

EAST COCALICO TOWNSHIP AUTHORITY

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



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

EAST COCALICO TOWNSHIP AUTHORITY

YEARS ENDED DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

Members of the Board
East Cocalico Township Authority
Denver, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of East Cocalico Township Authority (the Authority) as of and for the years ended December 31, 2021 and 2020 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 financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate remaining fund information of East Cocalico Township Authority as of December 31, 2021 and 2020, and the changes in financial position and cash flows for the year then ended, in conformity 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 East Cocalico Township 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

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

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 East Cocalico Township 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 substantive doubt shortly thereafter.

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, 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 East Cocalico Township 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 East Cocalico Township 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have

applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the East Cocalico Township Authority's basic financial statements taken as a whole. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements of East Cocalico Township Authority.

The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The actual 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. The budget information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Brown Schultz Steindler & Fritz

Camp Hill, Pennsylvania
June 22, 2022

EAST COCALICO TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

DECEMBER 31, 2021 and 2020

East Cocalico Township Authority (ECTA) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the ECTA's financial activity, (c) identify changes in the ECTA's financial position, (d) identify any material deviations from the financial plan and (e) identify individual issues or concerns. As management of ECTA, we offer readers of ECTA's financial statements this narrative overview and analysis of the financial activities of ECTA for the calendar year ended December 31, 2021. We encourage you to read the information presented here in conjunction with additional information that we have furnished in ECTA's financial statements, which follow this narrative.

Financial highlights

ECTA's total assets and deferred outflows of resources exceeded its liabilities by \$28,698,375 at the close of the calendar year ended December 31, 2021 compared to \$27,999,826 for the previous year. This was an increase of 2.49% over the previous calendar year.

Total net position increased by \$698,549 (2.49%) for the year ended December 31, 2021 compared to \$584,146 (2.13%) for the year ended December 31, 2020. During 2021, total current and other assets increased by \$815,678 compared to 2020 primarily due to an increase of \$408,934 in cash and cash equivalents associated with the water fund and an increase of \$777,754 in cash and cash equivalents associated with the sewer fund. During the same time period, total utility plant and equipment decreased by \$215,044 due primarily to additions of \$1,232,938 net of an increase of \$1,272,870 in overall accumulated depreciation and the deletion of 175,112. Overall, the Authority's total assets increased by \$575,869 (1.85%) compared to the previous year.

ECTA's total deferred outflows of resources decreased \$24,765 for the year ended December 31, 2021 due to the annual amortization expense associated with the deferred loss on refunding.

ECTA's total liability decreased \$122,680 (3.84%) during the year ended December 31, 2021 compared to a decrease of \$2,051,865 (39.12%) during the year ended December 31, 2020. The decrease in 2021 is mostly attributed to long-term debt payments of \$150,000.

EAST COCALICO TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

DECEMBER 31, 2021 and 2020

Overview of the financial statements

ECTA's primary mission is to provide high quality, safe water delivery and wastewater collection services to the rate payers of East Cocalico Township at the lowest possible cost. ECTA does not provide other general government types of services or programs. ECTA's operations, capital expansion programs and debt payments are funded almost entirely through rates, fees and other charges for water and wastewater treatment services. As such, ECTA is considered to be, and therefore, presents its financial reports as a stand-alone enterprise fund.

As a stand-alone enterprise fund, ECTA's basic financial statements consist of the statements of net position - proprietary funds; statements of revenues, expenses and changes in fund net position - proprietary funds and statements of cash flows - proprietary funds, and the statements of net position - fiduciary funds and statements of revenues, expenses and changes in fund net position - fiduciary funds. These statements, together with the management's discussion and analysis, provide both short-term and long-term financial information and implications for ECTA's financial position. To further illuminate this information, notes to the financial statements, as well as statements of revenues, expenses and changes in fund net position- actual vs. budget, appear immediately following the basic financial statements.

Statements of net position. The statements of net position present the financial position of the Authority. They present information on the Authority's assets, deferred outflows of resources, liabilities and net position. The difference between the sum of (1) assets and (2) deferred outflows of resources and liabilities is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statements of revenues, expenses and changes in fund net position. The statements of revenues, expenses and changes in fund net position are similar to private sector income statements and provides information regarding ECTA's total economic resource inflow and outflow (accrual method of accounting). The difference between these inflows and outflows represents the change in net position, which links these statements to the statements of net position.

Statements of cash flows. The statements of cash flows deal specifically with the flow of cash and cash equivalents arising from operating, noncapital financing, capital and related financing and investing activities. Because ECTA's statements of revenues, expenses and changes in net position are a measurement of the flow of total economic resources, operating income usually differs from net cash flow from operations. To enhance the reader's understanding of this difference, the statements of cash flows also include reconciliation between these two amounts. In accordance with accounting principles generally accepted in the United States of America, a reconciliation of cash and cash equivalents is also presented in this statement. The notes to the financial statements provide additional information critical to the understanding of the basic financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

DECEMBER 31, 2021 and 2020

Financial analysis – Proprietary funds

Table 1
Net Position

| | Period ended | | Increase (decrease) | |
|--|----------------------|----------------------|---------------------|---------------|
| | 12/31/2021 | 12/31/2020 | Amount | Percentage |
| Assets: | | | | |
| Current and other assets | \$ 9,448,974 | \$ 8,633,296 | \$ 815,678 | 9.45 % |
| Utility plant and equipment, net | 22,098,853 | 22,313,897 | (215,044) | (0.96) |
| Total assets | 31,547,827 | 30,947,193 | 600,634 | 1.94 |
| Deferred outflows of resources, deferred loss on refunding | 221,052 | 245,817 | (24,765) | (10.07) |
| Total assets and deferred outflows of resources | \$ 31,768,879 | \$ 31,193,010 | \$ 575,869 | 1.85 % |
| Liabilities: | | | | |
| Current liabilities | \$ 755,504 | \$ 728,184 | \$ 27,320 | 3.75 % |
| Long-term liabilities | 2,315,000 | 2,465,000 | (150,000) | (6.09) |
| Total liabilities | 3,070,504 | 3,193,184 | (122,680) | (3.84) |
| Net position: | | | | |
| Invested in capital assets, net of related debt | 19,887,996 | 19,986,496 | (98,500) | (0.49) |
| Unrestricted | 8,810,379 | 8,013,330 | 797,049 | 9.95 |
| Total net position | 28,698,375 | 27,999,826 | 698,549 | 2.49 |
| Total liabilities and net position | \$ 31,768,879 | \$ 31,193,010 | \$ 575,869 | 1.85 % |

EAST COCALICO TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

DECEMBER 31, 2021 and 2020

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of ECTA exceeded liabilities by \$28,698,375 as of December 31, 2021. ECTA's net position increased by \$698,549 for the year ended December 31, 2021. The largest portion of total net position (69.3%) reflects ECTA's investment in capital assets (e.g., land, buildings, interceptor sewer lines, water lines, wells and equipment) less any related debt still outstanding that was issued to acquire those items. ECTA uses these capital assets to provide services to rate payers; consequently, these assets are not available for future spending. Although ECTA's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. Unrestricted net position totaling \$8,810,379 may be used to pay down debt, fund pay-as-you go capital projects, replace reserves or be used for any other legal purpose. ECTA's overall financial position improved marginally during the calendar year that ended December 31, 2021 as total net position grew by 2.49%.

