

**DERRY TOWNSHIP MUNICIPAL AUTHORITY
HERSHEY, PENNSYLVANIA**

YEARS ENDED DECEMBER 31, 2023 AND 2022

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

**DERRY TOWNSHIP MUNICIPAL AUTHORITY
HERSHEY, PENNSYLVANIA**

For the Years Ended December 31, 2023 and 2022

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-21
FINANCIAL STATEMENTS:	
Statements of Net Position	22-23
Statements of Revenues, Expenses and Changes in Net Position	24
Statements of Cash Flows	25-26
Notes to Financial Statements	27-43
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Changes in the Total OPEB Liability and Related Ratios	45
OTHER SUPPLEMENTARY INFORMATION:	
Combining Statements of Net Position	47-50
Combining Statements of Revenues and Expenses	51-52
Combining Statements of Cash Flows	53-56
Schedule of Operating Expenses	57-58



Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Derry Township Municipal Authority
Hershey, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

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, 2023 and 2022, 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, 2023 and 2022, 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 Opinions

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 opinions.

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.



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

Page 2

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 2023, the Authority adopted certain requirements of GASB Statement No. 93, "Replacement of Interbank Offered Rates", the provisions of GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" and GASB Statement No. 96, "Subscription-Based IT Arrangements", and certain provisions of GASB Statement No. 99, "Omnibus 2022". Our opinion is not modified with respect to these matters.



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

Page 3

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 45 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 Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
June 21, 2024

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2023

INTRODUCTION

The Derry Township Municipal Authority (the Authority) is a governmental entity engaged in business-type activities related to providing services for 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, 2023, 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 (GAAP) 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, 2023

FINANCIAL HIGHLIGHTS – YEAR ENDED DECEMBER 31, 2023

- ❖ The Authority's total assets and deferred outflows of resources exceeded total liabilities by \$74,089,300, including \$61,687,200 invested in capital assets and \$12,402,100 unrestricted. The Authority's net position increased by \$12,816,400 (20.9%).
- ❖ Current assets decreased by \$258,800 (-2.3%).
- ❖ Current liabilities decreased by \$412,400 (-9.1%).
- ❖ Operating revenues from all sources increased by \$399,500 (3.1%).
- ❖ Operating expenses increased by \$1,653,800 (18.3%).

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, 2023, 2022 and 2021 is presented in Table 1, below.

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2023

TABLE 1
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

	2023	2022	2021
Operating revenues	\$ 13,427,300	\$ 13,027,800	\$ 12,705,100
Operating expenses	10,701,900	9,048,100	7,567,600
Total operating income before depreciation and amortization	2,725,400	3,979,700	5,137,500
Depreciation and amortization	3,431,500	3,378,300	3,313,600
Total operating income	(706,100)	601,400	1,823,900
Nonoperating revenues	2,135,700	1,366,000	981,700
Nonoperating expenses	2,202,100	2,232,300	2,197,300
Income (Loss) before cost-sharing agreement expense, net	(772,500)	(264,900)	608,300
Cost-sharing agreement, net	-	-	50,000
Sewer extensions contributed by developers	13,588,900	-	-
Increase (decrease) in net position	12,816,400	(264,900)	558,300
Net position:			
Beginning of year	61,272,900	61,537,800	60,979,500
End of year	\$ 74,089,300	\$ 61,272,900	\$ 61,537,800

REVENUE

Combined – The overall combined 2023 Authority operating revenues increased by \$399,500 (3.1%), comparatively to 2022. The major contributing factors include the following:

- Increase in Wastewater (WW) revenue by \$360,600 (3.2%) over 2022. The Direct WW Customers revenue increase is most likely as a result of the 2.0% WW user rate adjustment in early 2023 and a slight increase in billable customers.
- Increase in Stormwater revenue by \$38,800 (2.3%) over 2022. The major contributing factor is likely due to additional growth and/or re-development within the Township of Derry.

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2023

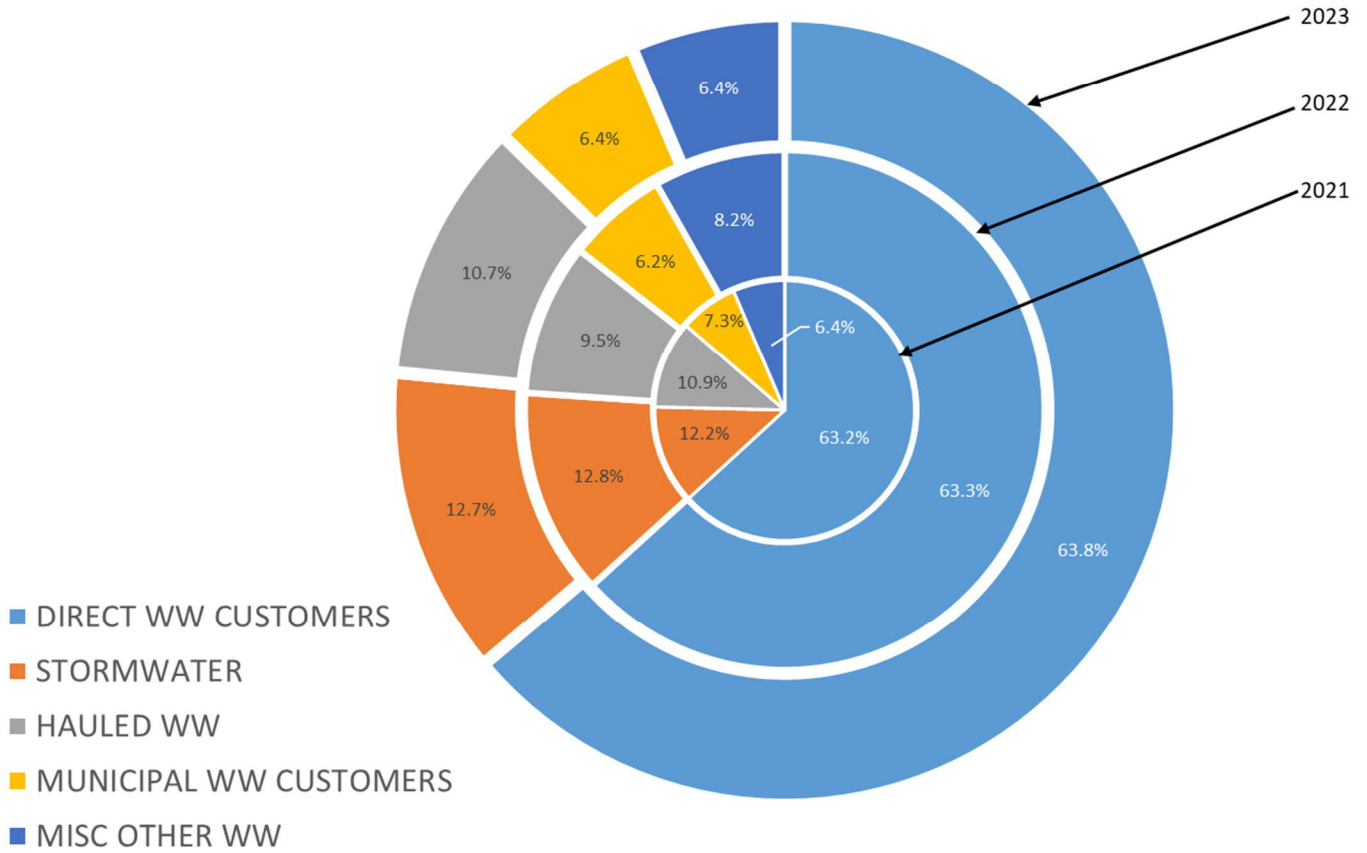
- Increase in Hauled WW by \$207,200 (16.8%) over 2022 due to the increased capacity to accept additional volume of hauled waste with the completion of the Clearwater WWTF Energy Enhancements Project in 2023.
- Decrease in strength of waste surcharge fees by \$160,300 (-21.7%) for the commercial and industrial establishments. This decrease is a result of Troegs Independent Brewery's improved waste loading diversion which has reduced the pollutant concentrations in their discharge to the Authority's sewer system.
- Decrease in connection related service fees by \$166,700 (-84.8%) over 2022. In 2022, the increase in Special Purpose Fee receipts was a direct result of new customer connections within the Londonderry Estates development in Londonderry Township.

