factor was a reduction in Municipal Customer billing by \$108,500 (-11.8%). In October 2022, the Authority and South Hanover Township (SHT) discovered a discrepancy with the Venice Meter Chamber flow meter readings which caused a significant overage in billable volume for a period of 14 months. SHT was fully reimbursed for the billing overages in 2022. 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) YEAR ENDED DECEMBER 31, 2022

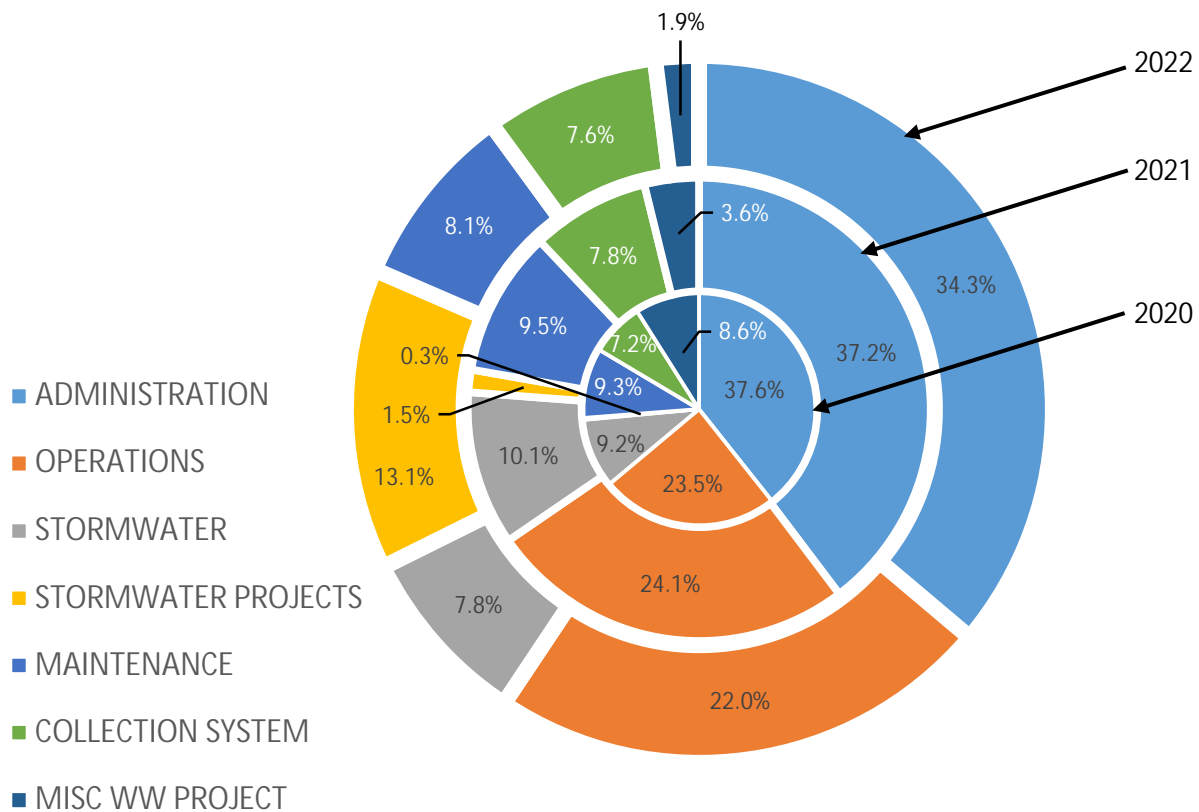
REVENUE (Continued)

Stormwater (SW) Revenue – During 2022, \$1,657,900 in revenues were collected resulting in an increase of \$110,900 (7.2%), comparatively to 2021. The major contributing factor was due to a one-time reimbursement made to a customer's account in 2021 for the purposes of reconciling a stormwater fee credit that was not initially applied to the customer's account for a period of 3 years.

EXPENSES

Combined Operating Expenses – The 2022 combined operating expenses before depreciation increased by \$1,480,500 (19.6%) over the 2021 expenses. Figure 3 presents the breakdown of overall combined 2022, 2021, and 2020 Authority operating expenses.

FIGURE 3
2022, 2021 & 2020 COMBINED OPERATING EXPENSE DETAIL



DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2022

EXPENSES (Continued)

WW Operating Expenses – The 2022 WW operating expenses increased by \$459,800 (6.9%) from 2021. The following describes the variances in the operating expenses:

- Administrative expenses increased by \$281,500 (10.0%). The major contributing factors for the increase in expenses include: 1) increase in employee compensation by \$53,000 (10.6%) to include compensation adjustment for two senior management staff and hiring of an administrative staff; 2) increase in property, liability, and excess flood insurance by \$20,300 (4.3%); and 3) an increase in employee health insurance by \$172,300 (24.3%).
- Collection system expenses increased by \$99,400 (16.9%) which was mostly due to an increase in contract emergency repairs within the collection and conveyance system.
- Operations expenses for the plant operations increased by \$161,200 (8.8%). The major contributing factors include: 1) increase in costs for Materials & Supplies by \$32,100 (158.5%); 2) increase in gas and electrical utility costs by \$93,100 (20.7%) due to an ongoing construction project that has delayed start-up and use of on-site renewable energy to offset heating and electrical costs; and 3) increase in plant treatment chemical costs by \$99,800 (34.8%).
- Maintenance expenses increased by approximately \$13,400 (1.9%) due to an increase in maintenance labor costs of \$58,200 (20.0%) to include the hiring of an additional mechanic staff and compensation adjustments for current staff. Equipment repairs and contract services for electrician, SCADA and building HVAC control systems decreased by \$49,100 (-13.2%).

SW Operating Expenses – During 2022, the SW fund operating expenses increased by \$1,020,700 (116.5%) from 2021 SW expenses. The major contributing factor was due to an increase in capital project costs by \$1,074,500 (954.0%) to include four (4) projects in construction phase as required by the Authority's MS4 NPDES Pollution Reduction Plan and compliance with PADEP.

COMBINED NONOPERATING REVENUE

The 2022 nonoperating revenues, including interest income, grants and capacity fees increased by \$384,300 (39.1%) over 2021 due to the following contributing factors:

- Interest income increased by \$385,300 (1,519%) due to the combination of higher interest rates on construction fund balances in 2022.
- 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. The capacity fee revenue decreased by \$457,100 (69.8%) compared to 2021. The SR 230 sanitary sewer extension in Londonderry Township was anticipated to be complete and operational by 2022. As a result of construction delays, no new sewer customers connected to the sanitary sewer system along SR 230 in Londonderry Township in 2022 and therefore the capacity fee revenues were significantly reduced.
- The Authority received \$102,100 in funding from F/PEMA for damages at the Clearwater Rd WWTF as a result of Hurricane Ida.
- The Authority received \$214,000 from Hummelstown Borough as part of their capital contribution

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2022

and share of the construction costs for the Bullfrog Valley Stream Restoration project.

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 2022, no developer contributions for sanitary sewer or storm sewer extensions occurred.

COMBINED NONOPERATING EXPENSE

In 2022, the overall bonds and notes payable and amortization of bond premiums increased by \$35,000 (1.6%). Interest on bonds increased by \$216,200 (12.5%) due to the issuance of the Sewer Revenue Bonds, Series of 2022, and also a full year of interest on the Sewer Revenue Bonds, Series C of 2021. The debt issuance costs decreased by \$178,100 (-40.2%) compared to 2021.