ECTA placed into service a total of \$151,330 worth of capital assets during 2021. Major capital assets in the water division include \$119,409 associated with the water division including the purchase of 25 EDUs for \$88,325 for the disposal of the water treatment plant's wastewater. Major capital assets in the sewer division included \$21,800 for a control panel replacement.

During 2021, there were additions to construction in progress of \$1,081,608. Depending on the particular project, funding for improvements can come from restricted or unrestricted cash, water and sewer rents, contributions from developers and proceeds from user tapping fees.

Compared to the year ended December 31, 2020, current and other assets for the year ended December 31, 2021 increased by \$815,678 (9.45%) due primarily to an increase in cash and cash equivalents with both the water and sewer divisions. The Authority's total liabilities at the end of 2021 decreased by \$122,680 (3.84%) compared to the prior year ended December 31, 2020. This was primarily due a decrease in long-term debt related to annual additional debt payments.

EAST COCALICO TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

DECEMBER 31, 2021 and 2020

ECTA's changes in revenues, expenses and net position as shown in Table 2 provides information concerning what contributed to the net changes reported in Table 1. Several factors were attributable to the increase in net position from \$27,999,826 to \$28,698,375 as highlighted below:

Table 2
Changes in Revenues, Expenses and Net Position

| | Period ended | | Increase (decrease) | |
|---|----------------------|----------------------|---------------------|-----------------|
| | 12/31/2021 | 12/31/2020 | Amount | Percentage |
| Operating revenues, charges for services | \$ 3,799,167 | \$ 3,718,878 | \$ 80,289 | 2.16 % |
| Operating expenses: | | | | |
| Costs incurred for others | 57,118 | 65,790 | (8,672) | (13.18) |
| Operating and maintenance expenses | 3,247,315 | 3,165,540 | 81,775 | 2.58 |
| Transportation expenses | 38,283 | 35,466 | 2,817 | 7.94 |
| General and administrative expenses | 543,350 | 514,569 | 28,781 | 5.59 |
| Total operating expenses | 3,886,066 | 3,781,365 | 104,701 | 2.77 |
| Operating loss | (86,899) | (62,487) | (24,412) | (39.07) |
| Nonoperating revenue (expenses): | | | | |
| Other income | 103,846 | 199,652 | (95,806) | (47.99) |
| Other deductions | (238,914) | (175,680) | (63,234) | 35.99 |
| Total nonoperating revenue | (135,068) | 23,972 | (159,040) | (663.44) |
| Loss before tapping fees, capital contribution fees and developer contributions | (221,967) | (38,515) | (183,452) | 476.31 |
| Tapping fees, capital contributions fees and developer contributions: | | | | |
| Tapping fees | 625,332 | 595,605 | 29,727 | 4.99 |
| Capital contribution fees | 280,334 | 13,636 | 266,698 | 1,955.84 |
| Developer contributions | 14,850 | 13,420 | 1,430 | 10.66 |
| Total tapping fees, capital contributions fees and developer contributions | 920,516 | 622,661 | 297,855 | 47.84 |
| Increase in net position | 698,549 | 584,146 | 114,403 | 19.58 |
| Total net position: | | | | |
| Beginning of year | 27,999,826 | 27,415,680 | 584,146 | 2.13 |
| End of year | \$ 28,698,375 | \$ 27,999,826 | \$ 698,549 | 2.49 % |

EAST COCALICO TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

DECEMBER 31, 2021 and 2020

Review of operations

Operating revenues

Comparing the years ended December 31, 2021 and 2020, operating revenues increased by \$80,289 (2.16%) from the beginning to the end of 2021. The majority of the change is attributable to an increase in the water and sewer utility rents. In 2015, the water division began paying utility rents to the sewer division for wastewater produced by the new water treatment plant. Included in the sewer division's 2021 operating revenue is \$68,071 associated with these rents.

Operating expenses

Comparing the periods ended December 31, 2021 and 2020, overall operating expenses increased by \$104,701 (2.77%). The majority of the change is attributable to an increase in operating and maintenance expense of \$81,775 (2.58%).

Total income (loss) before tapping fees, capital contribution fees and developer contributions

Operating revenues along with other income totaled \$3,903,013 for the year ended December 31, 2021. Corresponding operating expenses and other deductions totaled \$3,949,868 for the same time period. This resulted in loss before tapping fees, capital contribution fees and developer contributions of \$46,855 compared to a loss of \$38,515 for the year ended December 31, 2020.

Tapping fees

For the year ended December 31, 2021, compared to the year ended December 31, 2020, overall tapping fees increased by \$29,727 (4.99%). Looking closer at this number, water tapping fees increased by \$132,824 (52.32%) in 2021, which fluctuates each year based on new connections and capacity reassessment. Additionally, sewer tapping fees which also fluctuate each year, decreased by \$103,097 (30.17%) due to a decrease in new connections.

Capital contribution fees and developer contributions

During 2021, the Authority received \$295,184 in capital contribution fees and noncash developer contributions. In 2020, capital contribution fees and noncash developer contributions totaled \$27,056. Included in the 2021 and 2020 amount are funds totaling \$280,334 and \$13,636, respectively, primarily associated with capital contribution fees earmarked to fund construction and debt service for the Authority's water treatment facility. Noncash developer contributions valued at \$14,850 in 2021 and \$13,420 in 2020 were received in the form of contributed water and sewer lines.

EAST COCALICO TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

DECEMBER 31, 2021 and 2020

Utility plant and equipment and debt administration

Table 3
Utility Plant and Equipment
(Net of Depreciation)

| | Period ended | | Increase (decrease) | |
|---|----------------------|----------------------|---------------------|-----------------|
| | 12/31/2021 | 12/31/2020 | Amount | Percentage |
| Land and land rights | \$ 929,690 | \$ 929,690 | \$ - | |
| Construction in progress | 2,132,351 | 1,225,855 | 906,496 | 73.95 % |
| Water distribution system | 12,944,291 | 13,495,531 | (551,240) | (4.08) |
| Sewer collection system | 5,778,443 | 6,315,084 | (536,641) | (8.50) |
| Buildings | 191,424 | 200,542 | (9,118) | (4.55) |
| Machinery and equipment | 63,719 | 73,006 | (9,287) | (12.72) |
| Office furniture and fixtures | 37,895 | 55,349 | (17,454) | (31.53) |
| Trucks and cars | 766 | 1,002 | (236) | (23.55) |
| Computer hardware | 20,274 | 17,838 | 2,436 | 13.66 |
| Total utility plant and equipment, net of depreciation | <u>\$ 22,098,853</u> | <u>\$ 22,313,897</u> | <u>\$ (215,044)</u> | <u>(0.96) %</u> |

Additional information related to ECTA's utility plant and equipment can be found in the notes to the financial statements.

Utility plant and equipment

ECTA's total investment in utility plant and equipment decreased \$215,044 (0.96%) between December 31, 2020 and December 31, 2021. As of December 31, 2021, utility plant and equipment totaled \$22,098,853 (net of accumulated depreciation) compared to \$22,313,897 (net of accumulated depreciation) at the close of the year ended December 31, 2020. Construction in progress increased by \$906,496 (73.95%) at December 31, 2020. In 2021, capital assets (net of accumulated depreciation) related to the water distribution system decreased by \$551,240 (4.08%), due primarily to accumulated depreciation. Capital assets in the sewer collection system decreased by \$536,641 (8.50%) due primarily to accumulated depreciation. Utility plant and equipment items include land and land rights; construction in progress; water distribution system; sewer collection system; buildings, machinery and equipment; office furniture and fixtures; trucks and cars and computer hardware.