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

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023

FIGURE 1
2023, 2022, 2021 COMBINED OPERATING REVENUE COMPARISON



DERRY TOWNSHIP MUNICIPAL AUTHORITY

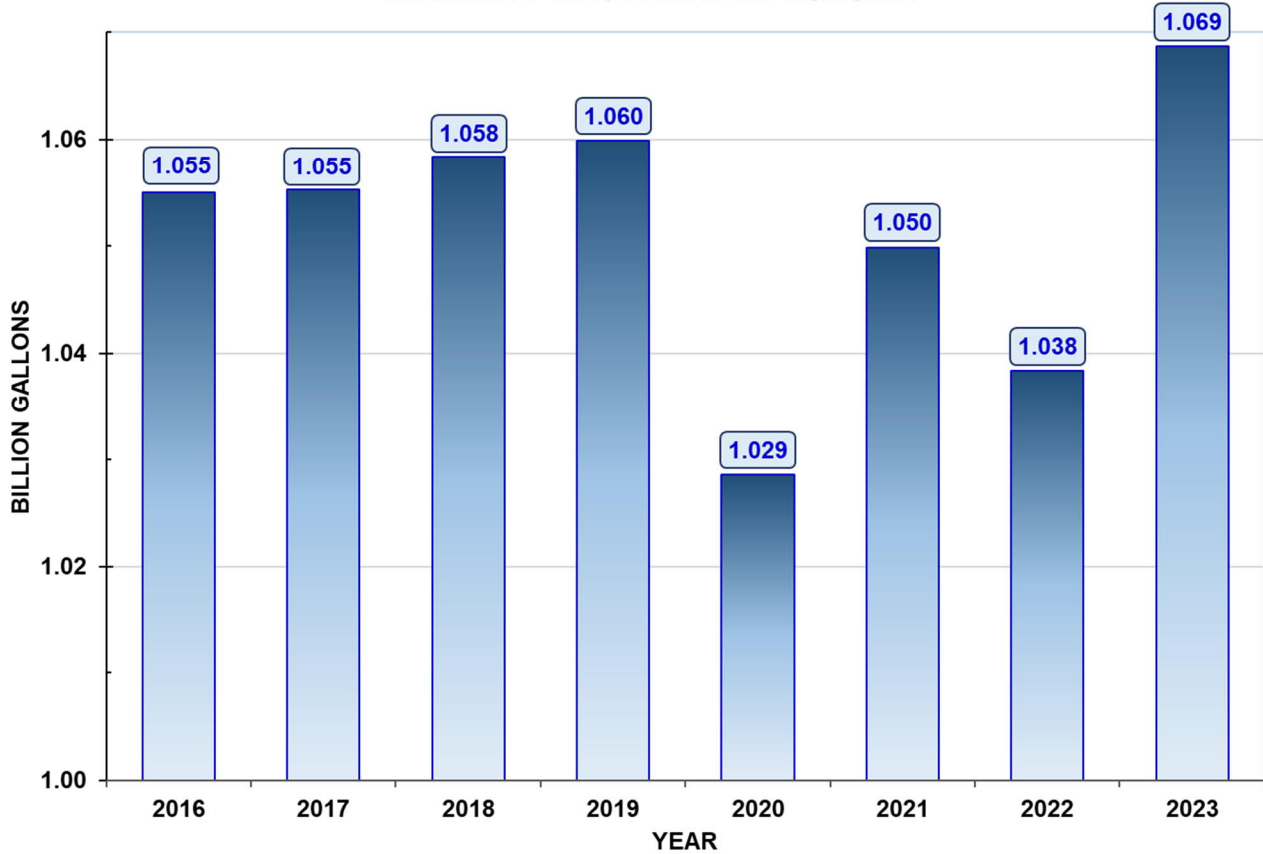
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2023

REVENUE (Continued)

WW Revenue - During 2023, WW revenue increased by \$360,600 (3.2%) from all the Authority's WW customers, comparatively to 2022. The main contributing factors include the 2.0% WW user rate adjustment, hauled WW revenue, and new customer connections within the Authority's service area.

The billable wastewater volume increased in 2023 over the 2022 volume, reversing the previous year's downward trend, as presented in Figure 2. The major contributing factor was an increase in new customers within the Authority's service area with an estimated increase of 85k gallons of billable WW volume per day.

**FIGURE 2
BILLABLE WASTEWATER VOLUME**



DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2023

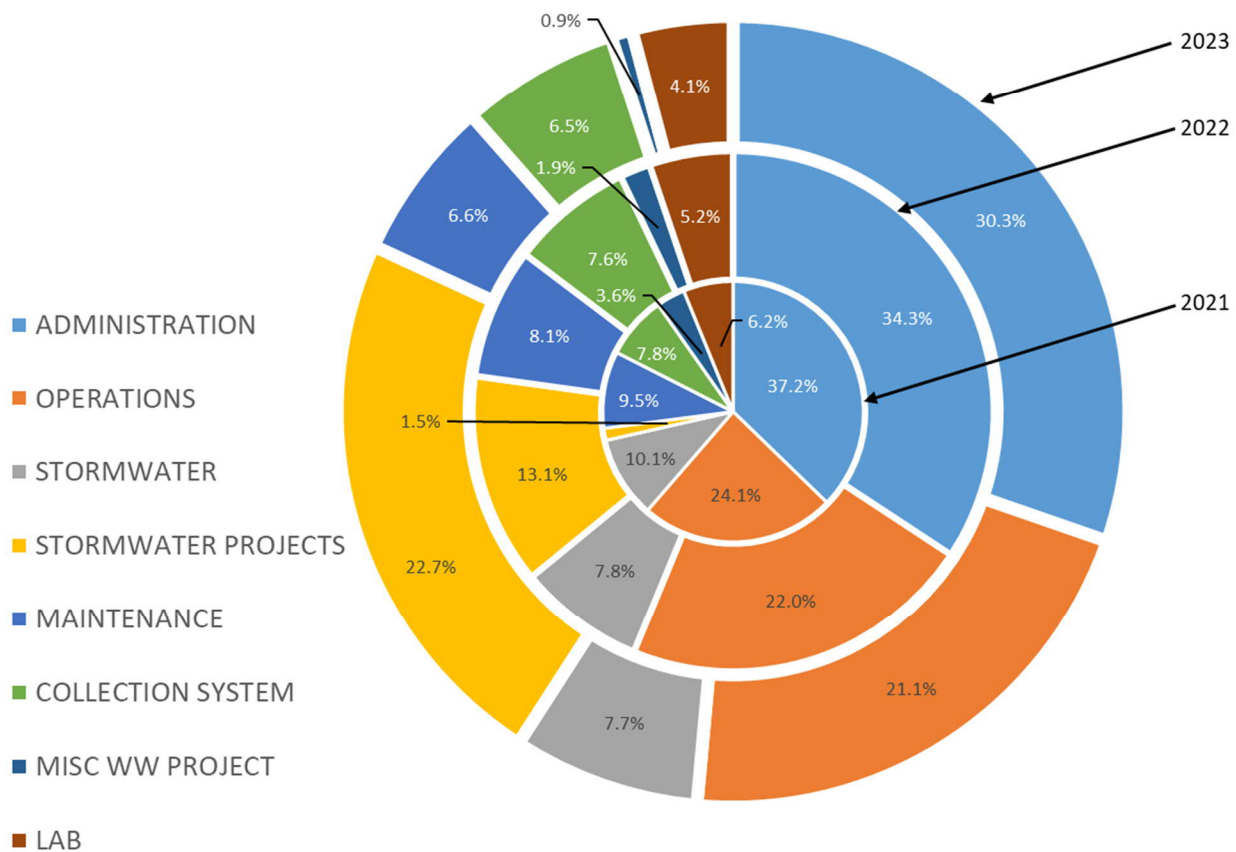
REVENUE (Continued)

Stormwater (SW) Revenue – During 2023, \$1,704,100 in revenues were collected resulting in an increase of \$38,800 (2.3%), comparatively to 2022. This slight increase in SW revenue is likely due to additional growth and/or re-development within the Township of Derry.

EXPENSES

Combined Operating Expenses – The 2023 combined operating expenses before depreciation increased by \$1,653,800 (18.3%) over the 2022 expenses. Figure 3 presents the breakdown of overall combined 2023, 2022, and 2021 Authority operating expenses.

**FIGURE 3
2023, 2022 & 2021 COMBINED OPERATING EXPENSE DETAIL**



DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2023

EXPENSES (Continued)

WW Operating Expenses – The 2023 WW operating expenses increased by \$297,500 (4.2%) from 2022. The following describes the variances in the operating expenses:

- Administrative expenses increased by \$142,100 (4.6%). The major contributing factors for the increase in expenses include: 1) increase in employee compensation by \$43,600 (7.9%); 2) decrease in property, liability, and excess flood insurance by \$201,300 (-40.8%); and 3) an increase in employee benefits by \$210,000 (14.4%) due to an increase to the employer contribution percentage under the Authority's Defined Contribution Retirement Plan.
- Collection system expenses increased by \$9,100 (1.3%). Expenses increased due to collection system operator labor costs and pump station utilities, but was offset by a decrease of \$88,900 (-59.4%) in emergency repairs within the collection and conveyance system.
- Operations expenses for the plant operations increased by \$275,100 (13.8%). The major contributing factors include: 1) increase in plant operations labor costs by \$114,700 (16.6%); 2) increase in contract biosolids hauling and land application costs by \$94,300 (32.1%); 3) increase in plant treatment chemical costs by \$46,000 (11.9%); and 4) an increase in gas and electrical utility costs by \$9,000 (1.7%) due to an ongoing construction project that has delayed start-up and use of on-site renewable energy to offset heating and electrical costs.
- Maintenance expenses decreased by \$21,700 (-3.0%) due to a decrease in equipment repairs by \$23,900 (-7.4%).