TOTAL NET POSITION

As detailed on Table 2, as of December 31, 2022, 2021 and 2020, the Authority had total net positions of \$61,272,900, \$61,537,800 and \$60,979,500, respectively.

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

TABLE 2
CONDENSED STATEMENTS OF NET POSITION
DECEMBER 31, 2022, 2021 AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets and deferred outflows of resources:			
Current assets	\$ 11,397,900	\$ 13,766,800	\$ 13,115,800
Capital assets	95,176,100	85,239,200	77,209,300
Other assets	<u>26,559,800</u>	<u>21,863,400</u>	<u>22,535,400</u>
Total assets	133,133,800	120,869,400	112,860,500
Deferred outflows of resources	<u>1,278,300</u>	<u>1,349,500</u>	<u>1,090,800</u>
Total assets and deferred outflows of resources	<u><u>\$ 134,412,100</u></u>	<u><u>\$ 122,218,900</u></u>	<u><u>\$ 113,951,300</u></u>
Liabilities and net position:			
Current liabilities	\$ 6,568,100	\$ 5,839,600	\$ 4,658,800
Long-term liabilities	<u>66,041,700</u>	<u>54,400,000</u>	<u>48,304,100</u>
Total liabilities	<u>72,609,800</u>	<u>60,239,600</u>	<u>52,962,900</u>
Deferred inflows of resources	<u>529,300</u>	<u>441,500</u>	<u>8,800</u>
Total liabilities and deferred inflows of resources	<u><u>\$ 73,139,100</u></u>	<u><u>\$ 60,681,100</u></u>	<u><u>\$ 52,971,700</u></u>
Net position:			
Net investment in capital assets	34,619,200	46,666,600	45,053,300
Restricted for debt service	-	-	1,693,000
Unrestricted	<u>26,653,800</u>	<u>14,871,200</u>	<u>14,233,200</u>
Total net position	<u>61,273,000</u>	<u>61,537,800</u>	<u>60,979,500</u>
Total liabilities and net position	<u><u>\$ 134,412,100</u></u>	<u><u>\$ 122,218,900</u></u>	<u><u>\$ 113,951,200</u></u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2022

ASSETS

The 2022 year-end value of total assets increased by \$12,264,400 (10.1%) when compared to 2021 year end. A breakdown of the total assets by category is presented in Table 2. The 2022 value of capital assets increased \$9,936,900 over 2021 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.

In February 2022, the Authority learned that the Federal Reserve anticipated 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 in 2022 and beyond, the Authority issued Sewer Revenue Bonds, Series of 2022, on April 8, 2022 in the amount of \$9,375,000. 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.

On October 27, 2022, the Authority issued Stormwater Revenue Note, Series of 2022, in the amount of \$3,269,000 and Sewer Revenue Note, Series of 2022, in the amount of \$2,045,000 through the Dauphin County Infrastructure Bank (DCIB-G) loan financing program to finance the Ridge Road Stormwater Improvements Project and the Spring Creek Sewer Interceptor Upgrade Project, respectively.

During 2022, funds were disbursed from the 2020, 2021 and 2022 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, 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, CwR WWTP Primary Sludge Pump Replacement, Biosolids Drying and Gasification Project, Maintenance Building Expansion Project, and the Clearwater WWTP Phase I Improvements. The 2019 Construction Fund and the 2020 Capital Project Fund was fully disbursed in 2022.

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 transfer from cash reserves at the end of each year. During 2022, the Resource Allocation Funds increased by \$254,600 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 2022, the Operating Reserve Fund was increased by \$3,800. The fund balance is to be 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

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2022

maintained during 2022.

DEFERRED OUTFLOWS OF RESOURCES

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

LIABILITIES

Current liabilities increased by \$728,600 (12.5%). Accounts payable increased by \$394,300 (16.1%). Current Debt Principal increased by \$295,400 (9.6%) due to the issuance of Stormwater Revenue Note, Series of 2022, and Sewer Revenue Note, Series of 2022.

In 2022, long-term liabilities (net of current) increased by \$11,608,600 (21.9%) due to the issuance of Sewer Revenue Bonds, Series of 2022, Stormwater Revenue Note, Series of 2022, and Sewer Revenue Note, Series of 2022. 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 5, 7 and 8 to the financial statements. Debt retirement in 2022 was in the amount of \$3,066,600.

With the changes in both current and long-term liabilities, the resulting total liabilities increased by \$12,370,300 (20.5%) from 2021 levels.

DEFERRED INFLOWS OF RESOURCES

This section is presented in compliance with GASB 65 to set forth the balances of leases and OPEB.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The Authority's capital assets, net of accumulated depreciation, as of December 31, 2022 were \$95,176,100. 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, 2022, 2021, and 2020 is summarized in Table 3 below.

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

TABLE 3
PROPERTY, PLANT AND EQUIPMENT

	2022	2021	2020
Land and right-of-ways	\$ 2,370,000	\$ 2,370,000	\$ 2,370,000
Collection lines	44,038,400	43,618,500	43,574,000
Sewage treatment plant	75,899,500	74,709,800	71,962,400
Plant equipment	4,904,200	4,492,700	4,451,400
Vehicles	2,222,000	2,222,000	1,814,400
Office equipment	1,408,900	1,389,900	1,331,700
Miscellaneous equipment	76,400	76,400	76,400
Capitalized interest and financing costs prior to plant operation	3,267,500	3,267,500	3,267,500
Stormwater system	9,640,000	9,278,900	9,278,900
Construction in progress	23,100,500	12,087,900	4,072,400
Projects in progress	-	98,500	69,500
Total capital assets	166,927,400	153,612,100	142,268,600
Less accumulated depreciation	71,751,300	68,372,900	65,059,300
Total capital assets, net	\$ 95,176,100	\$ 85,239,200	\$ 77,209,300

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2022

Long-Term Debt – At the end of 2022, the Authority had outstanding long-term debt obligations of \$66,041,800. 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

	2022	2021	2020	2019
Beginning balance	\$ 53,486,500	\$ 47,739,800	\$ 41,864,700	\$ 35,326,300
New debt issues	14,689,000	27,335,000	17,795,000	13,870,000
Principal retirement	(3,066,600)	(21,588,300)	(11,919,900)	(7,331,600)
Ending balance	\$ 65,108,900	\$ 53,486,500	\$ 47,739,800	\$ 41,864,700

Bond Ratings – The Authority issued Sewer Revenue Bonds, Series of 2022, 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 2022 is 0.91, down from last year's ratio of 1.24. 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)
YEAR ENDED DECEMBER 31, 2022

TABLE 5
DEBT COVERAGE RATIO

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net operating income	\$ 601,400	\$ 1,824,000	\$ 1,564,700	\$ 2,024,400
Plus:				
Depreciation & amortization of property	3,378,300	3,313,600	3,270,100	3,335,100
Tap and capacity fees	198,100	655,200	630,300	639,000
Investment income	<u>410,600</u>	<u>25,400</u>	<u>190,900</u>	<u>335,400</u>
Total available revenue	<u>\$ 4,588,400</u>	<u>\$ 5,818,200</u>	<u>\$ 5,656,000</u>	<u>\$ 6,333,900</u>
Debt:				
Principal	\$ 3,066,700	\$ 2,953,300	\$ 2,779,900	\$ 2,796,600
Interest	<u>1,966,900</u>	<u>1,754,100</u>	<u>1,186,000</u>	<u>1,072,000</u>
Total debt service	<u>\$ 5,033,600</u>	<u>\$ 4,707,400</u>	<u>\$ 3,965,900</u>	<u>\$ 3,868,600</u>
Ratio	0.91	1.24	1.43	1.64

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2022

CONCLUDING COMMENTS

In 2022, the economic impact caused by the COVID-19 pandemic continued to decrease within the Authority's service area as commercial establishments, such as the amusement park, concert venues, sporting events, and restaurants returned to normal operations. The Authority's financial stability is leveraged by a diversified customer base of residential, commercial, and industrial customers, in which, the local tourism and commercial businesses have a strong and positive impact on the Authority's net 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 2022 Budget, Authority Staff continued to implement 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 has proven to be very effective in balancing the budget for each fiscal year, including the 2022 operating year.