EAST COCALICO TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

DECEMBER 31, 2021 and 2020

Debt

As of December 31, 2021, the Authority's water division had debt in the amount of \$2,465,000 from the Water Revenue Note - Series of 2020. Proceeds from this note issue were used to current refund the Water Revenue Bonds, Series of 2017. There was no debt associated with the sewer division in 2021.

Current debt

As of December 31, 2021, the Authority classified \$150,000 of the outstanding debt associated with the Water Revenue Note - Series of 2020 as current debt. Principal payments associated with the Water Revenue Note - Series of 2020 began on December 1, 2020. The Authority has no current debt associated with the sewer division as of December 31, 2021.

Additional information about ECTA's debt can be found in the notes to the financial statements.

Fiduciary fund

The Township maintains a fiduciary fund for the assets of the Authority's 457 Defined Contribution Pension Plan. The total fund balance of the fiduciary funds is \$1,520,191. The Authority's plan represents 100% of that amount. In 2021, the net position of the pension trust fund increased by \$107,471. The change is related to reduced benefit payments in 2021.

Overall financial position

The overall financial position of ECTA improved during the calendar year ended December 31, 2021. Total net position increased by \$698,549. The Authority was free of long-term debt in its sewer division, while the water division holds \$2,465,000 in debt from the Water Revenue Note - Series of 2020.

New year's budgets and rates

For the calendar year ending December 31, 2022, the East Cocalico Township Authority Board adopted a sewer budget projecting a \$42,886 net loss before extraordinary items. The Board voted to increase the sewer rates by 4%; this was the first increase since 2009. On the water side, the budget was approved with a projected year-end net income of \$97,318 before extraordinary items. The Board voted and a 4% increase in water rates was necessary, even though a multitude of mandatory water system infrastructure replacement and rehabilitation projects and the Water Treatment Plan loan principal payment increase, beginning in 2025, will be occurring in the future. The last water rate increase was in 2017.

EAST COCALICO TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

DECEMBER 31, 2021 and 2020

The Authority's water and sewer charges are based on a one tier rate structure and billed for most customers on a quarterly basis. Large commercial and industrial customers are billed on a monthly basis. The 2022 water rate is \$7.10 per thousand gallons. The 2022 sewer rate is \$12.55 per thousand gallons and is based on total water usage. There is a flat rate sewer charge of \$163.15 per quarter for customers that are not connected to public water but discharge sewage into the ECTA collection system.

Request for information

This report is designed to provide an overview of the East Cocalico Township Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Edward Nevling, Treasurer, or Scott Carl, Sr., Administrator, at East Cocalico Township Authority, 102 Hill Road, Denver, PA 17517, or call 717-336-1731.

Please visit our website at www.eastcocalicotownshipauthority.com to learn more about ECTA.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF NET POSITION – PROPRIETARY FUND DECEMBER 31, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | Water division | Sewer division | Total |
|--|-----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Current assets: | | | |
| Cash and cash equivalents | \$ 3,341,104 | \$ 5,027,063 | \$ 8,368,167 |
| Receivables: | | | |
| From customers | 254,702 | 422,223 | 676,925 |
| From others | 848 | | 848 |
| Note receivable | 1,772 | | 1,772 |
| Internal balances | 16 | (16) | - |
| Prepaid: | | | |
| Insurance | 7,928 | 7,928 | 15,856 |
| Other | | 101,449 | 101,449 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total current assets | <u>3,606,370</u> | <u>5,558,647</u> | <u>9,165,017</u> |
| Current restricted assets, cash and cash equivalents | <u>118,371</u> | <u>132,495</u> | <u>250,866</u> |
| Utility plant and equipment, at cost: | | | |
| Land and land rights | 698,202 | 231,488 | 929,690 |
| Water distribution system | 25,010,569 | | 25,010,569 |
| Sewer collection system | | 18,119,623 | 18,119,623 |
| Buildings | 45,116 | 225,286 | 270,402 |
| Machinery and equipment | 232,289 | 94,372 | 326,661 |
| Trucks and cars | 115,659 | 115,660 | 231,319 |
| Office furniture and fixtures | 18,288 | 16,127 | 34,415 |
| Computer hardware | 48,654 | 19,337 | 67,991 |
| Construction in progress | 1,406,043 | 726,308 | 2,132,351 |
| | <u> </u> | <u> </u> | <u> </u> |
| | 27,574,820 | 19,548,201 | 47,123,021 |
| Accumulated depreciation | <u>(12,425,003)</u> | <u>(12,599,165)</u> | <u>(25,024,168)</u> |
| Total utility plant and equipment | <u>15,149,817</u> | <u>6,949,036</u> | <u>22,098,853</u> |
| Other assets, computer software, net of amortization of \$55,192 and \$23,545, respectively | <u>28,005</u> | <u>5,086</u> | <u>33,091</u> |
| Total assets | <u>18,902,563</u> | <u>12,645,264</u> | <u>31,547,827</u> |
| Deferred outflows of resources, deferred loss on refunding | <u>221,052</u> | <u> </u> | <u>221,052</u> |
| Total assets and deferred outflows of resources | <u>\$ 19,123,615</u> | <u>\$ 12,645,264</u> | <u>\$ 31,768,879</u> |

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF NET POSITION – PROPRIETARY FUND
DECEMBER 31, 2021

LIABILITIES AND NET POSITION

| | Water division | Sewer division | Total |
|---|----------------------|----------------------|----------------------|
| Current liabilities: | | | |
| Accounts payable: | | | |
| Trade | \$ 46,909 | \$ 177,953 | \$ 224,862 |
| Retainage | 9,112 | 31,993 | 41,105 |
| Employee taxes withheld and unremitted | 2,068 | | 2,068 |
| Accrued expenses | 21,672 | 18,591 | 40,263 |
| Unearned tapping fees | 26,597 | 19,743 | 46,340 |
| Current portion of revenue note | 150,000 | | 150,000 |
| Total current liabilities | 256,358 | 248,280 | 504,638 |
| Current liabilities, payable from restricted assets, customer deposits | 118,371 | 132,495 | 250,866 |
| Long-term debt, net of current portion, revenue note | 2,315,000 | | 2,315,000 |
| Total liabilities | 2,689,729 | 380,775 | 3,070,504 |
| Net position: | | | |
| Invested in capital assets, net of related debt | 12,933,874 | 6,954,122 | 19,887,996 |
| Unrestricted | 3,500,012 | 5,310,367 | 8,810,379 |
| Total net position | 16,433,886 | 12,264,489 | 28,698,375 |
| Total liabilities and net position | \$ 19,123,615 | \$ 12,645,264 | \$ 31,768,879 |