SW Operating Expenses – During 2023, the SW fund operating expenses increased by \$1,356,300 (71.5%) from 2022 SW expenses. The major contributing factor was due to an increase in capital project costs by \$1,246,000 (105.0%) 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 2023 nonoperating revenues, including interest income, grants and capacity fees, increased by \$769,700 (56.3%) over 2022 due to the following contributing factors:

- Interest income (net of arbitrage rebate expense) increased by \$962,300 (234.4%) due to the combination of higher interest rates on construction fund balances in 2023.
- 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 \$117,700 (-59.4%) compared to 2022. The SR 230 sanitary sewer extension in Londonderry Township was anticipated to be complete and operational by 2022. The SR 230 sanitary sewer extension was completed and dedicated to the Authority in June 2023. As a result of construction delays, approximately half of the anticipated new sewer customers connected to the sanitary sewer system along SR 230 in Londonderry Township in 2023, and therefore, the capacity fee revenues were significantly reduced.
- The Authority received no Federal or State Grants in 2023 resulting in a decrease of \$102,100 (-100.0%).

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2023

- The Authority received \$214,000 from Hummelstown Borough in 2023 and 2022 as part of their capital contribution 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 2023, the Authority received a \$13,128,800 developer contribution, the Londonderry Twp. SR 230 Sanitary Sewer Extension, and a \$460,100 developer contribution for the sanitary sewer extension to serve the Hershey West End Project.

COMBINED NONOPERATING EXPENSE

In 2023, the overall bonds and notes payable and amortization of bond premiums decreased by \$30,200 (-1.4%). Interest on bonds increased by \$118,600 (6.1%) due to the DCIB Series of 2023 Note, and a full year of interest on the Sewer Revenue Bonds, Series 2022, as well as a full year of interest on the DCIB-G Series of 2022 Notes. The debt issuance costs decreased by \$145,200 (-54.8%) compared to 2022.

TOTAL NET POSITION

As detailed on Table 2, as of December 31, 2023, 2022 and 2021, the Authority had total net positions of \$74,089,300, \$61,272,900, and \$61,537,800 respectively.

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023

TABLE 2
CONDENSED STATEMENTS OF NET POSITION
DECEMBER 31, 2023, 2022 AND 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets and deferred outflows of resources:			
Current assets	\$ 11,139,100	\$ 11,397,900	\$ 13,766,800
Capital assets	109,828,800	95,176,100	85,239,200
Other assets	<u>24,369,900</u>	<u>26,559,800</u>	<u>21,863,400</u>
Total assets	145,337,800	133,133,800	120,869,400
Deferred outflows of resources	<u>1,130,800</u>	<u>1,278,300</u>	<u>1,349,500</u>
Total assets and deferred outflows of resources	<u>\$ 146,468,600</u>	<u>\$ 134,412,100</u>	<u>\$ 122,218,900</u>
Liabilities and net position:			
Current liabilities	\$ 4,133,900	\$ 4,546,300	\$ 4,080,000
Long-term liabilities	<u>67,743,100</u>	<u>68,063,600</u>	<u>56,159,600</u>
Total liabilities	<u>71,877,000</u>	<u>72,609,900</u>	<u>60,239,600</u>
Deferred inflows of resources	<u>502,300</u>	<u>529,300</u>	<u>441,500</u>
Total liabilities and deferred inflows of resources	<u>\$ 72,379,300</u>	<u>\$ 73,139,200</u>	<u>\$ 60,681,100</u>
Net position:			
Net investment in capital assets	61,687,200	34,619,100	46,666,600
Unrestricted	<u>12,402,100</u>	<u>26,653,800</u>	<u>14,871,200</u>
Total net position	<u>74,089,300</u>	<u>61,272,900</u>	<u>61,537,800</u>
Total liabilities and net position	<u>\$ 146,468,600</u>	<u>\$ 134,412,100</u>	<u>\$ 122,218,900</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2023

ASSETS

The 2023 year-end value of total assets and deferred outflows of resources increased by \$12,056,500 (9.0%) when compared to 2022 year end. A breakdown of the total assets by category is presented in Table 2. The 2023 value of capital assets increased \$14,652,700 (15.4%) over 2022 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.

On December 5, 2023, the Authority issued Stormwater Revenue Note, Series of 2023, in the amount of \$3,389,000 through the Dauphin County Infrastructure Bank (DCIB-G) loan financing program to finance the Ridge Road Stormwater Improvements Project.

During 2023, funds were disbursed from the 2021C and 2022A 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, Spring Creek Interceptor Improvements, Highmeadow Pump Station Upgrades, Biosolids Drying and Gasification Project, Maintenance Building Expansion Project, 2023 Sewer Repairs & Rehabilitation, and the High Strength Organic Waste (HSOW) Offloading Facility Upgrades.

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 2023, the Resource Allocation Funds increased by \$198,200 from the transfer of capacity fee receipts. The Authority reimbursed Lower Swatara Township Municipal Authority (LSTMA) \$198,800 from the Resource Allocation Funds for unused sewer capacity allocation related to a legacy development.

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 2023, the Operating Reserve Fund was increased by \$246,100. 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 maintained during 2023.

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.

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2023

LIABILITIES

Current liabilities decreased by \$412,400 (-9.1%). Payables and other accrued liabilities decreased by \$529,400 (-16.4%). OPEB liability increased by \$117,100 (8.7%).

In 2023, the Authority had outstanding long-term debt obligations of \$67,743,100, which reflected decreased by \$320,500 (0.5%). This was due to the new DCIB-G Stormwater Revenue Note, Series of 2023, retirement of principal and change in net amortization. Lease liabilities with Conewago Township and Conewago Municipal Authority decreased by \$345,100 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 2023 was in the amount of \$3,362,100. A condensed summary of the Authority's long-term debt obligations for the past three years is summarized in Table 3 below.

TABLE 3
LONG-TERM DEBT

	2023	2022	2021
Beginning balance	\$ 68,063,600	\$ 56,159,600	\$ 50,067,100
New debt issues	3,389,000	14,689,000	27,335,000
Principal retirement	(3,362,100)	(3,066,700)	(21,588,300)
Amortization, net	(347,400)	281,700	345,800
Ending balance	<u>\$ 67,743,100</u>	<u>\$ 68,063,600</u>	<u>\$ 56,159,600</u>

With the changes in both current and long-term liabilities, the resulting total liabilities decreased by \$732,900 (-1.0%) from 2022 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, 2023, were \$109,828,800. 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 3 of the financial statements. A condensed summary of the Authority's capital assets at December 31, 2023, 2022, and 2021 is summarized in Table 4 below.

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023

TABLE 4
PROPERTY, PLANT AND EQUIPMENT

	2023	2022	2021
Land and right-of-ways	\$ 2,370,000	\$ 2,370,000	\$ 2,370,000
Collection lines	57,676,400	44,038,400	43,618,500
Sewage treatment plant	75,899,500	75,899,500	74,709,800
Plant equipment	4,926,300	4,904,200	4,492,700
Vehicles	2,222,000	2,222,000	2,222,000
Office equipment	1,428,300	1,408,900	1,389,900
Miscellaneous equipment	76,500	76,400	76,400
Stormwater system	9,664,500	9,640,000	9,278,900
Construction in progress	27,441,700	23,100,500	12,087,900
Projects in progress	38,900	-	98,500
Total capital assets	181,744,100	163,659,900	150,344,600
Less accumulated depreciation	71,915,300	68,483,800	65,105,400
Total capital assets, net	\$ 109,828,800	\$ 95,176,100	\$ 85,239,200
Capital assets, not being depreciated	\$ 29,850,600	\$ 25,470,500	\$ 14,556,400
Capital assets, being depreciated, net	79,978,200	69,705,600	70,682,800

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2023

Bond Ratings – The Authority's last bond rating was in 2022, an AA- rating (stable outlook) from S&P Global Ratings.

Debt Coverage Ratio – The Authority's debt coverage ratio (available revenue to debt service expenses) for 2023 is 0.77, down from last year's ratio of 0.91. Table 5 presents the Authority's debt coverage ratio for the past 3 years. The drop in debt coverage ratio is due to the high level of Stormwater Projects. When looking at WW only, the debt coverage ratio is 1.05 and 1.02 for 2023 and 2022, respectively.

TABLE 5
DEBT COVERAGE RATIO

	2023	2022	2021
Net operating income	\$ (706,100)	\$ 601,400	\$ 1,824,000
Plus:			
Depreciation & amortization of property	3,431,500	3,378,300	3,313,600
Tap and capacity fees	80,400	198,100	655,200
Investment income	1,372,900	410,600	25,400
Total available revenue	\$ 4,178,700	\$ 4,588,400	\$ 5,818,200
Debt:			
Principal	\$ 3,362,100	\$ 3,066,700	\$ 2,953,300
Interest	2,082,100	1,966,900	1,754,100
Total debt service	\$ 5,444,200	\$ 5,033,600	\$ 4,707,400
Ratio	0.77	0.91	1.24

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2023

CONCLUDING COMMENTS

Since the onset of the COVID-19 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. The Authority experienced an increase in the total billable wastewater volume and revenues over 2022. This positive upward trend of total billable wastewater volume is a strong indication of the economic stability and continued growth within the Authority's service area.