The Authority Board previously approved 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.

The Authority experienced a slight decrease in the total billable wastewater volume for Direct and Municipal Customers over 2021. A portion of the reduction in total billable wastewater volume can be contributed to the flow meter reading error that occurred within the South Hanover Township sewer service area. It is anticipated that the positive upward trend of total billable wastewater volume will return in 2023 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 continue to return to normalcy.

With the anticipated sewer customer growth along the S.R. 230 corridor in Londonderry Township, the Authority Board approved a combination of Capital Fees (Connection Fee, Capacity Part, and Special Purpose Part) and a flat monthly surcharge rate per billing unit to recover capital expenditures associated with the required Southwest WWTP Upgrade and future sanitary sewer extensions to serve the Londonderry Township SR 230 Corridor Service Area. The S.R. 230 Corridor Sanitary Sewer Extension, as constructed by the warehouse developers, experienced construction delays in 2022 due to material shortages and longer lead times for equipment delivery. During the 2022 Budget preparation, the Authority anticipated the new sanitary sewer extension to be fully operational and the new sewer customers along the S.R. 230 corridor would be connected to the sewer system in 2022. Because of the construction delays, the Authority experienced a reduction in the tapping fee receipts and monthly user rate billing as budgeted in 2022.

As shown in Table 6, the positive net position and strong revenue to expense ratios indicate that the

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2022

Authority's financial position remained stable in 2022. 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. The Critical asset maintenance and/or replacement projects continued to be implemented as all major capital projects are funded by Bonds. In August 2022, the Authority was awarded \$3.5 million in financial assistance from the US Economic Development Administration (US EDA) in support of the Southwest WWTF Upgrade Project. This grant award lessens the impact on the Authority's borrowing needs to finance the project. The Authority completed the project design in 2022; however, bidding and construction has been delayed until the grant award notice was issued and the pre-bid filing requirements have been met to ensure compliance with the financial assistance terms and conditions.

The Clearwater WWTF Energy Enhancements project was originally contracted to be complete by Spring 2022. The delays in construction have significantly impacted the Authority's annual operating costs as the sustainable benefits from this project for reducing the Authority's dependency on electric and gas utilities, has not yet been realized. In addition, the Authority experienced a reduction in hauled waste acceptance and tipping fee revenue due to impacts to the facilities operations as a result of the ongoing construction. Once this project is complete in Summer 2023, the Authority will begin to realize operational savings with the offset of monthly electricity, natural gas, and heating fuel costs as well as an increase in revenue with the increased capabilities of accepting additional hauled-in waste.

In September 2022, the Authority embarked on its next step in operational sustainability for improving the current biosolids management program to include a new gasification and drum drying system. The new biosolids system will diversify the Authority's end use options and to meet or exceed current regulatory challenges for land application. Improvements to the biosolids handling processes in 2023 will also have a positive impact on operational costs moving forward. Construction is anticipated to begin in late 2023.

Stormwater repair and/or replacement projects also continued to be implemented as all projects have previously been funded by annual stormwater fee receipts. The Stormwater Revenue Note, Series of 2022, was the first borrowing transaction completed by the Authority under the stormwater program to date, to finance the Ridge Road Stormwater Improvements. As previously noted, the Stormwater Fund Operating Expenses increased significantly in 2022 due to the construction of four (4) projects as required by the Authority's MS4 NPDES Pollution Reduction Plan and compliance with PADEP. In 2022, the Authority began preparing an updated Capital Improvement Plan (CIP) and stormwater fee analysis with annual revenue projections to ensure the stormwater program continues to support the future initiatives and remain financially stable. The CIP and stormwater fee analysis is anticipated to be complete in late 2023.

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2022

TABLE 6
REVENUE TO EXPENSE RATIOS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenue	\$ 13,027,800	\$ 12,705,100	\$ 12,537,300	\$ 12,929,900
Operating expenses*	<u>9,048,100</u>	<u>7,567,600</u>	<u>7,702,500</u>	<u>7,470,400</u>
Operating revenue/expense ratio	1.44	1.68	1.63	1.73
Total revenue	\$ 14,393,800	\$ 13,686,800	\$ 13,608,200	\$ 14,049,900
Total expenses	<u>11,280,400</u>	<u>9,815,000</u>	<u>9,397,900</u>	<u>10,414,300</u>
Total revenue/expense ratio	1.28	1.39	1.45	1.35

**(before depreciation and amortization)*

2023 OUTLOOK

In preparation of the 2023 Budget, the Authority remains very optimistic that the 2023 Operating Year will continue to build upon the last two years of 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 2023 Budget. Operating expenses in 2023 are projected to significantly increase due to the rising commodity costs for wastewater treatment process chemicals, equipment repairs and replacement. The expenses are also projected to be impacted by an increase in employee health care benefits costs and the amendment to the Authority Pension Plan.

With the three-year rate adjustment strategy, the 2023 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. As of the end of April 2023, the Authority's total billable wastewater volume is trending higher as compared to 2022 year-to-date.

With the increasing material shortages and the inflationary cost increases for equipment and material, as experienced to date in 2023, it continues to be 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, thereby, reducing the anticipated monthly drawdown projections for payment of construction invoices from the Authority's capital

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

project funds. Furthermore, the Authority's capital investment for implementing self-sustainable projects, which provide annual operational savings, has yet to be realized as a result of the construction delays.

TABLE 7
OPERATING RESERVES

	Balance 12/31/2020	2021 Change	Balance 12/31/2021	2022 Change	Balance 12/31/2022
Operating Reserve Fund	\$ 1,750,700	\$ (700,600)	\$ 1,050,100	\$ 3,900	\$ 1,054,000
WW Resource Allocation Fund	1,466,900	14,000	1,480,900	(6,600)	1,474,300
SWTP Resource Allocation Fund	-	1,000,500	1,000,500	(31,400)	969,100
Operating Flood Fund	209,100	-	209,100	1,100	210,200
Total operating reserve	<u>\$ 3,426,700</u>	<u>\$ 313,900</u>	<u>\$ 3,740,600</u>	<u>\$ (33,000)</u>	<u>\$ 3,707,600</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, 2022 AND 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2022	2021
Current Assets:		
Cash and cash equivalents	\$ 10,242,540	\$ 12,625,423
Sewer rents receivables	428,041	321,838
Accounts receivable, other	152,489	103,201
Interest receivable	4,653	13
Lease Receivable	401,690	423,255
Prepaid insurance	168,501	293,040
Total current assets	<u>11,397,914</u>	<u>13,766,770</u>
Non-current assets:		
Cash and cash equivalents restricted for improvements and contingency	19,053,060	4,276,301
Cash and cash equivalents restricted for capital projects and debt service	7,506,743	17,587,111
Capital assets, not being depreciated	25,470,480	14,556,350
Capital assets, being depreciated, net	<u>69,705,553</u>	<u>70,682,831</u>
Total non-current assets	<u>121,735,836</u>	<u>107,102,593</u>
Total assets	<u>133,133,750</u>	<u>120,869,363</u>
Deferred outflows of resources:		
Other postemployment benefits	161,649	71,032
Deferred loss on refunded debt	<u>1,116,665</u>	<u>1,278,461</u>
Total deferred outflows	<u>1,278,314</u>	<u>1,349,493</u>
Total assets and deferred outflows of resources	<u><u>\$ 134,412,064</u></u>	<u><u>\$ 122,218,856</u></u>