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF NET POSITION – PROPRIETARY FUND DECEMBER 31, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | Water division | Sewer division | Total |
|--|----------------------|----------------------|----------------------|
| | <hr/> | <hr/> | <hr/> |
| Current assets: | | | |
| Cash and cash equivalents | \$ 2,932,170 | \$ 4,249,309 | \$ 7,181,479 |
| Certificates of deposit | | 248,000 | 248,000 |
| Receivables: | | | |
| From customers | 273,444 | 443,525 | 716,969 |
| From others | 73 | | 73 |
| Note receivable | 3,072 | | 3,072 |
| Internal balances | 2,919 | (2,919) | - |
| Prepaid: | | | |
| Insurance | 8,429 | 8,429 | 16,858 |
| Other | 500 | 216,933 | 217,433 |
| | <hr/> | <hr/> | <hr/> |
| Total current assets | 3,220,607 | 5,163,277 | 8,383,884 |
| | <hr/> | <hr/> | <hr/> |
| Current restricted assets, cash and cash equivalents | 99,090 | 108,540 | 207,630 |
| | <hr/> | <hr/> | <hr/> |
| Utility plant and equipment, at cost: | | | |
| Land and land rights | 698,202 | 231,488 | 929,690 |
| Water distribution system | 24,892,991 | | 24,892,991 |
| Sewer collection system | | 18,097,823 | 18,097,823 |
| Buildings | 45,116 | 225,286 | 270,402 |
| Machinery and equipment | 231,226 | 93,308 | 324,534 |
| Trucks and cars | 115,659 | 115,660 | 231,319 |
| Office furniture and fixtures | 18,288 | 16,127 | 34,415 |
| Computer hardware | 39,648 | 18,518 | 58,166 |
| Construction in progress | 1,052,312 | 173,543 | 1,225,855 |
| | <hr/> | <hr/> | <hr/> |
| | 27,093,442 | 18,971,753 | 46,065,195 |
| Accumulated depreciation | (11,730,367) | (12,020,931) | (23,751,298) |
| | <hr/> | <hr/> | <hr/> |
| Total utility plant and equipment | 15,363,075 | 6,950,822 | 22,313,897 |
| | <hr/> | <hr/> | <hr/> |
| Other assets, computer software, net of amortization of \$46,118 and \$22,148, respectively | 36,189 | 5,593 | 41,782 |
| | <hr/> | <hr/> | <hr/> |
| Total assets | 18,718,961 | 12,228,232 | 30,947,193 |
| | <hr/> | <hr/> | <hr/> |
| Deferred outflows of resources, deferred loss on refunding | 245,817 | | 245,817 |
| | <hr/> | <hr/> | <hr/> |
| Total assets and deferred outflows of resources | \$ 18,964,778 | \$ 12,228,232 | \$ 31,193,010 |
| | <hr/> | <hr/> | <hr/> |

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF NET POSITION – PROPRIETARY FUND
DECEMBER 31, 2020

LIABILITIES AND NET POSITION

| | Water division | Sewer division | Total |
|---|----------------------|----------------------|----------------------|
| Current liabilities: | | | |
| Accounts payable: | | | |
| Trade | \$ 62,624 | \$ 74,149 | \$ 136,773 |
| Employee taxes withheld and unremitted | 1,914 | | 1,914 |
| Accrued expenses | 19,629 | 16,360 | 35,989 |
| Unearned tapping fees | 114,438 | 81,440 | 195,878 |
| Current portion of revenue note | 150,000 | | 150,000 |
| Total current liabilities | 348,605 | 171,949 | 520,554 |
| Current liabilities, payable from restricted assets, customer deposits | 99,090 | 108,540 | 207,630 |
| Long-term debt, net of current portion, revenue note | 2,465,000 | | 2,465,000 |
| Total liabilities | 2,912,695 | 280,489 | 3,193,184 |
| Net position: | | | |
| Invested in capital assets, net of related debt | 13,030,081 | 6,956,415 | 19,986,496 |
| Unrestricted | 3,022,002 | 4,991,328 | 8,013,330 |
| Total net position | 16,052,083 | 11,947,743 | 27,999,826 |
| Total liabilities and net position | \$ 18,964,778 | \$ 12,228,232 | \$ 31,193,010 |

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2021

| | Water division | Sewer division | Total |
|---|-------------------|-------------------|------------------|
| Operating revenue: | | | |
| Utility rents | \$ 1,397,983 | \$ 2,221,816 | \$ 3,619,799 |
| Fire hydrant rent | 63,180 | | 63,180 |
| Penalties on late payments | 6,984 | 13,419 | 20,403 |
| Inspection fees | 4,070 | 4,499 | 8,569 |
| Review fees | 3,725 | 3,600 | 7,325 |
| Miscellaneous | 7,764 | 1,610 | 9,374 |
| | <u>1,483,706</u> | <u>2,244,944</u> | <u>3,728,650</u> |
| Meters and reimbursed construction income: | | | |
| Sale of meters | 25,062 | | 25,062 |
| Material sales | 247 | 139 | 386 |
| Legal fees | 1,842 | 1,842 | 3,684 |
| Engineering fees | 17,920 | 19,723 | 37,643 |
| Labor sales | 2,377 | 1,365 | 3,742 |
| | <u>47,448</u> | <u>23,069</u> | <u>70,517</u> |
| Total meters and reimbursed construction income | | | |
| | <u>1,531,154</u> | <u>2,268,013</u> | <u>3,799,167</u> |
| Total operating revenue | | | |
| Operating expenses: | | | |
| Meters and costs incurred for others: | | | |
| Purchases: | | | |
| Meters | 6,766 | 5,857 | 12,623 |
| Other materials | 3,059 | 109 | 3,168 |
| Legal costs | 1,842 | 1,842 | 3,684 |
| Engineering costs | 17,920 | 19,723 | 37,643 |
| | <u>29,587</u> | <u>27,531</u> | <u>57,118</u> |
| Total meters and costs incurred for others | | | |

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

| | Water division | Sewer division | Total |
|--|-------------------|-------------------|------------|
| Operating expenses (continued): | | | |
| Operating and maintenance: | | | |
| Salaries and wages: | | | |
| Supervision | \$ 84,095 | \$ 84,095 | \$ 168,190 |
| Other | 144,259 | 144,259 | 288,518 |
| Payroll taxes | 17,508 | 17,508 | 35,016 |
| Pension | 11,147 | 11,147 | 22,294 |
| Workers' compensation insurance | 3,501 | 3,501 | 7,002 |
| Insurance | 8,642 | 8,642 | 17,284 |
| Employee group insurance | 43,171 | 43,147 | 86,318 |
| Maintenance: | | | |
| Building | 7,378 | 274 | 7,652 |
| Contents | 19,368 | 9,284 | 28,652 |
| Field items | 53,749 | 16,289 | 70,038 |
| Permit fees | 10,525 | | 10,525 |
| Repairs to machinery and equipment | 3,388 | 3,698 | 7,086 |
| Sewer treatment costs, Ephrata/Adamstown | | 717,889 | 717,889 |
| Sewer interceptor costs, Ephrata | | 15,348 | 15,348 |
| Sewer debt service costs, Ephrata | | 257,254 | 257,254 |
| Contracted services | 6,824 | 360 | 7,184 |
| Sewer charges, WTP | 53,136 | | 53,136 |
| Electric | 82,508 | 18,987 | 101,495 |
| Laboratory testing | 31,700 | 2,855 | 34,555 |
| Chemicals | 43,351 | | 43,351 |
| Certification | 581 | 606 | 1,187 |
| Telemetry | | 6,577 | 6,577 |
| Depreciation | 679,840 | 567,951 | 1,247,791 |
| Other operating expense | 8,220 | 4,753 | 12,973 |
| Total operating and maintenance | 1,312,891 | 1,934,424 | 3,247,315 |