In preparation of the 2023 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 2023 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 caused by unforeseen circumstances.

The S.R. 230 Corridor Sanitary Sewer Extension, as constructed by the warehouse developers, was completed and the sanitary sewer assets were dedicated to the Authority in June 2023. In preparation of the 2023 Budget, the Authority anticipated the new sanitary sewer extension to be fully operational and all new sewer customers in this service area to be connected to the sewer system in 2023. The Authority's revenue projections were based on the anticipated schedule for dedication of the assets to the Authority as well as the Londonderry Township's mandatory connection ordinance, which requires new customers to connect to public sewer within 60 days of the notification. The actual sewer connections in this service area were approximately half of the anticipated total; therefore, the Authority experienced a reduction in the tapping fee receipts and monthly user rate billing in 2023.

With the completion of the Clearwater WWTF Energy Enhancements project in October 2023, the Authority began to realize operational savings with the offset of monthly electricity, natural gas, and fuel costs as well as an increase in revenue with the increased capabilities of accepting additional hauled-in waste. With the completion of this project, the Authority has reached a significant milestone for enhancing on-site energy savings and energy & materials recovery initiatives by implementing self-sustaining facility improvements, thereby minimizing future cost impacts to our rate payers.

As shown in Table 6, the positive net position and strong revenue to expense ratios indicate that the Authority's financial position remained stable in 2023. 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

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2023

Authority to continue to undertake capital asset replacements and facility improvements.

Stormwater repair and/or drainage improvement projects continued to be implemented in 2023. In 2023, the Authority maintained compliance with the MS4 Permit with the successful completion of the Pollution Reduction Plan (PRP) Projects for sediment load reduction within the Township of Derry.

In December 2023, the Authority issued Stormwater Revenue Note, Series of 2023, through the Dauphin County Infrastructure Bank (DCIB-G) loan financing program to finance the Ridge Road Stormwater Improvements Project. This was the second loan secured for this project through the DCIB-G program (Series of 2022), as the scope of work and total project costs increased higher than what was originally anticipated. Construction will begin in Summer 2024.

The Stormwater Fund Operating Expenses increased significantly in 2023 and 2022 due to the construction of four (4) major projects, as required by the Authority's MS4 PRP. In 2023, the Authority completed an updated Capital Improvement Plan (CIP) and stormwater fee analysis to ensure the stormwater program continues to support the future initiatives and remain financially stable. The Authority determined that the current Stormwater Program Management (SMP) Fee and revenue generated to support the near-term (5-7 years) capital improvement planning, debt service, and operating expenses would not be adequate. The current SMP fee would also provide minimal annual capital investment in stormwater infrastructure repairs or flood mitigation projects. The Authority approved an increase to the SMP fee to \$9.00 per equivalent residential unit (ERU) starting in January 2024.

TABLE 6
REVENUE TO EXPENSE RATIOS

	2023	2022	2021
Operating revenue	\$ 13,427,300	\$ 13,027,800	\$ 12,705,100
Operating expenses*	10,701,900	9,048,100	7,567,600
Operating revenue/expense ratio	1.25	1.44	1.68
Total revenue**	\$ 15,562,900	\$ 14,393,800	\$ 13,686,800
Total expenses*	12,903,900	11,280,400	9,815,000
Total revenue/expense ratio	1.21	1.28	1.39

**(Excluding depreciation and amortization)*

*** (Excluding developer extensions)*

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) YEAR ENDED DECEMBER 31, 2023

2024 OUTLOOK

In preparation of the 2024 Budget, Authority Staff continue to reasonably minimize operational costs and project expenditures with effective planning strategies to balance the 2024 Budget. Operating expenses in 2023 have significantly increased due to the rising commodity costs for wastewater treatment process chemicals and material and labor costs for equipment repairs and replacement.

In August 2023, the Authority re-evaluated its sewer rate adjustment strategy for the 2024 Budget and beyond to maintain the Authority's stable financial outlook. The annual debt service coverage is a key financial indicator to monitor as the bond and note payments are forecasted to increase with the implementation of capital projects and future borrowing needs. The net income (before depreciation) should cover the total annual debt service payment. The Authority annually sets aside sufficient funds in the Investment Fund Account to cover the debt service for the following year, and therefore, the Investment Fund currently has sufficient funds to cover the debt service in 2024. Based on current trends in the key financial indicators, the Authority approved a sewer user rate increase of 5% starting in January 2024. This user rate adjustment ensures that the Authority maintains a long-term stable and cost-effective service to its ratepayers. The Authority will continue to monitor these trends and update the multi-year rate adjustment strategy, as necessary, over the next 3-5 years to meet the projected revenue requirement.

The Authority remains very optimistic that the 2024 Operating Year will continue to build upon the last three years of improved economic stability within our service area. The Authority continues to experience growth with new customers and the commercial businesses and tourist attractions continue to thrive within our service area. The Authority has started to realize operational savings with its capital investment and completion of self-sustainable projects in late 2023.

As of the end of April 2024, the Authority's total billable wastewater volume is trending comparatively to 2023 year-to-date. Operating Revenue (net of expenses before depreciation) through April is even with Debt Service coverage. Operating Revenue is up \$284,000 and Operating Expenses are down \$192,000, compared to 2023.

The Critical asset maintenance and/or replacement projects continued to be implemented as all major capital projects are funded by Bonds. US Economic Development Administration (US EDA) grant (\$3.5 million) in support of the Southwest WWTF Upgrade Project lessens the impact on the Authority's borrowing needs to finance the project. The US EDA pre-bid approval process has significantly delayed construction start. The Authority received US EDA approval and recently bid the project in March 2024.

The Authority is implementing 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 will also have a positive impact on operational costs moving forward and will enable the Authority to accept and process biosolids from neighboring municipal WWTPs. The Authority has completed design of the project and was recently awarded (April 2024) a combination of a \$10.2 million loan and \$4.2 million grant by the Pennsylvania Infrastructure Investment Authority (PENNVEST). Construction is anticipated to begin in Summer 2024.

DERRY TOWNSHIP MUNICIPAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023

TABLE 7
OPERATING RESERVES

	Balance 12/31/2021	2022 Change	Balance 12/31/2022	2023 Change	Balance 12/31/2023
Operating Reserve Fund	\$ 1,050,100	\$ 3,900	\$ 1,054,000	\$ 246,100	\$ 1,300,100
WW Resource Allocation Fund	1,480,900	(6,600)	1,474,300	440,600	1,914,900
SWTP Resource Allocation Fund	1,000,500	(31,400)	969,100	(195,200)	773,900
Operating Flood Fund	209,100	1,100	210,200	(10,100)	200,100
Total operating reserve	\$ 3,740,600	\$ (33,000)	\$ 3,707,600	\$ 481,400	\$ 4,189,000

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, 2023 AND 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2023	2022
Current Assets:		
Cash and cash equivalents	\$ 9,999,081	\$ 10,242,540
Sewer rents receivables	418,655	428,041
Accounts receivable	145,837	152,489
Interest receivable	1,355	4,653
Lease receivable	390,380	401,690
Due from Stormwater	183,812	168,501
Total current assets	11,139,120	11,397,914
Non-current assets:		
Cash and cash equivalents restricted for improvements and contingency	21,800,580	19,053,060
Cash and cash equivalents restricted for capital projects and debt service	2,569,331	7,506,743
Capital assets, not being depreciated	29,850,544	25,470,480
Capital assets, being depreciated, net	79,978,247	69,705,553
Total non-current assets	134,198,702	121,735,836
Total assets	145,337,822	133,133,750
Deferred outflows of resources:		
Other postemployment benefits	175,882	161,649
Deferred loss on refunded debt	954,870	1,116,665
Total deferred outflows	1,130,752	1,278,314
Total assets and deferred outflows of resources	\$ 146,468,574	\$ 134,412,064

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

DERRY TOWNSHIP MUNICIPAL AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2023 AND 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2023	2022
Current liabilities:		
Accrued interest on debt	\$ 93,617	\$ 93,243
Current portion of:		
Sewer revenue bonds and notes	2,502,000	2,032,000
Subsidy agreements with Derry Twp	745,000	985,000
Lease obligations	348,583	345,116
Accounts payable	2,320,393	2,841,362
Accrued:		
Paid time off	206,610	216,180
Payroll and payroll deductions	55,998	55,209
	6,272,201	6,568,110
Total current liabilities		
Non-current liabilities:		
Other postemployment benefits liability	1,457,299	1,340,199
Long-term debt, net of current position:		
Sewer revenue bonds	38,583,875	37,896,624
Subsidy agreements with Derry Twp	24,032,503	24,925,188
Lease obligations	1,531,151	1,879,734
	65,604,828	66,041,745
Total noncurrent liabilities		
	71,877,029	72,609,855
Total liabilities		
Deferred inflows of resources, other postemployment benefits:		
Leases	379,633	396,139
Other postemployment benefits	122,630	133,174
	502,263	529,313
Total deferred inflows of resources		
Net position:		
Net investment in capital assets	61,687,186	34,619,114
Unrestricted	12,402,096	26,653,782
	74,089,282	61,272,896
Total net position		
	\$ 146,468,574	\$ 134,412,064
Total liabilities, deferred inflows of resources and net position		