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

DERRY TOWNSHIP MUNICIPAL AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2022 AND 2021

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2022	2021
Current liabilities:		
Accrued interest on debt	\$ 93,243	\$ 62,210
Current portion of:		
Sewer revenue bonds and notes	2,032,000	1,760,000
Subsidy agreements with Derry Twp.	985,000	965,000
Capital lease obligations	345,116	341,684
Accounts payable	2,841,362	2,447,021
Accrued:		
Paid time off	216,180	211,260
Payroll and payroll deductions	55,209	52,381
Total current liabilities	<u>6,568,110</u>	<u>5,839,556</u>
Non-current liabilities:		
Other postemployment benefits liability	1,340,199	1,307,039
Long-term debt, net of current position:		
Sewer revenue bonds and notes	37,896,624	24,810,249
Subsidy agreements with Derry Twp	24,925,188	26,057,873
Capital lease obligations	<u>1,879,734</u>	<u>2,224,850</u>
Total noncurrent liabilities	<u>66,041,745</u>	<u>54,400,011</u>
Total liabilities	<u>72,609,855</u>	<u>60,239,567</u>
Deferred inflows of resources		
Leases	396,139	423,255
Other post employment benefits	<u>133,174</u>	<u>18,224</u>
Total deferred inflows of resources	529,313	441,479
Net position:		
Net investment in capital assets	34,619,114	46,666,636
Unrestricted	<u>26,653,782</u>	<u>14,871,174</u>
Total net position	<u>61,272,896</u>	<u>61,537,810</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 134,412,064</u>	<u>\$ 122,218,856</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, 2022 AND 2021

	2022	2021
Operating revenues:		
Sewer Service charges:		
Direct customers	\$ 8,243,938	\$ 8,030,729
Municipal customers	813,183	921,655
Hauled waste process	1,235,964	1,388,714
Surcharges	738,796	623,505
Connection and related fees	196,442	43,288
Stormwater fees	1,657,854	1,546,984
Miscellaneous	141,653	150,261
Total operating revenues	13,027,830	12,705,136
Operating expenses:		
Administrative, payroll taxes, and employee benefits	3,549,700	3,279,747
Collection system	947,367	890,185
Plant operations	1,987,371	1,826,208
Maintenance	734,496	721,134
Technical services	470,121	467,502
Miscellaneous project expense	1,359,063	382,792
Total operating expenses	9,048,118	7,567,568
Operating income before depreciation and amortization	3,979,712	5,137,568
Depreciation and amortization	3,378,347	3,313,616
Operating income	601,365	1,823,952
Non-operating revenues and (expenses):		
Capacity fees	198,108	655,161
Interest income	410,622	25,360
Amortization of bond premiums	338,698	282,404
Federal and state grants	102,054	-
Capital contributions	213,958	-
Miscellaneous revenue	102,568	18,752
Interest expense:		
Capital lease	(24,102)	(27,501)
Bonds and notes payable	(1,942,823)	(1,726,610)
Miscellaneous expense	(273)	(15)
Bond issuance costs	(265,089)	(443,214)
Total non-operating revenues and (expenses)	(866,279)	(1,215,663)
Cost-sharing agreement expense	-	50,000
Increase in Net Position	(264,914)	558,289
Net Position at Beginning of Year	61,537,810	60,979,521
Net Position at End of Year	\$ 61,272,896	\$ 61,537,810

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

DERRY TOWNSHIP MUNICIPAL AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Cash received from customers and users	\$ 12,866,788	\$ 12,809,064
Cash payments to:		
Suppliers	(4,260,935)	(2,410,836)
Employees	<u>(4,203,062)</u>	<u>(3,973,976)</u>
Net cash provided by operating activities	<u>4,402,791</u>	<u>6,424,252</u>
Cash flows from capital and related financing activities		
Non-operating income	418,580	(31,248)
Capacity fees	198,108	655,161
Purchase of property, plant, and equipment	(13,315,199)	(11,343,480)
Debt principal paid	(2,725,000)	(21,250,000)
Capital lease paid	(341,684)	(338,285)
Bond and notes proceeds, net of issuance costs, premium and discounts	15,044,297	27,519,996
Interest paid on debt	<u>(1,774,094)</u>	<u>(2,029,949)</u>
Net cash used by capital and related financing activities	<u>(2,494,992)</u>	<u>(6,817,805)</u>
Cash flows provided by investing activities, interest received	<u>405,709</u>	<u>30,991</u>
Net increase (decrease) in cash and cash equivalents	2,313,508	(362,562)
Cash and cash equivalents		
Beginning of the year	<u>34,488,835</u>	<u>34,851,397</u>
End of Year	<u><u>\$ 36,802,343</u></u>	<u><u>\$ 34,488,835</u></u>
Financial Statement Presentation:		
Cash and cash equivalents	\$ 10,242,540	\$ 12,625,423
Cash and cash equivalents restricted for improvements and contingency	19,053,060	4,276,301
Cash and cash equivalents restricted for capital projects and debt service	<u>7,506,743</u>	<u>17,587,111</u>
Total	<u><u>\$ 36,802,343</u></u>	<u><u>\$ 34,488,835</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 601,365	\$ 1,823,952
Adjustments:		
Depreciation expense	3,378,347	3,313,616
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(155,491)	103,928
Prepaid insurance	124,539	(22,238)
Deferred outflow-OPEB	(90,617)	6,697
Lease Receivable	21,565	423,255
Increase (decrease) in:		
Accounts payable, trade and other	394,341	1,253,465
OPEB liability	33,160	51,749
Accrued expenses	7,748	(116,312)
Deferred inflow-Lease	(27,116)	(423,255)
Deferred inflow-OPEB	<u>114,950</u>	<u>9,395</u>
Net cash provided by operating activities	<u>\$ 4,402,791</u>	<u>\$ 6,424,252</u>
Non-cash activities		
Amortization of bond premiums	\$ 338,698	\$ 282,404
Amortization of deferred loss on refunded debt	161,796	12,222

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

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 AND 2021

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 uncollectibles, 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, except for intangible right-to-use lease assets, the measurement of which is discussed in note 1 H. below. 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.

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.

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

H. Leases

The Authority is a lessee for a noncancellable leases of sewer systems. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in its financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$250,000 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstance that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

I. 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>2022</u>	<u>2021</u>
Balance at Beginning of Year	\$ 211,260	\$ 253,810
Additions	216,180	211,260
Retirements	<u>(211,260)</u>	<u>(253,810)</u>
Balance at End of Year	<u>\$ 216,180</u>	<u>\$ 211,260</u>

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

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

J. 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.

K. 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 two items that qualify for reporting in this category: deferred inflows related to OPEB and Leases. Lease-related amounts are recognized at the inception of the lease. The deferred inflow of resources is recorded in amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before commencement of the lease term that relate to future periods, less any incentives paid to, or on behalf of the lessee at or before commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

L. Reclassifications

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

M. Adoption of Governmental Accounting Standards Board Statements

The Authority adopted the provisions of Statement No. 87, "Leases", GASB Statement No. 91, "Conduit Debt Obligations", and GASB Statement No. 92, "Omnibus 2020", certain requirements GASB Statement No. 93, "Replacement of Interbank Offered Rates" and certain provisions of GASB Statement No. 99, "Omnibus 2022." The adoption of GASB No. 87 resulted in the recording of leases receivable and a deferred inflow of resources- leases and a modification of the footnotes. The remaining GASB's adopted had no effect on previously reported amounts.