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

| | Water division | Sewer division | Total |
|---|-------------------|-------------------|------------------|
| Operating expenses (continued): | | | |
| Transportation expenses: | | | |
| Gasoline and motor oil | \$ 5,348 | \$ 5,348 | \$ 10,696 |
| Repairs and service | 2,412 | 2,407 | 4,819 |
| Insurance | 2,657 | 2,657 | 5,314 |
| Depreciation | 8,727 | 8,727 | 17,454 |
| Total transportation expenses | 19,144 | 19,139 | 38,283 |
| General and administrative expenses: | | | |
| Salaries and wages, clerical | 116,128 | 116,128 | 232,256 |
| Payroll taxes | 8,632 | 8,632 | 17,264 |
| Pension | 4,455 | 4,455 | 8,910 |
| Insurance | 1,619 | 1,619 | 3,238 |
| Employee group insurance | 26,231 | 26,231 | 52,462 |
| Engineering fees | 44,516 | 23,691 | 68,207 |
| Legal fees | 9,402 | 5,364 | 14,766 |
| Audit fees | 8,940 | 8,940 | 17,880 |
| Bank fees | 3 | | 3 |
| Officers expenses | 2,300 | 2,300 | 4,600 |
| Postage and office supplies | 4,442 | 4,421 | 8,863 |
| Dues and subscriptions | 2,562 | 2,562 | 5,124 |
| Public emergency notification | 1,160 | | 1,160 |
| Advertising | 223 | 223 | 446 |
| Maintenance and repairs | 2,174 | 2,174 | 4,348 |
| Training and seminars | 2,744 | 2,154 | 4,898 |
| Telephone | 5,082 | 5,076 | 10,158 |
| Rent, building | 6,443 | 6,443 | 12,886 |
| Auto allowance | 400 | 400 | 800 |
| Water and sewer | 5,687 | 1,425 | 7,112 |
| Computer support | 21,629 | 20,788 | 42,417 |
| Depreciation | 6,070 | 1,555 | 7,625 |
| Amortization of computer software | 9,074 | 1,397 | 10,471 |
| Other general expense | 4,025 | 3,431 | 7,456 |
| Total general and administrative expenses | 293,941 | 249,409 | 543,350 |
| Total operating expenses | 1,655,563 | 2,230,503 | 3,886,066 |

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUND (CONTINUED) YEAR ENDED DECEMBER 31, 2021

| | Water division | Sewer division | Total |
|--|----------------------|----------------------|----------------------|
| Operating income (loss) | \$ (124,409) | \$ 37,510 | \$ (86,899) |
| Other income: | | | |
| Interest income | 2,981 | 5,034 | 8,015 |
| T-Mobile rent | 24,741 | | 24,741 |
| Health insurance rebate | 35,545 | 35,545 | 71,090 |
| Total other income | 63,267 | 40,579 | 103,846 |
| Other deductions: | | | |
| Interest expense | 39,037 | | 39,037 |
| Disposal of construction in progress | 175,112 | | 175,112 |
| Amortization of deferred loss on refunding | 24,765 | | 24,765 |
| Total other deductions | 238,914 | | 238,914 |
| Income (loss) before tapping fees, capital contribution fees and developer contributions | (300,056) | 78,089 | (221,967) |
| Tapping fees, capital contribution fees and developer contributions: | | | |
| Tapping fees | 386,675 | 238,657 | 625,332 |
| Capital contribution fees | 280,334 | | 280,334 |
| Developer contributions | 14,850 | | 14,850 |
| Total tapping fees, capital contribution fees and developer contributions | 681,859 | 238,657 | 920,516 |
| Increase in net position | 381,803 | 316,746 | 698,549 |
| Net position: | | | |
| January 1 | 16,052,083 | 11,947,743 | 27,999,826 |
| December 31 | \$ 16,433,886 | \$ 12,264,489 | \$ 28,698,375 |

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2020

| | Water division | Sewer division | Total |
|---|-------------------------|-------------------------|-------------------------|
| Operating revenue: | | | |
| Utility rents | \$ 1,388,398 | \$ 2,163,330 | \$ 3,551,728 |
| Fire hydrant rent | 61,740 | | 61,740 |
| Penalties on late payments | 2,158 | 4,308 | 6,466 |
| Inspection fees | 11,038 | 15,396 | 26,434 |
| Review fees | 2,150 | 2,150 | 4,300 |
| Miscellaneous | 5,872 | 1,921 | 7,793 |
| | <u>1,471,356</u> | <u>2,187,105</u> | <u>3,658,461</u> |
| Meters and reimbursed construction income: | | | |
| Sale of meters | 21,190 | | 21,190 |
| Material sales | 3,617 | | 3,617 |
| Legal fees | 674 | 674 | 1,348 |
| Engineering fees | 14,940 | 17,952 | 32,892 |
| Labor sales | 1,033 | 337 | 1,370 |
| | <u>41,454</u> | <u>18,963</u> | <u>60,417</u> |
| Total meters and reimbursed construction income | | | |
| | <u>41,454</u> | <u>18,963</u> | <u>60,417</u> |
| Total operating revenue | <u>1,512,810</u> | <u>2,206,068</u> | <u>3,718,878</u> |
| Operating expenses: | | | |
| Meters and costs incurred for others: | | | |
| Purchases: | | | |
| Meters | 31,050 | | 31,050 |
| Other materials | 500 | | 500 |
| Legal costs | 674 | 674 | 1,348 |
| Engineering costs | 14,940 | 17,952 | 32,892 |
| | <u>47,164</u> | <u>18,626</u> | <u>65,790</u> |
| Total meters and costs incurred for others | | | |
| | <u>47,164</u> | <u>18,626</u> | <u>65,790</u> |

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

| | Water division | Sewer division | Total |
|--|-------------------|-------------------|------------|
| Operating expenses (continued): | | | |
| Operating and maintenance: | | | |
| Salaries and wages: | | | |
| Supervision | \$ 81,871 | \$ 81,871 | \$ 163,742 |
| Other | 141,312 | 141,312 | 282,624 |
| Payroll taxes | 16,756 | 16,756 | 33,512 |
| Pension | 10,793 | 10,793 | 21,586 |
| Workers' compensation insurance | 3,448 | 3,448 | 6,896 |
| Insurance | 8,607 | 8,607 | 17,214 |
| Employee group insurance | 42,793 | 42,793 | 85,586 |
| Maintenance: | | | |
| Building | 4,514 | 75 | 4,589 |
| Contents | 23,252 | 23,238 | 46,490 |
| Field items | 13,350 | 20,707 | 34,057 |
| Permit fees | 10,700 | | 10,700 |
| Repairs to machinery and equipment | 1,410 | 1,399 | 2,809 |
| Sewer treatment costs, Ephrata/Adamstown | | 681,587 | 681,587 |
| Sewer interceptor costs, Ephrata | | 8,958 | 8,958 |
| Sewer debt service costs, Ephrata | | 239,161 | 239,161 |
| Contracted services | 6,711 | 342 | 7,053 |
| Sewer charges, WTP | 54,371 | | 54,371 |
| Electric | 82,343 | 19,718 | 102,061 |
| Laboratory testing | 55,315 | 3,152 | 58,467 |
| Chemicals | 45,708 | | 45,708 |
| Certification | 494 | 339 | 833 |
| Telemetry | | 6,050 | 6,050 |
| Auto allowance | 17 | 17 | 34 |
| Depreciation | 672,110 | 566,608 | 1,238,718 |
| Other operating expense | 7,474 | 5,260 | 12,734 |
| Total operating and maintenance | 1,283,349 | 1,882,191 | 3,165,540 |