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, 2023 AND 2022

	2023	2022
Operating revenues:		
Sewer Service charges:		
Direct customers	\$ 8,572,837	\$ 8,243,938
Municipal customers	853,457	813,183
Hauled waste process	1,443,130	1,235,964
Surcharges	578,502	738,796
Connection and related fees	29,766	196,442
Stormwater fees	1,658,748	1,657,854
Miscellaneous	290,804	141,653
	13,427,244	13,027,830
Total operating revenues		
Operating expenses:		
Administrative, payroll taxes, and employee benefits	3,834,269	3,549,700
Collection system	924,352	947,367
Plant operations	2,262,479	1,987,371
Maintenance	712,785	734,496
Technical services	440,647	470,121
Miscellaneous project expense	2,527,374	1,359,063
	10,701,906	9,048,118
Total operating expenses		
Operating income before depreciation and amortization	2,725,338	3,979,712
Depreciation and amortization	3,431,461	3,378,347
	(706,123)	601,365
Operating income (loss)		
Non-operating revenues and (expenses):		
Capacity fees	80,437	198,108
Interest income	1,372,971	410,622
Amortization of bond premiums	347,435	338,698
Federal and state grants	103,000	102,054
Capital contributions	213,959	213,958
Miscellaneous revenue	17,874	102,568
Interest expense:		
Lease	(20,670)	(24,102)
Bonds and notes payable	(2,061,467)	(1,942,823)
Miscellaneous expense	-	(273)
Bond issuance costs	(119,900)	(265,089)
	(66,361)	(866,279)
Total non-operating revenues and (expenses)		
Sewer extensions contributed by developers	13,588,870	-
	12,816,386	(264,914)
Increase (Decrease) in Net Position		
Net Position at Beginning of Year	61,272,896	61,537,810
	\$ 74,089,282	\$ 61,272,896
Net Position at End of Year		

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

DERRY TOWNSHIP MUNICIPAL AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Cash received from customers and users	\$ 13,438,086	\$ 12,866,788
Cash payments to:		
Suppliers	(6,453,747)	(4,260,935)
Employees	(4,700,897)	(4,203,062)
	2,283,442	4,402,791
Net cash provided by operating activities		
Cash flows from capital and related financing activities:		
Non-operating income	334,833	418,580
Capacity fees	80,437	198,108
Purchase of property, plant, and equipment	(4,495,349)	(13,315,199)
Debt principal paid	(3,017,000)	(2,725,000)
Lease paid	(345,116)	(341,684)
Bond and notes proceeds, net of issuance costs, premium and discounts	3,269,100	15,044,297
Interest paid on debt	(2,313,586)	(1,774,094)
	(6,486,681)	(2,494,992)
Net cash used by capital and related financing activities		
Cash flows provided by investing activities, interest received	1,769,888	405,709
Net increase (decrease) in cash and cash equivalents	(2,433,351)	2,313,508
Cash and cash equivalents:		
Beginning of the year	36,802,343	34,488,835
End of Year	\$ 34,368,992	\$ 36,802,343
Cash and cash equivalents	\$ 9,999,081	\$ 10,242,540
Cash and cash equivalents restricted for improvements and contingency	21,800,580	19,053,060
Cash and cash equivalents restricted for capital projects and debt service	2,569,331	7,506,743
Total	\$ 34,368,992	\$ 36,802,343

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

DERRY TOWNSHIP MUNICIPAL AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (706,123)	\$ 601,365
Adjustments:		
Depreciation expense	3,431,461	3,378,347
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	16,038	(155,491)
Prepaid insurance	(15,311)	124,539
Deferred outflow-OPEB	(14,233)	(90,617)
Lease Receivable	11,310	21,565
Increase (decrease) in:		
Accounts payable, trade and other	(520,969)	394,341
OPEB liability	117,100	33,160
Accrued expenses	(8,781)	7,748
Deferred inflow-Lease	(16,506)	(27,116)
Deferred inflow-OPEB	(10,544)	114,950
	\$ 2,283,442	\$ 4,402,791
Net cash provided by operating activities	\$ 2,283,442	\$ 4,402,791
Non-cash activities:		
Amortization of bond premiums	\$ 347,435	\$ 338,698
Amortization of deferred loss on refunded debt	161,796	161,796
Sewer extensions contributed by developers	13,588,870	-

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

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 AND 2022

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

D. Cash and Cash Equivalents

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

E. Receivables

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

F. Investments and External Investment Pools

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

G. Capital Assets and Depreciation

The Authority uses a capitalization threshold of \$5,000 to record capital assets purchased and constructed. The expenses are recorded at cost including any liability for contract retainage and construction costs payable, 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, 2023 AND 2022

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>2023</u>	<u>2022</u>
Balance at Beginning of Year	\$ 216,180	\$ 211,260
Additions	206,610	216,180
Retirements	<u>(216,180)</u>	<u>(211,260)</u>
Balance at End of Year	<u>\$ 206,610</u>	<u>\$ 216,180</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, 2023 AND 2022

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 certain requirements of GASB Statement No. 93, "*Replacement of Interbank Offered Rates*", the provisions of GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" and GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*", and certain provisions of GASB Statement No. 99, "*Omnibus 2022*." The adoptions of these GASB's had no effect on previously reported amounts.

N. Pending Changes in Accounting Principles

In April 2022, the GASB issued Statement No. 99, "*Omnibus 2022*". The provisions of this statement are effective as follows:

- The requirements related to financial guarantees and the reporting of derivative instruments are effective for the Authority's calendar year 2024 financial statements.

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.

In December 2023, the GASB issued Statement No. 102, "*Certain Risk Disclosures*". The Authority is required to adopt this statement its calendar year 2025 financial statements.

In April 2024, the GASB issued Statement No. 103, "*Financial Reporting Model Improvements*". The authority is required to adopt this statement for its calendar year 2026 financial statements.

DERRY TOWNSHIP MUNICIPAL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED DECEMBER 31, 2023 AND 2022

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

N. Pending Changes in Accounting Principles (Continued)

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:

<u>Investments</u>	<u>2023</u>	<u>2022</u>
Cash and money market investments	\$ 28,886,661	\$ 31,863,395
Accrued interest on government securities	3,983	7,056
Total deposits, including petty cash	<u>5,478,348</u>	<u>4,931,892</u>
Total deposits and investments	<u>\$ 34,368,992</u>	<u>\$ 36,802,343</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

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash	\$ 3,100,650	\$ 2,044,001
Money Market Investments	<u>6,898,431</u>	<u>8,198,539</u>
	9,999,081	10,242,540
Non-current		
Money Market Investments	<u>24,369,911</u>	<u>26,559,803</u>
Total deposits and investments	<u>\$ 34,368,992</u>	<u>\$ 36,802,343</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, the carrying amounts of the Authority's bank deposits were \$34,368,992 and \$36,802,343 respectively, and the bank balance of \$34,566,007 and \$37,221,276, respectively. As of December 31, 2023 and 2022, \$10,815,610 and \$10,287,875 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 "AAA" rating from Standard & Poor's, an independent credit rating agency. At December 31, 2023 and 2022, the carrying amount of the Authority's deposits with PLGIT were \$23,155,867 and \$26,408,608, 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, 2023 and 2022, 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, 2023 AND 2022

NOTE 3: CAPITAL ASSETS

Capital assets of the Authority for 2023 and 2022 consist of the following:

	January 1, 2022	Additions	Deletions	Reclassifications	December 31, 2022	Additions	Deletions	Reclassifications	December 31, 2023
Land and right-of-ways	\$ 2,370,024	\$ -	\$ -	\$ -	\$ 2,370,024	\$ -	\$ -	\$ -	\$ 2,370,024
Collection lines	43,618,494	419,899	-	-	44,038,393	13,638,040	-	-	57,676,433
Sewage treatment plant	74,709,777	1,189,707	-	-	75,899,484	-	-	-	75,899,484
Plant equipment	4,492,670	411,528	-	-	4,904,198	22,090	-	-	4,926,288
Vehicles	2,222,034	-	-	-	2,222,034	-	-	-	2,222,034
Office equipment	1,389,949	18,909	-	-	1,408,858	19,454	-	-	1,428,312
Miscellaneous equipment	76,449	-	-	-	76,449	-	-	-	76,449
Stormwater system	9,278,931	361,026	-	-	9,639,957	24,571	-	-	9,664,528
Construction in progress	12,087,858	11,644,897	(632,299)	-	23,100,456	4,341,175	-	-	27,441,631
Projects in progress	98,468	-	(98,468)	-	-	38,889	-	-	38,889
	150,344,654	14,045,966	(730,767)	-	163,659,853	18,084,219	-	-	181,744,072
Less accumulated depreciation	65,105,473	3,378,347	-	-	68,483,820	3,431,461	-	-	71,915,281
	<u>\$ 85,239,181</u>	<u>\$ 10,667,619</u>	<u>\$ (730,767)</u>	<u>\$ -</u>	<u>\$ 95,176,033</u>	<u>\$ 14,652,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,828,791</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
Connection fees	\$ 11,056	\$ 11,150
Stormwater charges	93,934	93,635
Insurance surplus	8,404	8,163
Miscellaneous	<u>32,443</u>	<u>39,541</u>
	<u>\$ 145,837</u>	<u>\$ 152,489</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 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, 2023 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, 2023</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	\$ 2,220,000
Series of 2021B	10,840,000	2021/2037	0.437% to 2.760%	\$100,000 to \$1,295,000	10,475,000
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	9,370,000
Series A of 2022	3,269,000	2022/2042	1.74%	\$133,000 to \$192,000	3,136,000
Series B of 2022	2,045,000	2022/2042	1.74%	\$84,000 to \$120,000	1,961,000
Series of 2023	3,389,000	2023/2043	3.11%	\$128,000 to \$224,000	3,389,000
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	4,985,000
Series of 2019	4,335,000	2019/2027	1.16% to 3.00%	\$5,000 to \$2,295,000	4,100,000
Series of 2020	8,915,000	2020/2028	1.00% to 4.00%	\$610,000 to \$2,660,000	5,620,000
Series of 2020A	8,880,000	2020/2040	1.00% to 4.00%	\$5,000 to \$1,065,000	8,865,000
Lease Obligations:					
Phase I	2,740,609	2007/2025	1.00%	\$119,230 to \$157,590	263,749
Phase II	<u>4,591,356</u>	2010/2032	1.00%	\$51,453 to \$204,524	<u>1,615,985</u>
	<u>\$ 79,884,965</u>				<u>\$ 65,135,734</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 5: LONG-TERM DEBT (CONTINUED)

In December 2023, the Authority issued Guaranteed Revenue Notes, Series of 2023, in the amount of \$3,389,000. The principal on these notes is payable in annual installments ranging from \$128,000 to 224,000 in 2043. Interest payments on the outstanding principal shall be due semi-annually, on June 1 and December 15 of each year, beginning June 1, 2024. The notes bear a fixed interest rate of 3.11%. The proceeds of the notes were used to fund capital projects and to pay issuance costs.

	Balance as of January 1, 2022	Additions	Retirements	Balance as of December 31, 2022	Additions	Retirements	Balance as of December 31, 2023
Sewer Revenue Bonds:							
Series 2021A	\$ 5,590,000	\$ -	\$ (1,660,000)	\$ 3,930,000	\$ -	\$ (1,710,000)	\$ 2,220,000
Series 2021B	10,675,000	-	(100,000)	10,575,000	-	(100,000)	10,475,000
Series 2021C	9,135,000	-	-	9,135,000	-	-	9,135,000
Series of 2022	-	9,375,000	-	9,375,000	-	(5,000)	9,370,000
Series A of 2022	-	3,269,000	-	3,269,000	-	(133,000)	3,136,000
Series B of 2022	-	2,045,000	-	2,045,000	-	(84,000)	1,961,000
Series of 2023	-	-	-	-	3,389,000	-	3,389,000
Subsidy Agreements:							
Series 2018	4,995,000	-	(5,000)	4,990,000	-	(5,000)	4,985,000
Series 2019	4,130,000	-	(15,000)	4,115,000	-	(15,000)	4,100,000
Series 2020	7,520,000	-	(940,000)	6,580,000	-	(960,000)	5,620,000
Series 2020A	8,875,000	-	(5,000)	8,870,000	-	(5,000)	8,865,000
Total bonds payable	50,920,000	14,689,000	(2,725,000)	62,884,000	3,389,000	(3,017,000)	63,256,000
Lease obligations	2,566,534	-	(341,684)	2,224,850	-	(345,116)	1,879,734
	<u>\$ 53,486,534</u>	<u>\$ 14,689,000</u>	<u>\$ (3,066,684)</u>	<u>\$ 65,108,850</u>	<u>\$ 3,389,000</u>	<u>\$ (3,362,116)</u>	<u>\$ 65,135,734</u>
Current Maturities				(3,362,116)			(3,595,583)
Unamortized original issue premium, net				<u>2,954,812</u>			<u>2,607,378</u>
Long-term debt, net of current maturities				<u>\$ 64,701,546</u>			<u>\$ 64,147,529</u>

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

Years Ended	Debt from Direct Borrowings		
	Principal	Interest	Total
2024	\$ 3,595,583	\$ 1,630,846	\$ 5,226,429
2025	3,658,806	1,512,436	5,171,242
2026	3,888,715	1,426,410	5,315,125
2027	3,718,671	1,329,932	5,048,603
2028	3,809,647	1,247,753	5,057,400
2029-2033	20,199,312	4,921,401	25,120,713
2034-2038	22,646,000	2,812,760	25,458,760
2039-2043	3,619,000	215,434	3,834,434
Totals	<u>\$ 65,135,734</u>	<u>\$ 15,096,972</u>	<u>\$ 80,232,706</u>

Defeased Debt

In March 2021, the Authority defeased \$9,530,000 of the Guaranteed Sewer Revenue Bonds, Series of 2019, by placing the bond proceeds in an irrevocable trust to provide for future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. As of December 31, 2023 and 2022, \$9,515,000 and \$9,520,000 of the defeased bonds are still outstanding.

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

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 10.0% and 6.0% of the employee's total compensation each month in 2023 and 2022, respectively. 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 \$226,661 and \$125,022 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, the OPEB plan membership consisted of the following (actual number of plan members):

	<u>2023</u>	<u>2022</u>
Active plan members	36	36
Inactive plan members or beneficiaries currently receiving benefits	<u>3</u>	<u>3</u>
Total	<u><u>39</u></u>	<u><u>39</u></u>

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

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2022, and the total OPEB liability was determined by rolling forward the liability from an actuarial valuation as of January 1, 2022. No other significant events or changes in assumptions occurred between the valuation date and year end, except for the discount rate changing from 4.31% to 4.00%.

The Authority's annual change in total OPEB liability to the plan for the years ended December 31, 2023 and 2022 was as follows:

	2023	2022
Service Cost	\$ 125,669	\$ 115,478
Interest	60,844	30,879
Difference between expected and actual experience	-	104,800
Changes in assumptions	30,602	(125,494)
Benefit payments	(100,015)	(92,503)
Change in Total OPEB liability	117,100	33,160
Total OPEB Liability:		
Beginning of the year	1,340,199	1,307,039
End of the year	\$ 1,457,299	\$ 1,340,199
Covered employee payroll	\$ 2,509,726	\$ 2,509,726
Total OPEB liability as a percentage of covered employee payroll	58.07%	53.40%

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial methods and assumptions:

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

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

DERRY TOWNSHIP MUNICIPAL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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	4.00%, based on S&P Municipal Bond 20-Year High Grade Rate Index at December 31, 2023.		
Health Care Cost Trend Rate	7.0% in 2024 with 0.5% decrease per year until 5.5% in 2027. Rates gradually decrease from 5.4% in 2028 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.		
Retiree contributions	Retiree contributions are not assumed to increase.		
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.		
Mortality	PubG-2010 mortality table, including rate for disabled retirees and contingent survivors.		
Eligible retirees electing coverage	100%		
Married at retirement	80%		
Spouse age	Wives are assumed to be three years younger than their husbands.		

DERRY TOWNSHIP MUNICIPAL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Discount rate:

The 2023 discount rate used to measure the total OPEB liability was 4.00%. This is based on the S&P Bond 20-Year High Grade Rate Index at December 31, 2023. 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.

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, 2023	\$ 1,527,859	\$ 1,457,299	\$ 1,388,919
Total OPEB liability December 31, 2022	\$ 1,403,003	\$ 1,340,199	\$ 1,279,008

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, 2023	\$ 1,317,134	\$ 1,457,299	\$ 1,625,015
Total OPEB liability December 31, 2022	\$ 1,226,042	\$ 1,340,199	\$ 1,475,480

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB expense:

The OPEB expense for the Authority for the years ended December 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Service cost	\$ 125,669	\$ 115,478
Interest	60,844	30,879
Amortization of deferred outflows	16,369	14,183
Amortization of deferred inflows	<u>(10,544)</u>	<u>(10,544)</u>
Total OPEB expense	<u>\$ 192,338</u>	<u>\$ 149,996</u>