N. Pending Changes in Accounting Principles

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.

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

N. Pending Changes in Accounting Principles (continued)

In April 2022, the GASB issued Statement No. 99, "*Omnibus 2022*". The Authority is required to adopt 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.

In June 2022, the GASB issued Statement No. 100, "*Accounting Changes and Error Corrections, an Amendment of GASB Statement No. 62*." The Authority is required to adopt this statement for its calendar year 2024 financial statements.

In June 2022, the GASB issued Statement No. 101, "*Compensated Absences*." The Authority is required to adopt this statement for its calendar year 2024 financial statements.

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

O. 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.

NOTE 2: DEPOSITS AND INVESTMENTS

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

Investments	2022	2021
Cash and money market investments	\$ 31,863,395	\$ 29,686,205
Accrued interest on government securities	7,056	159
Total deposits, including petty cash	4,931,892	4,802,471
Total deposits and investments	<u>\$ 36,802,343</u>	<u>\$ 34,488,835</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

	2022	2021
Current assets:		
Cash	\$ 2,044,001	\$ 4,802,471
Money Market Investments	8,198,539	7,822,952
	10,242,540	12,625,423
Non-current		
Money Market Investments	26,559,803	21,863,412
Total deposits and investments	<u>\$ 36,802,343</u>	<u>\$ 34,488,835</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2022 and 2021, the carrying amounts of the Authority's bank deposits were \$36,802,343 and \$34,488,835 respectively, and the bank balance of \$37,221,276 and \$34,620,625, respectively. As of December 31, 2022, and 2021, \$10,287,875 and \$16,284,499 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.

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, 2022 and 2021, the carrying amount of the Authority's deposits with PLGIT were \$26,408,608 and \$17,587,105, 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, 2022 and 2021, the Authority does not hold any investments which are subject to credit risk.

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 3: CAPITAL ASSETS

Capital assets of the Authority for 2022 and 2021 consist of the following:

	January 1, 2021	Additions	Deletions	Reclassifications	December 31, 2021	Additions	Deletions	Reclassifications	December 31, 2022
Land and right-of-ways	\$ 2,370,024	\$ -	\$ -	\$ -	\$ 2,370,024	\$ -	\$ -	\$ -	\$ 2,370,024
Collection lines	43,573,958	44,536	-	-	43,618,494	419,899	-	-	44,038,393
Sewage treatment plant	71,962,422	2,747,355	-	-	74,709,777	1,189,707	-	-	75,899,484
Plant equipment	4,451,408	41,262	-	-	4,492,670	411,528	-	-	4,904,198
Vehicles	1,814,352	407,682	-	-	2,222,034	-	-	-	2,222,034
Office equipment	1,331,709	58,240	-	-	1,389,949	18,909	-	-	1,408,858
Miscellaneous equipment	3,343,904	-	-	-	3,343,904	-	-	-	3,343,904
Stormwater system	9,278,931	-	-	-	9,278,931	361,026	-	-	9,639,957
Construction in progress	4,072,381	11,173,869	(3,297,893)	-	11,948,357	11,644,897	(632,299)	-	22,960,955
Projects in progress	69,540	168,429	-	-	237,969	-	(98,468)	-	139,501
	142,268,629	14,641,373	(3,297,893)	-	153,612,109	14,045,966	(730,767)	-	166,927,308
Less accumulated depreciation	65,059,312	3,313,616	-	-	68,372,928	3,378,347	-	-	71,751,275
	<u>\$77,209,317</u>	<u>\$11,327,757</u>	<u>\$(3,297,893)</u>	<u>\$ -</u>	<u>\$85,239,181</u>	<u>\$10,667,619</u>	<u>\$ (730,767)</u>	<u>\$ -</u>	<u>\$95,176,033</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Connection fees	\$ 11,150	\$ 20,286
Stormwater charges	93,635	65,056
Insurance surplus	8,163	7,923
Miscellaneous	<u>39,541</u>	<u>9,936</u>
	<u>\$ 152,489</u>	<u>\$ 103,201</u>

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, 2022 are as follows:

	<u>Original borrowing</u>	<u>Date of issue/maturity</u>	<u>Interest rates to maturity</u>	<u>Annual principal payments to maturity</u>	<u>Outstanding December 31, 2022</u>
Sewer Revenue Bonds and Notes:					
Series of 2021A	\$ 7,360,000	2021/2025	1.00% to 4.00%	\$180,000 to \$2,040,000	\$ 3,930,000
Series of 2021B	10,840,000	2021/2037	0.437% to 2.760%	\$100,000 to \$1,295,000	10,575,000
Series of 2021C	9,135,000	2021/2035	1.50% to 3.00%	\$60,000 to \$1,950,000	9,135,000
Series of 2022	9,375,000	2022/2039	3.00% to 4.00%	\$5,000 to \$3,725,000	9,375,000
Series A of 2022	3,269,000	2022/2042	1.74%	\$133,000 to \$192,000	3,269,000
Series B of 2022	2,045,000	2022/2042	1.74%	\$84,000 to \$120,000	2,045,000
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	4,990,000
Series of 2019	4,335,000	2019/2027	1.16% to 3.00%	\$5,000 to \$2,295,000	4,115,000
Series of 2020	8,915,000	2020/2028	1.00% to 4.00%	\$610,000 to \$2,660,000	6,580,000
Series of 2020A	8,880,000	2020/2040	1.00% to 4.00%	\$5,000 to \$1,065,000	8,870,000
Capital Lease Obligations:					
Phase I	2,740,609	2007/2025	1.00%	\$119,230 to \$157,590	466,485
Phase II	<u>4,591,356</u>	2010/2032	1.00%	\$51,453 to \$204,524	<u>1,758,365</u>
	<u>\$76,495,965</u>				<u>\$ 65,108,850</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5: LONG-TERM DEBT (CONTINUED)

In March 2022, the Authority issued Sewer Revenue Bonds, Series of 2022, in the amount of \$9,375,000. The principal on these bonds is payable in annual installments ranging from \$5,000 to \$3,725,000 in 2039. Interest payments on the outstanding principal shall be due semi-annually, on June 15 and December 15 of each year, beginning June 15, 2022. The bonds bear fixed interest rates ranging from 3.00% to 4.00% and included a premium of \$620,386. The proceeds of the bonds were used for capital projects, fund capitalized interest on the bonds and to pay issuance costs.

In October 2022, the Authority issued Revenue Notes, Series A and B of 2022, in the amounts of \$3,269,000 and \$2,045,000, respectively. The principal on these bonds is payable in annual installments ranging from \$84,000 to \$192,000 in 2042. Interest payments on the outstanding principal shall be due semi-annually, on May 1 and November 1 of each year, beginning May 1, 2023. The bonds bear a fixed interest rate of 1.74%. The proceeds of the bonds were used to fund capital improvements and to pay issuance costs.