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

| | Water division | Sewer division | Total |
|---|-------------------|-------------------|------------------|
| Operating expenses (continued): | | | |
| Transportation expenses: | | | |
| Gasoline and motor oil | \$ 4,440 | \$ 4,440 | \$ 8,880 |
| Repairs and service | 1,625 | 1,625 | 3,250 |
| Insurance | 2,264 | 2,264 | 4,528 |
| Depreciation | 9,404 | 9,404 | 18,808 |
| Total transportation expenses | 17,733 | 17,733 | 35,466 |
| General and administrative expenses: | | | |
| Salaries and wages, clerical | 116,129 | 116,132 | 232,261 |
| Payroll taxes | 8,606 | 8,606 | 17,212 |
| Pension | 4,666 | 4,666 | 9,332 |
| Insurance | 1,936 | 1,936 | 3,872 |
| Employee group insurance | 29,929 | 29,929 | 59,858 |
| Engineering fees | 16,416 | 17,016 | 33,432 |
| Legal fees | 11,836 | 2,465 | 14,301 |
| Audit fees | 9,125 | 9,125 | 18,250 |
| Bank fees | 125 | 368 | 493 |
| Officers expenses | 2,700 | 2,700 | 5,400 |
| Postage and office supplies | 4,751 | 4,751 | 9,502 |
| Dues and subscriptions | 2,575 | 2,485 | 5,060 |
| Public emergency notification | 1,164 | | 1,164 |
| Advertising | 3,277 | 3,277 | 6,554 |
| Maintenance and repairs | 1,767 | 1,767 | 3,534 |
| Training and seminars | 972 | 787 | 1,759 |
| Telephone | 4,890 | 4,890 | 9,780 |
| Rent, building | 6,375 | 6,375 | 12,750 |
| Auto allowance | 245 | 245 | 490 |
| Water and sewer | 5,715 | 1,257 | 6,972 |
| Computer support | 20,268 | 20,268 | 40,536 |
| Depreciation | 6,115 | 1,597 | 7,712 |
| Amortization of computer software | 8,314 | 1,261 | 9,575 |
| Uncollectible accounts | 62 | | 62 |
| Other general expense | 2,354 | 2,354 | 4,708 |
| Total general and administrative expenses | 270,312 | 244,257 | 514,569 |
| Total operating expenses | 1,618,558 | 2,162,807 | 3,781,365 |

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUND (CONTINUED) YEAR ENDED DECEMBER 31, 2020

| | Water division | Sewer division | Total |
|--|----------------------|----------------------|----------------------|
| Operating income (loss) | \$ (105,748) | \$ 43,261 | \$ (62,487) |
| Other income: | | | |
| Interest income | 31,783 | 87,271 | 119,054 |
| T-Mobile rent | 24,020 | | 24,020 |
| Health insurance rebate | 25,700 | 25,700 | 51,400 |
| Gain on sale of assets | 2,589 | 2,589 | 5,178 |
| Total other income | 84,092 | 115,560 | 199,652 |
| Other deductions: | | | |
| Interest expense | 61,803 | | 61,803 |
| Note issuance costs | 99,207 | | 99,207 |
| Amortization of deferred loss on refunding | 14,670 | | 14,670 |
| Total other deductions | 175,680 | | 175,680 |
| Income (loss) before tapping fees, capital contribution fees, developer contributions and transfers | (197,336) | 158,821 | (38,515) |
| Tapping fees, capital contribution fees, developer contributions and transfers: | | | |
| Tapping fees | 253,851 | 341,754 | 595,605 |
| Capital contribution fees | 13,636 | | 13,636 |
| Developer contributions | 10,615 | 2,805 | 13,420 |
| Transfers | 2,000,000 | (2,000,000) | - |
| Total tapping fees, capital contribution fees, developer contributions and transfers | 2,278,102 | (1,655,441) | 622,661 |
| Increase (decrease) in net position | 2,080,766 | (1,496,620) | 584,146 |
| Net position: | | | |
| January 1 | 13,971,317 | 13,444,363 | 27,415,680 |
| December 31 | \$ 16,052,083 | \$ 11,947,743 | \$ 27,999,826 |

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND YEAR ENDED DECEMBER 31, 2021

| | Water division | Sewer division | Total |
|--|---------------------|---------------------|---------------------|
| Cash flows from operating activities: | | | |
| Receipts from customers | \$ 1,571,305 | \$ 2,526,800 | \$ 4,098,105 |
| Payments for: | | | |
| Supplies and other operating activities | (621,930) | (1,303,035) | (1,924,965) |
| Salaries and wages | (342,251) | (342,251) | (684,502) |
| Net cash provided by operating activities | 607,124 | 881,514 | 1,488,638 |
| Cash flows from noncapital financing activities: | | | |
| Tapping fees received | 298,834 | 176,961 | 475,795 |
| Capital contribution fees | 280,334 | | 280,334 |
| T-Mobile rent | 24,741 | | 24,741 |
| Health insurance rebate | 35,545 | 35,545 | 71,090 |
| Net cash provided by noncapital financing activities | 639,454 | 212,506 | 851,960 |
| Cash flows from capital and related financing activities: | | | |
| Purchase of: | | | |
| Utility plant and equipment | (632,529) | (544,455) | (1,176,984) |
| Computer software | (890) | (890) | (1,780) |
| Principal paid on note | (150,000) | | (150,000) |
| Interest and fiscal charges paid on notes | (39,225) | | (39,225) |
| Net cash used in capital and related financing activities | (822,644) | (545,345) | (1,367,989) |
| Cash flows from investing activities: | | | |
| Interest income | 2,981 | 5,034 | 8,015 |
| Note receivable principal payments | 1,300 | | 1,300 |
| Net sales of certificates of deposit | | 248,000 | 248,000 |
| Net cash provided by investing activities | 4,281 | 253,034 | 257,315 |
| Net increase in cash and cash equivalents | 428,215 | 801,709 | 1,229,924 |
| Cash and cash equivalents (including restricted): | | | |
| Beginning of year | 3,031,260 | 4,357,849 | 7,389,109 |
| End of year | \$ 3,459,475 | \$ 5,159,558 | \$ 8,619,033 |
| Reconciliation with financial statements: | | | |
| Unrestricted cash and cash equivalents | \$ 3,341,104 | \$ 5,027,063 | \$ 8,368,167 |
| Restricted cash and cash equivalents | 118,371 | 132,495 | 250,866 |
| Total cash and cash equivalents | \$ 3,459,475 | \$ 5,159,558 | \$ 8,619,033 |

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

| | Water division | Sewer division | Total |
|--|-------------------|-------------------|---------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ (124,409) | \$ 37,510 | \$ (86,899) |
| Adjustments: | | | |
| Depreciation | 694,637 | 578,233 | 1,272,870 |
| Amortization | 9,074 | 1,397 | 10,471 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in: | | | |
| Receivables: | | | |
| Customers | 18,742 | 21,302 | 40,044 |
| Others | (775) | | (775) |
| Prepaid: | | | |
| Insurance | 501 | 501 | 1,002 |
| Other | 500 | 115,484 | 115,984 |
| Internal balances | 2,903 | (2,903) | - |
| Increase (decrease) in: | | | |
| Accounts payable: | | | |
| Trade | (15,715) | 103,804 | 88,089 |
| Employee taxes | 154 | | 154 |
| Accrued expenses | 2,231 | 2,231 | 4,462 |
| Customer deposits | 19,281 | 23,955 | 43,236 |
| | <u> </u> | <u> </u> | <u> </u> |
| Net cash provided by operating activities | \$ 607,124 | \$ 881,514 | \$ 1,488,638 |
| | <u> </u> | <u> </u> | <u> </u> |
| Supplemental schedule of noncash capital and related financing activities, developer contributions | \$ 14,850 | | \$ 14,850 |