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

At December 31, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2023</u>		<u>2022</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	\$ 86,054	\$ 116,009	\$ 64,335	\$ 125,817
Difference between expected and actual experience	<u>89,828</u>	<u>6,621</u>	<u>97,314</u>	<u>7,357</u>
	<u>\$ 175,882</u>	<u>\$ 122,630</u>	<u>\$ 161,649</u>	<u>\$ 133,174</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>	
2024	\$ 5,825
2025	5,825
2026	5,825
2027	5,825
2028	5,825
Thereafter	<u>24,127</u>
	<u>\$ 53,252</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, the value of the lease receivable is \$390,380 and \$401,690, respectively, and the related deferred inflow for future payments expected to be collected on the lease is \$379,633 and \$396,139, respectively. 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 \$12,690 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 \$263,749 and \$419,902 at December 31, 2023 and 2022, respectively. The cost of the related capital asset is \$4,229,548, with accumulated depreciation of \$1,001,148 and \$948,223 at December 31, 2023 and 2022, respectively. The lease obligation to Conewago Municipal Authority had balances of \$1,615,985 and \$1,804,948 at December 31, 2023 and 2022, respectively. The cost of the related capital asset is \$4,099,169, with accumulated depreciation of \$717,355 and \$666,115 at December 31, 2023 and 2022, respectively. The total amount of interest payments remaining on the leases are \$71,461 and \$92,417 as of December 31, 2023 and 2022, 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, 2023 AND 2022

NOTE 10: COMMITMENTS (CONTINUED)

The Authority has active construction projects as of December 31, 2023 and 2022. At year end, the financial commitments with contractors related to these projects are as follows:

Project	Remaining commitment as of December 31, 2023	Remaining commitment as of December 31, 2022
Biosolids Drying and Gasification Project	\$ 9,842,533	\$ 6,536,250
Bull Frog Valley & Deer Run Stream Restorations	62,745	2,267,234
Clearwater Headworks Improvements	1,316,018	-
Clearwater WWTF Energy enhancements	1,004,536	1,269,149
Oakmont Basin Retrofit and Forest Ave BMP	624,396	860,000
Raw sewage pumps replacement	161,669	937,886
Southwest Treatment Plant Screening	845,207	-
Spring Creek Interceptor Improvements	731,289	1,375,077
2023 Sanitary Sewer Rehabilitation	283,741	-
Totals	<u>\$ 14,872,134</u>	<u>\$ 13,245,595</u>

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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

Fiscal Year Ending	2023	2022	2021	2020	2019	2018
Service Cost	\$ 125,669	\$ 115,478	\$ 116,350	\$ 93,969	\$ 88,850	\$ -
Interest	60,844	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	30,602	(125,494)	(10,975)	69,920	15,825	-
Benefit Payments	(100,015)	(92,503)	(79,270)	(96,487)	(90,152)	-
Net Change in Suburban Plan Total OPEB Liability	117,100	33,160	51,749	96,958	56,101	1,102,231
Total OPEB Liability - Beginning	1,340,199	1,307,039	1,255,290	1,158,332	1,102,231	-
Total OPEB Liability - Ending	<u>\$ 1,457,299</u>	<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	\$ 2,509,726	\$ 2,220,118	\$ 2,220,118	\$ 2,338,104	\$ 2,338,104
Total OPEB Liability as a % of Covered-Employee Payroll	58.07%	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 2023, the discount rate changed from 4.31% to 4.00%. The trend and mortality assumptions were updated.

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, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Wastewater Fund</u>	<u>Stormwater Fund</u>	<u>Eliminations</u>	<u>Total</u>
Current Assets:				
Cash and cash equivalents	\$ 8,578,448	\$ 1,420,633	\$ -	\$ 9,999,081
Sewer rents receivables	408,600	10,055	-	418,655
Accounts receivable	51,903	93,934	-	145,837
Interest receivable	1,355	-	-	1,355
Lease receivable	390,380	-	-	390,380
Due from Stormwater	5,356	-	(5,356)	-
Prepaid insurance	182,584	1,228	-	183,812
	<u>9,618,626</u>	<u>1,525,850</u>	<u>(5,356)</u>	<u>11,139,120</u>
Total current assets				
Non-current assets:				
Cash and cash equivalents restricted for improvements and contingency	15,434,690	6,365,890	-	21,800,580
Cash and cash equivalents restricted for capital projects and debt service	2,569,331	-	-	2,569,331
Capital assets, not being depreciated	29,277,637	572,907	-	29,850,544
Capital assets, being depreciated, net	71,280,540	8,697,707	-	79,978,247
	<u>118,562,198</u>	<u>15,636,504</u>	<u>-</u>	<u>134,198,702</u>
Total non-current assets				
Total assets	<u>128,180,824</u>	<u>17,162,354</u>	<u>(5,356)</u>	<u>145,337,822</u>
Deferred outflows of resources:				
Other postemployment benefits	158,294	17,588	-	175,882
Deferred loss on refunded debt	954,870	-	-	954,870
	<u>1,113,164</u>	<u>17,588</u>	<u>-</u>	<u>1,130,752</u>
Total deferred outflows				
Total assets and deferred outflows of resources	<u>\$ 129,293,988</u>	<u>\$ 17,179,942</u>	<u>\$ (5,356)</u>	<u>\$ 146,468,574</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY
 COMBINING STATEMENTS OF NET POSITION (CONTINUED)
 YEAR ENDED DECEMBER 31, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Wastewater Fund	Stormwater Fund	Eliminations	Total
Current liabilities:				
Accrued interest on debt	\$ 74,875	\$ 18,742	\$ -	\$ 93,617
Current portion of:				
Sewer revenue bonds and notes	2,233,000	269,000	-	2,502,000
Subsidy agreements with Derry Twp	743,400	1,600	-	745,000
Lease obligations	348,583	-	-	348,583
Due to Wastewater	-	5,356	(5,356)	-
Accounts payable	2,269,228	51,165	-	2,320,393
Accrued:				
Paid time off	195,400	11,210	-	206,610
Payroll and payroll deductions	49,288	6,710	-	55,998
Total current liabilities	5,913,774	363,783	(5,356)	6,272,201
Non-current liabilities:				
Other postemployment benefits liability	1,311,569	145,730	-	1,457,299
Long-term debt, net of current position:				
Sewer revenue bonds	32,327,875	6,256,000	-	38,583,875
Subsidy agreements with Derry Twp	22,421,127	1,611,376	-	24,032,503
Lease obligations	1,531,151	-	-	1,531,151
Total noncurrent liabilities	57,591,722	8,013,106	-	65,604,828
Total liabilities	63,505,496	8,376,889	(5,356)	71,877,029
Deferred inflows of resources, other postemployment benefits:				
Leases	379,633	-	-	379,633
Other postemployment benefits	110,367	12,263	-	122,630
Total deferred inflows of resources	490,000	12,263	-	502,263
Net position:				
Net investment in capital assets	54,188,658	7,498,528	-	61,687,186
Unrestricted	11,109,834	1,292,262	-	12,402,096
Total net position	65,298,492	8,790,790	-	74,089,282
Total liabilities, deferred inflows of resources and net position	\$ 129,293,988	\$ 17,179,942	\$ (5,356)	\$ 146,468,574

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
Interest receivable	4,653	-	-	4,653
Lease receivable	401,690	-	-	401,690
Due from Stormwater	12,549	-	(12,549)	-
Prepaid insurance	167,486	1,015	-	168,501
	<u>8,040,160</u>	<u>3,370,303</u>	<u>(12,549)</u>	<u>11,397,914</u>
Total current assets				
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
	<u>109,346,057</u>	<u>12,389,779</u>	<u>-</u>	<u>121,735,836</u>
Total non-current assets				
Total assets	<u>117,386,217</u>	<u>15,760,082</u>	<u>(12,549)</u>	<u>133,133,750</u>
Deferred outflows of resources:				
Other postemployment benefits	145,484	16,165	-	161,649
Deferred loss on refunded debt	1,116,665	-	-	1,116,665
	<u>1,262,149</u>	<u>16,165</u>	<u>-</u>	<u>1,278,314</u>
Total deferred outflows				
Total assets and deferred outflows of resources	<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 (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	133,000	-	2,032,000
Subsidy agreements with Derry Twp	983,400	1,600	-	985,000
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	3,136,000	-	37,896,624
Subsidy agreements with Derry Twp	23,310,699	1,614,489	-	24,925,188
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	<u>515,996</u>	<u>13,317</u>	<u>-</u>	<u>529,313</u>
Net position:				
Net investment in capital assets	30,340,405	4,278,709	-	34,619,114
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 REVENUES AND EXPENSES
 YEAR ENDED DECEMBER 31, 2023