	Balance as of January 1, 2021	Additions	Retirements	Balance as of December 31, 2021	Additions	Retirements	Balance as of December 31, 2022
Sewer Revenue Bonds:							
Series 2005	\$ 5,000	\$ -	\$ (5,000)	\$ -	\$ -	\$ -	\$ -
Series 2015	4,270,000	-	(4,270,000)	-	-	-	-
Series 2016	4,830,000	-	(4,830,000)	-	-	-	-
Series 2019	9,530,000	-	(9,530,000)	-	-	-	-
Series 2021A	-	7,360,000	(1,770,000)	5,590,000	-	(1,660,000)	3,930,000
Series 2021B	-	10,840,000	(165,000)	10,675,000	-	(100,000)	10,575,000
Series 2021C	-	9,135,000	-	9,135,000	-	-	9,135,000
Series of 2022	-	-	-	-	9,375,000	-	9,375,000
Series A of 2022	-	-	-	-	3,269,000	-	3,269,000
Series B of 2022	-	-	-	-	2,045,000	-	2,045,000
Subsidy Agreements:							
Series 2018	5,000,000	-	(5,000)	4,995,000	-	(5,000)	4,990,000
Series 2019	4,155,000	-	(25,000)	4,130,000	-	(15,000)	4,115,000
Series 2020	8,165,000	-	(645,000)	7,520,000	-	(940,000)	6,580,000
Series 2020A	8,880,000	-	(5,000)	8,875,000	-	(5,000)	8,870,000
Total bonds payable	44,835,000	27,335,000	(21,250,000)	50,920,000	14,689,000	(2,725,000)	62,884,000
Lease obligations	2,904,819	-	(338,285)	2,566,534	-	(341,684)	2,224,850
	<u>\$ 47,739,819</u>	<u>\$ 27,335,000</u>	<u>\$ (21,588,285)</u>	<u>\$ 53,486,534</u>	<u>\$ 14,689,000</u>	<u>\$ (3,066,684)</u>	<u>\$ 65,108,850</u>
Current Maturities				(3,066,684)			(3,362,116)
Unamortized original issue premium, net				<u>2,673,122</u>			<u>2,954,812</u>
Long-term debt, net of current maturities				<u>\$ 53,092,972</u>			<u>\$ 64,701,546</u>

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

Years Ended	Debt from Direct Borrowings		
	Principal	Interest	Total
2023	\$ 3,362,116	\$ 1,627,822	\$ 4,989,938
2024	3,467,293	1,526,619	4,993,912
2025	3,543,849	1,411,019	4,954,868
2026	3,756,553	1,328,974	5,085,527
2027	3,582,508	1,236,601	4,819,109
2028-2032	19,117,531	4,940,216	24,057,747
2033-2037	21,072,000	3,071,740	24,143,740
2038-2042	7,207,000	369,390	7,576,390
Totals	<u>\$ 65,108,850</u>	<u>\$ 15,512,381</u>	<u>\$ 80,621,231</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5: LONG-TERM DEBT (CONTINUED)

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. As of December 31, 2022 and 2021, \$9,520,000 and \$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 \$137,446 and \$140,290 for the years ended December 31, 2022 and 2021, 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.

Plan membership:

As of December 31, 2022 and 2021, the OPEB plan membership consisted of the following (actual number of plan members):

	<u>2022</u>	<u>2021</u>
Active plan members	36	33
Inactive plan members or beneficiaries currently receiving benefits	<u>3</u>	<u>2</u>
Total	<u>39</u>	<u>35</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2021, and the total OPEB liability was determined by rolling forward the liability from an actuarial valuation as of January 1, 2021. No other significant events or changes in assumptions occurred between the valuation date and year end, except for the discount rate changing from 2.25% to 4.31%.

The Authority's annual change in total OPEB liability to the plan for the years ended December 31, 2022 and 2021 was as follows:

	2022	2021
Service Cost	\$ 115,478	\$ 116,350
Interest	30,879	25,644
Difference between expected and actual experience	104,800	-
Changes in assumptions	(125,494)	(10,975)
Benefit payments	(92,503)	(79,270)
Change in Total OPEB liability	33,160	51,749
Total OPEB Liability:		
Beginning of the year	1,307,039	1,255,290
End of the year	<u>\$1,340,199</u>	<u>\$1,307,039</u>
Covered employee payroll	\$2,509,726	\$2,220,118
Total OPEB liability as a percentage of covered employee payroll	53.40%	58.87%

Actuarial methods and assumptions:

The Authority's net OPEB liability was determined as part of an actuarial valuation at January 1, 2022, applied to all periods included in the measurement.

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Information as of the latest actuarial valuation is as follows:

Valuation date January 1, 2022

Actuarial cost method Entry age normal

Actuarial assumptions:

Salary Annual increase of 5.50%

Discount rate 4.31%, based on S&P Municipal Bond 20-Year High Grade Rate Index at December 31, 2022.

Health Care Cost Trend Rate 6.5% in 2022 to 7.0% in 2023 then decrease 0.5% per year until 5.5% in 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% 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	\$ 8,975	\$12,961
	50-54	11,886	14,649
	55-59	14,477	15,328
	60-64	18,891	17,608

Disability No disability was assumed

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

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

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 2022 discount rate used to measure the total OPEB liability was 4.31%. This is based on the S&P Bond 20-Year High Grade Rate Index at December 31, 2022. The 2021 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.

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, 2022	\$ 1,403,003	\$ 1,340,199	\$ 1,279,008
Total OPEB liability December 31, 2021	\$ 1,352,363	\$ 1,307,039	\$ 1,261,170

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, 2022	\$ 1,226,042	\$ 1,340,199	\$ 1,475,480
Total OPEB liability December 31, 2021	\$ 1,181,932	\$ 1,307,039	\$ 1,455,044

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB expense:

The OPEB expense for the Authority for the years ended December 31, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Service cost	\$ 115,478	\$ 116,350
Interest	30,879	25,644
Amortization of deferred outflows	14,183	6,697
Amortization of deferred inflows	<u>(10,544)</u>	<u>(1,580)</u>
Total OPEB expense	<u>\$ 149,996</u>	<u>\$ 147,111</u>

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

At December 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2022</u>		<u>2021</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes in assumptions	\$ 64,335	\$ 125,817	\$ 71,032	\$ 10,131
Difference between expected and actual experience	<u>97,314</u>	<u>7,357</u>	<u>-</u>	<u>8,093</u>
	<u>\$ 161,649</u>	<u>\$ 133,174</u>	<u>\$ 71,032</u>	<u>\$ 18,224</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>	
2023	\$ 3,639
2024	3,639
2025	3,639
2026	3,639
2027	3,639
Thereafter	<u>10,280</u>
	<u>\$ 28,475</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 8: LEASES

Lessor

The Authority, as the lessor, had entered into an agreement in 2006 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. An initial lease receivable was recorded in the amount of \$423,255. There was no additional revenue for variable and other payments not included in the measurement of the lease receivable. As of December 31, 2022, the value of the lease receivable is \$401,690 and the related deferred inflow for future payments expected to be collected on the lease is \$396,139. The lessee is required to make monthly fixed payments of \$2,000 through 2046. The lease has an interest rate of 3.2%. The Authority recognized lease revenue and interest of \$16,506 and \$13,045, respectively for the calendar year.

Lessee

The Authority has entered into two 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 lease obligation to Conewago Township had balances of \$466,485 and \$574,630 at December 31, 2022 and 2021, respectively. The cost of the related capital asset is \$4,229,548, with accumulated depreciation of \$948,223 and \$895,299 at December 31, 2022 and 2021, respectively. The capital lease obligation to Conewago Municipal Authority had balances of \$1,758,365 and \$1,991,904 at December 31, 2022 and 2021, respectively. The cost of the related capital asset is \$4,099,169, with accumulated depreciation of \$666,185 and \$614,875 at December 31, 2022 and 2021, respectively. The total amount of interest payments remaining on the capital leases are \$92,417 and \$116,804 as of December 31, 2022 and 2021, respectively.