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND YEAR ENDED DECEMBER 31, 2020

| | Water division | Sewer division | Total |
|--|---------------------|---------------------|---------------------|
| Cash flows from operating activities: | | | |
| Receipts from customers | \$ 1,494,030 | \$ 1,935,166 | \$ 3,429,196 |
| Payments for: | | | |
| Supplies and other operating activities | (714,117) | (1,243,748) | (1,957,865) |
| Payments for salaries and wages | (335,410) | (335,412) | (670,822) |
| Net cash provided by operating activities | 444,503 | 356,006 | 800,509 |
| Cash flows from noncapital financing activities: | | | |
| Tapping fees received | 313,104 | 386,176 | 699,280 |
| Capital contribution fees | 13,636 | | 13,636 |
| T-Mobile rent | 24,020 | | 24,020 |
| Health insurance rebate | 25,700 | 25,700 | 51,400 |
| Net cash provided by noncapital financing activities | 376,460 | 411,876 | 788,336 |
| Cash flows from capital and related financing activities: | | | |
| Purchase of: | | | |
| Utility plant and equipment | (302,756) | (317,137) | (619,893) |
| Computer software | (9,869) | (3,704) | (13,573) |
| Proceeds on sale of assets | 2,589 | 2,589 | 5,178 |
| Transfers between funds | 2,000,000 | (2,000,000) | - |
| Principal paid on note | (2,120,000) | | (2,120,000) |
| Interest and fiscal charges paid on notes | (63,556) | | (63,556) |
| Net cash used in capital and related financing activities | (493,592) | (2,318,252) | (2,811,844) |
| Cash flows from investing activities: | | | |
| Interest income | 31,783 | 87,271 | 119,054 |
| Note receivable principal payments | 1,417 | | 1,417 |
| Net sales of certificates of deposit | 729,000 | 1,695,000 | 2,424,000 |
| Net cash provided by investing activities | 762,200 | 1,782,271 | 2,544,471 |
| Net increase in cash and cash equivalents | 1,089,571 | 231,901 | 1,321,472 |
| Cash and cash equivalents (including restricted): | | | |
| Beginning of year | 1,941,689 | 4,125,948 | 6,067,637 |
| End of year | \$ 3,031,260 | \$ 4,357,849 | \$ 7,389,109 |
| Reconciliation with financial statements: | | | |
| Unrestricted cash and cash equivalents | \$ 2,932,170 | \$ 4,249,309 | \$ 7,181,479 |
| Restricted cash and cash equivalents | 99,090 | 108,540 | 207,630 |
| Total cash and cash equivalents | \$ 3,031,260 | \$ 4,357,849 | \$ 7,389,109 |

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND (CONTINUED) YEAR ENDED DECEMBER 31, 2020

| | Water division | Sewer division | Total |
|--|-------------------|-------------------|-------------------|
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ (105,748) | \$ 43,261 | \$ (62,487) |
| Adjustments: | | | |
| Depreciation | 687,629 | 577,609 | 1,265,238 |
| Amortization | 8,314 | 1,261 | 9,575 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in: | | | |
| Receivables: | | | |
| Customers | (22,348) | (38,881) | (61,229) |
| Others | 80 | (216,433) | (216,353) |
| Prepaid: | | | |
| Insurance | (520) | (521) | (1,041) |
| Other | (100) | (100) | (200) |
| Internal balances | (2,919) | 2,919 | - |
| Increase (decrease) in: | | | |
| Accounts payable: | | | |
| Trade | (130,140) | 1,495 | (128,645) |
| Employee taxes | (75) | | (75) |
| Accrued expenses | 3,903 | 3,903 | 7,806 |
| Customer deposits | 6,427 | (18,507) | (12,080) |
| Net cash provided by operating activities | \$ 444,503 | \$ 356,006 | \$ 800,509 |
| Supplemental schedule of noncash capital and related financing activities: | | | |
| Refunding of Water Revenue Bonds, Series of 2017: | | | |
| Principal | \$ (2,630,000) | | \$ (2,630,000) |
| Deferred loss on refunding | 250,976 | | 250,976 |
| Issuance of Water Revenue Bonds, Series of 2020: | | | |
| Principal | 2,735,000 | | 2,735,000 |
| Deferred loss on refunding | (250,976) | | (250,976) |
| Note issuance costs | (99,207) | | (99,207) |
| Developer contributions | (10,615) | \$ 2,805 | (7,810) |

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF NET POSITION – FIDUCIARY FUND
YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 457 Defined Contribution Pension Plan | |
|--|--|---------------------|
| | 2021 | 2020 |
| Assets, investments | <u>\$ 1,520,191</u> | <u>\$ 1,412,720</u> |
| Net position, held in trust for pension benefits | <u>\$ 1,520,191</u> | <u>\$ 1,412,720</u> |

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 457 Defined Contribution Pension Plan | |
|--|--|---------------------|
| | 2021 | 2020 |
| Additions: | | |
| Contributions, employer and employee | \$ 83,261 | \$ 81,437 |
| Net appreciation in fair value of investments | 172,357 | 146,166 |
| Total additions | 255,618 | 227,603 |
| Deductions: | | |
| Benefits paid | 147,927 | 274,828 |
| Administrative fees | 220 | 260 |
| Total deductions | 148,147 | 275,088 |
| Net increase (decrease) in plan assets | 107,471 | (47,485) |
| Net position held in trust: | | |
| Beginning of year | 1,412,720 | 1,460,205 |
| End of year | \$ 1,520,191 | \$ 1,412,720 |

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

1. Nature of operations and summary of significant accounting policies:

East Cocalico Township Authority (the Authority) is a corporate body created pursuant to an ordinance of the Board of Supervisors of the East Cocalico Township under an Act of the General Assembly of the Commonwealth of Pennsylvania, known as the Municipal Authorities Act.

East Cocalico Township Authority was organized to acquire, construct, improve, maintain and operate a water and sanitary sewer system. The Authority provides water and sanitary sewer service to portions of East Cocalico Township (the Township).

The East Cocalico Township Authority's governing board consists of nine members appointed by the Township's Board of Supervisors. The Authority serves as an operating authority for the Township. Since the Authority does not impose a specific financial burden on the Township, it is not considered to be a component unit of the Township for financial reporting purposes. The Authority is considered to be a related organization to the Township because the Township appoints a voting majority of the Authority's governing board.

Reporting entity:

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

Basis of presentation, measurement focus and accounting:

The Authority complies with accounting principles generally accepted in the United States of America (GAAP). The Authority's reporting entity applies all relevant GASB pronouncements.

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations are included on the statements of net position. Under the accrual basis of accounting, revenues are recognized in the accounting period they are earned and become measurable; expenses are recognized in the accounting period incurred.

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

1. Nature of operations and summary of significant accounting policies (continued):

Basis of presentation, measurement focus and accounting:

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an enterprise 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 and 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 activities of each proprietary fund are summarized by providing a separate set of self-balancing accounts, which include its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses consist of those revenues and expenses that result from the Authority's ongoing principal activities. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities.