	Wastewater Fund	Stormwater Fund	Total
Operating revenues:			
Sewer Service charges:			
Direct customers	\$ 8,572,837	\$ -	\$ 8,572,837
Municipal customers	853,457	-	853,457
Hauled waste process	1,443,130	-	1,443,130
Surcharges	578,502	-	578,502
Connection and related fees	29,766	-	29,766
Stormwater fees	-	1,658,748	1,658,748
Miscellaneous	245,467	45,337	290,804
Total operating revenues	11,723,159	1,704,085	13,427,244
Operating expenses:			
Administrative, payroll taxes, and employee benefits	3,241,996	592,273	3,834,269
Collection system	696,189	228,163	924,352
Plant operations	2,262,479	-	2,262,479
Maintenance	712,785	-	712,785
Technical services	440,647	-	440,647
Miscellaneous project expense	94,249	2,433,125	2,527,374
Total operating expenses	7,448,345	3,253,561	10,701,906
Net income (loss) before depreciation and amortization	4,274,814	(1,549,476)	2,725,338
Depreciation and amortization	3,189,951	241,510	3,431,461
Operating income (loss)	1,084,863	(1,790,986)	(706,123)
Non-operating revenues and (expenses):			
Capacity fees	80,437	-	80,437
Interest income	1,093,151	279,820	1,372,971
Amortization of bond premiums	345,922	1,513	347,435
Federal and state grants	-	103,000	103,000
Capital contributions	-	213,959	213,959
Miscellaneous revenue	17,874	-	17,874
Interest expense:			
Lease	(20,670)	-	(20,670)
Bonds and notes payable	(1,944,877)	(116,590)	(2,061,467)
Bond issuance costs	-	(119,900)	(119,900)
Total non-operating revenues and (expenses)	(428,163)	361,802	(66,361)
Sewer extensions contributed by developers	13,588,870	-	13,588,870
Increase (Decrease) in Net Position	14,245,570	(1,429,184)	12,816,386
Net Position at Beginning of Year	51,052,922	10,219,974	61,272,896
Net Position at End of Year	\$ 65,298,492	\$ 8,790,790	\$ 74,089,282

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	<u>11,362,549</u>	<u>1,665,281</u>	<u>13,027,830</u>
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	<u>7,150,868</u>	<u>1,897,250</u>	<u>9,048,118</u>
Net income (loss) before depreciation and amortization	<u>4,211,681</u>	<u>(231,969)</u>	<u>3,979,712</u>
Depreciation and amortization	<u>3,146,031</u>	<u>232,316</u>	<u>3,378,347</u>
Operating income (loss)	<u>1,065,650</u>	<u>(464,285)</u>	<u>601,365</u>
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:			
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)	<u>(1,033,125)</u>	<u>166,846</u>	<u>(866,279)</u>
Increase (Decrease) in Net Position	32,525	(297,439)	(264,914)
Net Position at Beginning of Year	<u>51,020,397</u>	<u>10,517,413</u>	<u>61,537,810</u>
Net Position at End of Year	<u>\$ 51,052,922</u>	<u>\$ 10,219,974</u>	<u>\$ 61,272,896</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY
 COMBINING STATEMENTS OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2023

	Wastewater Fund	Stormwater Fund	Total
Cash flows from operating activities:			
Cash received from customers and users	\$ 11,735,899	\$ 1,702,187	\$ 13,438,086
Cash payments to:			
Suppliers	(3,394,104)	(3,059,643)	(6,453,747)
Employees	(4,087,095)	(613,802)	(4,700,897)
Net cash provided by operating activities	<u>4,254,700</u>	<u>(1,971,258)</u>	<u>2,283,442</u>
Cash flows from capital and related financing activities:			
Non-operating income	25,068	309,765	334,833
Capacity fees	80,437	-	80,437
Purchase of property, plant, and equipment	(4,147,023)	(348,326)	(4,495,349)
Debt principal paid	(2,882,400)	(134,600)	(3,017,000)
Lease paid	(345,116)	-	(345,116)
Bond proceeds, net of issuance costs, premium and discounts	-	3,269,100	3,269,100
Interest paid on debt	(1,808,811)	(504,775)	(2,313,586)
Net cash provided by capital and related financing activities	<u>(9,077,845)</u>	<u>2,591,164</u>	<u>(6,486,681)</u>
Cash flows provided by investing activities, interest received	<u>1,096,449</u>	<u>673,439</u>	<u>1,769,888</u>
Net increase in cash and cash equivalents	(3,726,696)	1,293,345	(2,433,351)
Cash and cash equivalents:			
Beginning of the year	<u>30,309,165</u>	<u>6,493,178</u>	<u>36,802,343</u>
End of Year	<u>\$ 26,582,469</u>	<u>\$ 7,786,523</u>	<u>\$ 34,368,992</u>

DERRY TOWNSHIP MUNICIPAL AUTHORITY
 COMBINING STATEMENTS OF CASH FLOWS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2023

	Wastewater Fund	Stormwater Fund	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,084,863	\$ (1,790,986)	\$ (706,123)
Adjustments:			
Depreciation and amortization of property, plant, and equipment	3,189,951	241,510	3,431,461
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables	17,936	(1,898)	16,038
Prepaid insurance	(15,098)	(213)	(15,311)
Deferred outflow-OPEB	(12,810)	(1,423)	(14,233)
Lease Receivable	11,310	-	11,310
Increase (decrease) in:			
Accounts payable, trade and other	(83,295)	(437,674)	(520,969)
OPEB liability	105,390	11,710	117,100
Accrued expenses	(17,551)	8,770	(8,781)
Deferred inflow-Lease	(16,506)	-	(16,506)
Deferred inflow-OPEB	(9,490)	(1,054)	(10,544)
Net cash provided by operating activities	\$ 4,254,700	\$ (1,971,258)	\$ 2,283,442
Non-cash activities:			
Amortization of bond premiums			\$ 347,435
Deferred loss on refunded debt			161,796
Sewer extensions contributed by developers			13,588,870

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)
Net cash provided by operating activities	<u>4,449,650</u>	<u>(46,859)</u>	<u>4,402,791</u>
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)
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)
Net cash provided by capital and related financing activities	<u>(5,401,103)</u>	<u>2,906,111</u>	<u>(2,494,992)</u>
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

	Wastewater Fund	Stormwater Fund	Total
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)
Prepaid insurance	125,554	(1,015)	124,539
Deferred outflow-OPEB	(81,555)	(9,062)	(90,617)
Lease Receivable	21,565	-	21,565
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
	<u>\$ 4,449,650</u>	<u>\$ (46,859)</u>	<u>\$ 4,402,791</u>
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
SCHEDULES OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Wastewater Fund	Stormwater Fund	Total
Administrative, payroll taxes, and employee benefits:			
Salaries	\$ 597,138	\$ 135,678	\$ 732,816
Materials and supplies	17,889	133	18,022
General expense	577,931	50,233	628,164
Payroll taxes and employee benefits	1,670,497	274,839	1,945,336
Maintenance and repairs	9,437	-	9,437
Professional services	369,104	131,390	500,494
	<u>3,241,996</u>	<u>592,273</u>	<u>3,834,269</u>
Total admin, payroll taxes, and employee benefits			
Collection system:			
Salaries	410,452	221,288	631,740
Materials and supplies	9,101	-	9,101
General expense	31,792	2,203	33,995
Maintenance and repairs	172,785	4,672	177,457
Utilities	72,059	-	72,059
	<u>696,189</u>	<u>228,163</u>	<u>924,352</u>
Total collection system			
Plant operations:			
Salaries	805,043	-	805,043
Materials and supplies	51,933	-	51,933
General expense	20,538	-	20,538
Utilities	564,024	-	564,024
Chemicals	432,490	-	432,490
Special services	388,451	-	388,451
	<u>2,262,479</u>	<u>-</u>	<u>2,262,479</u>
Total plant operations			
Maintenance:			
Salaries	352,840	-	352,840
Materials and supplies	8,300	-	8,300
General expense	15,768	-	15,768
Equipment repairs	300,121	-	300,121
Vehicle repairs	29,855	-	29,855
Automation control services	5,901	-	5,901
	<u>712,785</u>	<u>-</u>	<u>712,785</u>
Total maintenance			
Technical services:			
Salaries	316,664	-	316,664
Materials and supplies	17,631	-	17,631
General expense	9,434	-	9,434
Special Services	96,918	-	96,918
	<u>440,647</u>	<u>-</u>	<u>440,647</u>
Total technical services			
Miscellaneous project expense	94,249	2,433,125	2,527,374
Total operating expenses	<u>\$ 7,448,345</u>	<u>\$ 3,253,561</u>	<u>\$ 10,701,906</u>

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	1,460,537	184,562	1,645,099
Maintenance and repairs	8,341	-	8,341
Professional services	247,551	110,675	358,226
	<u>3,099,864</u>	<u>449,836</u>	<u>3,549,700</u>
Total admin, payroll taxes, and employee benefits			
Collection system:			
Salaries	380,527	154,499	535,026
Materials and supplies	12,193	325	12,518
General expense	29,298	3,616	32,914
Maintenance and repairs	200,598	101,833	302,431
Utilities	64,478	-	64,478
	<u>687,094</u>	<u>260,273</u>	<u>947,367</u>
Total collection system			
Plant operations:			
Salaries	690,344	-	690,344
Materials and supplies	52,301	-	52,301
General expense	9,854	-	9,854
Utilities	554,184	-	554,184
Chemicals	386,528	-	386,528
Special services	294,160	-	294,160
	<u>1,987,371</u>	<u>-</u>	<u>1,987,371</u>
Total plant operations			
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
	<u>734,496</u>	<u>-</u>	<u>734,496</u>
Total maintenance			
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
	<u>470,121</u>	<u>-</u>	<u>470,121</u>
Total technical services			
Miscellaneous project expense	<u>171,922</u>	<u>1,187,141</u>	<u>1,359,063</u>
Total operating expenses	<u>\$ 7,150,868</u>	<u>\$ 1,897,250</u>	<u>\$ 9,048,118</u>