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: 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.

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 10: COMMITMENTS (CONTINUED)

The Authority has active construction projects as of December 31, 2022 and 2021. At year end, the financial commitments with contractors related to these projects are as follows:

Project	Remaining commitment as of December 31, 2022	Remaining commitment as of December 31, 2021
Biosolids Drying and Gasification Project	\$ 6,536,250	\$ -
Bull Frog Valley & Deer Run Stream Restorations	2,267,234	-
Clearwater WWTF Energy enhancements	1,269,149	8,917,044
Oakmont Basin Retrofit and Forest Ave BMP	860,000	-
Raw sewage pumps replacement	937,886	2,095,188
Spring Creek Interceptor Improvements	1,375,077	-
ESD Cladding	-	830,689
2021 Storm and Sanitary Sewer Rehabilitation	-	404,934
Totals	<u>\$ 13,245,595</u>	<u>\$ 12,247,855</u>

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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

Fiscal Year Ending	2022	2021	2020	2019	2018
Service Cost	\$ 115,478	\$ 116,350	\$ 93,969	\$ 88,850	\$ -
Interest	30,879	25,644	39,121	41,578	-
Changes of Benefit Terms	-	-	-	-	1,102,231
Differences Between Expected and Actual Experience	104,800	-	(9,565)	-	-
Changes of Assumptions	(125,494)	(10,975)	69,920	15,825	-
Benefit Payments	(92,503)	(79,270)	(96,487)	(90,152)	-
Net Change in Suburban Plan Total OPEB Liability	33,160	51,749	96,958	56,101	1,102,231
Total OPEB Liability - Beginning	1,307,039	1,255,290	1,158,332	1,102,231	-
Total OPEB Liability - Ending	<u>\$ 1,340,199</u>	<u>\$ 1,307,039</u>	<u>\$ 1,255,290</u>	<u>\$ 1,158,332</u>	<u>\$ 1,102,231</u>
Covered-Employee Payroll	\$ 2,509,726	\$ 2,220,118	\$ 2,220,118	\$ 2,338,104	\$ 2,338,104
Total OPEB Liability as a % of Covered-Employee Payroll	53.40%	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 2022, the discount rate changed from 2.25% to 4.31%. The trend and mortality assumptions were updated.
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, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Wastewater fund	Stormwater fund	Eliminations	Total
Current Assets:				
Cash and cash equivalents	\$ 6,975,343	\$ 3,267,197	\$ -	\$ 10,242,540
Sewer rents receivables	419,585	8,456	-	428,041
Accounts Receivable	58,854	93,635	-	152,489
Lease Receivable	401,690	-	-	401,690
Interest receivable	4,653	-	-	4,653
Due from Stormwater	12,549	-	(12,549)	-
Prepaid insurance	167,486	1,015	-	168,501
Total current assets	8,040,160	3,370,303	(12,549)	11,397,914
Non-current assets:				
Cash and cash equivalents restricted for improvements and contingency	15,827,079	3,225,981	-	19,053,060
Cash and cash equivalents restricted for capital projects and debt service	7,506,743	-	-	7,506,743
Capital assets, not being depreciated	25,221,328	249,152	-	25,470,480
Capital assets, being depreciated, net	60,790,907	8,914,646	-	69,705,553
Total non-current assets	109,346,057	12,389,779	-	121,735,836
Total assets	117,386,217	15,760,082	(12,549)	133,133,750
Deferred outflows of resources:				
Other postemployment benefits	145,484	16,165	-	161,649
Deferred loss on refunded debt	1,116,665	-	-	1,116,665
Total deferred outflows	1,262,149	16,165	-	1,278,314
Total assets and deferred outflows of resources	\$ 118,648,366	\$ 15,776,247	\$ (12,549)	\$ 134,412,064

DERRY TOWNSHIP MUNICIPAL AUTHORITY
COMBINING STATEMENTS OF NET POSITION (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Wastewater Fund	Stormwater Fund	Eliminations	Total
Current liabilities:				
Accrued interest on debt	\$ 79,934	\$ 13,309	\$ -	\$ 93,243
Current portion of:				
Sewer revenue bonds and notes	1,899,000	-	-	1,899,000
Subsidy agreements with Derry Twp	983,400	134,600	-	1,118,000
Capital lease obligations	345,116	-	-	345,116
Due to Wastewater	-	12,549	(12,549)	-
Accounts payable	2,352,523	488,839	-	2,841,362
Accrued:				
Paid time off	211,930	4,250	-	216,180
Payroll and payroll deductions	50,309	4,900	-	55,209
Total current liabilities	<u>5,922,212</u>	<u>658,447</u>	<u>(12,549)</u>	<u>6,568,110</u>
Non-current liabilities:				
Other postemployment benefits liability	1,206,179	134,020	-	1,340,199
Long-term debt, net of current position:				
Sewer revenue bonds	34,760,624	-	-	34,760,624
Subsidy agreements with Derry Twp	23,310,699	4,750,489	-	28,061,188
Capital lease obligations	1,879,734	-	-	1,879,734
Total noncurrent liabilities	<u>61,157,236</u>	<u>4,884,509</u>	<u>-</u>	<u>66,041,745</u>
Total liabilities	<u>67,079,448</u>	<u>5,542,956</u>	<u>(12,549)</u>	<u>72,609,855</u>
Deferred inflows of resources, other postemployment benefits				
Leases	396,139	-	-	396,139
Other postemployment benefits	119,857	13,317	-	133,174
Total deferred inflows of resources	515,996	13,317	-	529,313
Net position:				
Net investment in capital assets	30,340,405	4,278,709	-	34,619,114
Restricted for debt service	-	-	-	-
Unrestricted	20,712,517	5,941,265	-	26,653,782
Total net position	<u>51,052,922</u>	<u>10,219,974</u>	<u>-</u>	<u>61,272,896</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 118,648,366</u>	<u>\$ 15,776,247</u>	<u>\$ (12,549)</u>	<u>\$ 134,412,064</u>

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
Interest receivable	13	-	-	13
Lease receivable	423,255	-	-	423,255
Due from Stormwater	13,137	-	(13,137)	-
Prepaid insurance	293,040	-	-	293,040
Total current assets	10,139,723	3,640,184	(13,137)	13,766,770
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	108,324,517	12,557,983	(13,137)	120,869,363
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	\$ 109,666,907	\$ 12,565,086	\$ (13,137)	\$ 122,218,856

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	5,555,148	297,545	(13,137)	5,839,556
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	52,651,705	1,748,306	-	54,400,011
Total liabilities	58,206,853	2,045,851	(13,137)	60,239,567
Deferred inflows of resources				
Leases	423,255	-	-	423,255
Other postemployment benefits	16,402	1,822	-	18,224
Total deferred inflows of resources	439,657	1,822	-	441,479
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	51,020,397	10,517,413	-	61,537,810
Total liabilities, deferred inflows of resources and net position	\$ 109,666,907	\$ 12,565,086	\$ (13,137)	\$ 122,218,856

DERRY TOWNSHIP MUNICIPAL AUTHORITY
COMBINING STATEMENTS OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Wastewater fund	Stormwater fund	Total
Operating revenues:			
Sewer Service charges:			
Direct customers	\$ 8,243,938	\$ -	\$ 8,243,938
Municipal customers	813,183	-	813,183
Hauled waste process	1,235,964	-	1,235,964
Surcharges	738,796	-	738,796
Connection and related fees	196,442	-	196,442
Stormwater fees	-	1,657,854	1,657,854
Miscellaneous	134,226	7,427	141,653
Total operating revenues	11,362,549	1,665,281	13,027,830
Operating expenses:			
Administrative, payroll taxes, and employee benefits	3,099,864	449,836	3,549,700
Collection system	687,094	260,273	947,367
Plant operations	1,987,371	-	1,987,371
Maintenance	734,496	-	734,496
Technical services	470,121	-	470,121
Miscellaneous project expense	171,922	1,187,141	1,359,063
Total operating expenses	7,150,868	1,897,250	9,048,118
Net income before depreciation and amortization	4,211,681	(231,969)	3,979,712
Depreciation and amortization	3,146,031	232,316	3,378,347
Operating income	1,065,650	(464,285)	601,365
Non-operating revenues and (expenses):			
Capacity fees	198,108	-	198,108
Interest income	351,551	59,071	410,622
Amortization of bond premiums	337,185	1,513	338,698
Federal and state grants	102,054	-	102,054
Capital contributions	-	213,958	213,958
Miscellaneous revenue	102,561	7	102,568
Interest expense:			
Capital lease	(24,102)	-	(24,102)
Bonds and notes payable	(1,882,808)	(60,015)	(1,942,823)
Miscellaneous expense	(273)	-	(273)
Bond issuance costs	(217,401)	(47,688)	(265,089)
Total non-operating revenues and (expenses)	(1,033,125)	166,846	(866,279)
Cost-sharing agreement expense	-	-	-
Increase in Net Position	32,525	(297,439)	(264,914)
Net Position at Beginning of Year	51,020,397	10,517,413	61,537,810
Net Position at End of Year	\$ 51,052,922	\$ 10,219,974	\$ 61,272,896

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
Total operating revenues	11,148,471	1,556,665	12,705,136
Operating expenses:			
Administrative, payroll taxes, and employee benefits	2,818,328	461,418	3,279,746
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
Total operating expenses	6,691,066	876,501	7,567,567
Operating income before depreciation and amortization	4,457,405	680,164	5,137,569
Depreciation and amortization	3,086,609	227,007	3,313,616
Operating income	1,370,796	453,157	1,823,953
Non-operating revenues and (expenses):			
Capacity fees	655,161	-	655,161
Interest income	24,414	945	25,359
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)
Total non-operating revenues and (expenses)	(1,164,587)	(51,077)	(1,215,664)
Cost-sharing agreement expense	-	(50,000)	(50,000)
Increase (Decrease) in Net Position	206,209	352,080	558,289
Net Position at Beginning of Year	50,814,188	10,165,333	60,979,521
Net Position at End of Year	\$ 51,020,397	\$ 10,517,413	\$ 61,537,810

DERRY TOWNSHIP MUNICIPAL AUTHORITY
COMBINING STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	Wastewater Fund	Stormwater Fund	Total
Cash flows from operating activities:			
Cash received from customers and users	\$ 11,238,542	\$ 1,628,246	\$ 12,866,788
Cash payments to:			
Suppliers	(3,025,894)	(1,235,041)	(4,260,935)
Employees	(3,762,998)	(440,064)	(4,203,062)
	<u>4,449,650</u>	<u>(46,859)</u>	<u>4,402,791</u>
Net cash provided by operating activities			
Cash flows from capital and related financing activities:			
Non-operating income	204,342	214,238	418,580
Capacity fees	198,108	-	198,108
Purchase of property, plant, and equipment	(12,836,884)	(478,315)	(13,315,199)
Debt principal paid	(2,723,400)	(1,600)	(2,725,000)
Capital lease paid	(341,684)	-	(341,684)
Bond proceeds, net of issuance costs, premium and discounts	11,822,985	3,221,312	15,044,297
Interest paid on debt	(1,724,570)	(49,524)	(1,774,094)
	<u>(5,401,103)</u>	<u>2,906,111</u>	<u>(2,494,992)</u>
Net cash provided by capital and related financing activities			
Cash flows provided by investing activities, interest received	<u>346,911</u>	<u>58,798</u>	<u>405,709</u>
Net increase in cash and cash equivalents	(604,542)	2,918,050	2,313,508
Cash and cash equivalents			
Beginning of the year	<u>30,913,707</u>	<u>3,575,128</u>	<u>34,488,835</u>
End of Year	<u>\$ 30,309,165</u>	<u>\$ 6,493,178</u>	<u>\$ 36,802,343</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY
 COMBINING STATEMENTS OF CASH FLOWS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2022

	<u>Wastewater Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,065,650	\$ (464,285)	\$ 601,365
Adjustments:			
Depreciation and amortization of property, plant, and equipment	3,146,031	232,316	3,378,347
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	(118,456)	(37,035)	(155,491)
Lease Receivable	21,565	-	21,565
Prepaid insurance	125,554	(1,015)	124,539
Deferred outflow, OPEB	(81,555)	(9,062)	(90,617)
Increase (decrease) in:			
Accounts payable, trade and other	179,280	215,061	394,341
Opeb liability	29,844	3,316	33,160
Accrued expenses	5,398	2,350	7,748
Deferred inflow, Lease	(27,116)	-	(27,116)
Deferred inflow, OPEB	103,455	11,495	114,950
Net cash provided by operating activities	<u>\$ 4,449,650</u>	<u>\$ (46,859)</u>	<u>\$ 4,402,791</u>
Non-cash activities			
Amortization of bond premiums			338,698
Deferred loss on refunded debt			161,796

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

	<u>Wastewater Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
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
SCHEDULES OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Wastewater fund	Stormwater fund	Total
Administrative, payroll taxes, and employee benefits:			
Salaries	\$ 553,505	\$ 109,102	\$ 662,607
Materials and supplies	18,985	133	19,118
General expense	810,945	45,364	856,309
Payroll taxes and employee benefits	1,460,524	184,575	1,645,099
Maintenance and repairs	8,341	-	8,341
Professional services	247,551	110,675	358,226
Total admin, payroll taxes, and employee benefits	3,099,851	449,849	3,549,700
Collection system:			
Salaries	380,527	154,499	535,026
Materials and supplies	12,193	325	12,518
General expense	29,311	3,603	32,914
Maintenance and repairs	200,598	101,833	302,431
Utilities	64,478	-	64,478
Total collection system	687,107	260,260	947,367
Plant operations:			
Salaries	690,344	-	690,344
Materials and supplies	52,301	-	52,301
General expense	19,859	-	19,859
Utilities	544,179	-	544,179
Chemicals	386,528	-	386,528
Special services	294,160	-	294,160
Total plant operations	1,987,371	-	1,987,371
Maintenance:			
Salaries	349,059	-	349,059
Materials and supplies	11,219	-	11,219
General expense	10,393	-	10,393
Equipment repairs	324,038	-	324,038
Vehicle repairs	28,810	-	28,810
Automation control services	10,977	-	10,977
Total maintenance	734,496	-	734,496
Technical services			
Salaries	386,168	-	386,168
Materials and supplies	20,083	-	20,083
General expense	9,504	-	9,504
Special Services	54,366	-	54,366
Total technical services	470,121	-	470,121
Miscellaneous project expense	171,922	1,187,141	1,359,063
Total operating expenses	\$ 7,150,868	\$ 1,897,250	\$ 9,048,118

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	757,131	36,236	793,367
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	2,818,332	461,418	3,279,750
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	\$ 6,691,070	\$ 876,501	\$ 7,567,571