Net position classifications:

Net position is classified and displayed in three components:

Net investment in capital assets. Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

Restricted. Consists of net position with constraints placed on the use by either of external groups, such as creditors, granters, contributors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted. All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

When an expense is incurred for purposes for which there are restricted and unrestricted net position available, it is the Authority's policy to apply those expenses to restricted net position to the extent such are available, and then to unrestricted net position.

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

1. Nature of operations and summary of significant accounting policies (continued):

Net position classifications:

Additionally, the Authority reports the following fiduciary fund:

The pension trust fund account for assets held by the Authority in a trustee capacity for the future payment of retirement benefits to employees. The Authority has one pension trust fund, the 457 defined contribution plan.

Use of estimates:

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

Cash and cash equivalents:

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and external investment pools held by Pennsylvania Local Government Investment Trust (PLGIT) with original maturities of three months or less. External investment pools are reported at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. Cash on hand and demand deposits are reported at carrying amounts, which reasonably approximate fair value.

For purposes of the statements of cash flows, the Authority considers all highly-liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Certificates of deposit:

Consists of certificates of deposits with maturities, when purchased, of more than three months. Certificates of deposits are reported at carrying amounts, which reasonably approximate fair value.

Investments:

Investments are principally stated at fair value.

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

1. Nature of operations and summary of significant accounting policies (continued):

Accounts receivable:

The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. In reviewing aged receivables, management considers their knowledge of customers, historical activity and current economic conditions in determining whether the receivable is uncollectible. If amounts become uncollectible, they will be charged to operations when that determination is made.

Internal balances:

During the course of its operations, the Authority has numerous transactions between funds to finance operations and provide services.

Prepaid items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Utility plant and equipment:

Utility plant and equipment are stated at cost, less depreciation accumulated to date. Cost includes engineering/consulting fees, interest and other expenses incurred during the period of construction as required by generally accepted accounting principles. Major additions and improvements are capitalized, while expenditures for maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed.

Water and sewer lines contributed by contractors are dedicated at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Depreciation is provided on the straight-line method over the estimated useful lives of the various assets.

Computer software:

The Authority is amortizing the cost of computer software over a three- or five-year period using the straight-line method.

Amortization:

Deferred loss on refunding is amortized over the life of the related debt using the straight-line method. Amortization expense for the years ended December 31, 2021 and 2020 was \$24,765 and \$14,670, respectively.

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

1. Nature of operations and summary of significant accounting policies (continued):

Deferred outflows of resources:

The statements of net position – proprietary fund report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and, thus, will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category; it is deferred charge on refunding report in the statements of net position – proprietary fund. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Unearned tapping fees:

Tapping fees collected are reported as unearned until the customer connects to the water/sewer system. Unearned tapping fees are reported as a current liability on the statements of net position – proprietary fund, and could be refunded upon request from the customer.

Long-term debt:

The debt obtained to finance the construction projects and used to refund previously issued debt are being accounted for by the Authority as required by generally accepted accounting principles for proprietary fund types. The Authority applies the provisions of the GASB for the refunding of the Authority's debt.

Reclassifications:

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

Pending GASB statements:

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

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

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

1. Nature of operations and summary of significant accounting policies (continued):

Pending GASB statements:

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

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The provisions of GASB Statement No. 92 are effective for the Authority's December 31, 2023 financial statements.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. This Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions related to leases, PPPs and SBITAs are effective for the Authority's December 31, 2023 financial statements. All other provisions of GASB Statement 99 are effective for the Authority's December 31, 2024 financial statements.

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

2. Deposits and investments:

In accordance with the Municipal Authorities Act, the Authority is authorized to designate one or more banks or bank and trust companies as a depository or depositories for its funds. If funds are fully insured by the Federal Deposit Insurance Corporation (FDIC), the Authority shall not require any additional bond, insurance or security to cover the amounts of deposits so insured. If these funds are not fully insured by the FDIC, the funds shall be continuously secured by a pledge of direct obligations of the United States of America, of the Commonwealth or of the municipality creating the authority, having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance on deposit.

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

2. Deposits and investments (continued):

Statutes authorize the Authority to invest in the following:

- United States treasury bills
- Obligations of the United States government and federal agencies
- Insured savings and checking accounts and certificates of deposits in banks, savings and loan associations and credit unions
- General obligation bonds of the federal government, Commonwealth of Pennsylvania or any state agency or of any Pennsylvania political subdivision
- Shares of mutual funds whose investments are restricted to the above categories
- Repurchase agreements collateralized by United States treasury bills or federal agency securities
- Commercial paper issued by corporations or other business entities organized in accordance with federal and state law, with a maturity not to exceed 270 days and the issuing corporation or business entity is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Bankers' acceptances that do not exceed 180 days' maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations
- Negotiable certificates of deposit with a remaining maturity of three years or less, issued by a nationally or state-chartered bank, a federal or state savings and loan association or a state-licensed branch of a foreign bank.

Deposits and investments of the 457 defined contribution pension plan are held separately from those of other Authority funds. 457 defined contribution pension funds are not restricted to the above requirements and may invest in other instruments.

The Authority categorizes the fair value of its investments based on the measurement hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. The Authority does not have any investments that are measured using Level 2 or Level 3 inputs.

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

2. Deposits and investments (continued):

Cash, cash equivalents, certificates of deposit and investments as of December 31, 2021 and 2020 were classified in the accompanying financial statements as follows:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|---------------------|
| Statements of net position, proprietary funds: | | |
| Cash and cash equivalents | \$ 8,368,167 | \$ 7,181,479 |
| Certificates of deposit | | 248,000 |
| Restricted cash and cash equivalents | 250,866 | 207,630 |
| Statements of fiduciary net position, pension trust fund | <u>1,520,191</u> | <u>1,412,720</u> |
| | <u>\$ 10,139,224</u> | <u>\$ 9,049,829</u> |

Cash, cash equivalents, certificates of deposit and investments as of December 31, 2021 and 2020 consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|---------------------|
| Water division: | | |
| Cash on hand | \$ 50 | \$ 50 |
| Deposits with financial institutions | 3,334,624 | 456,717 |
| PLGIT, state investment pool | <u>124,801</u> | <u>2,574,493</u> |
| Total water division | <u>3,459,475</u> | <u>3,031,260</u> |
| Sewer division: | | |
| Deposits with financial institutions | 5,025,914 | 222,976 |
| PLGIT: | | |
| State investment pool | 133,644 | 4,134,873 |
| Certificates of deposit | <u></u> | <u>248,000</u> |
| Total sewer division | <u>5,159,558</u> | <u>4,605,849</u> |
| Pension trust fund, Level 1, equities | <u>1,520,191</u> | <u>1,412,720</u> |
| Total cash, cash equivalents, certificates of deposit and equities | <u>\$ 10,139,224</u> | <u>\$ 9,049,829</u> |

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

2. Deposits and investments (continued):

Custodial credit risk and deposits:

For deposits, custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned to it. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral security that is in the possession of an outside party.

As of December 31, 2021, \$8,092,025 of the Authority's bank balance of \$8,418,335 was not covered by the Federal Deposit Insurance Corporation, but was collateralized in accordance with Act 72. As of December 31, 2020, \$419,490 of the Authority's bank balance of \$706,336 was not covered by the Federal Deposit Insurance Corporation, but was collateralized in accordance with Act 72. Act 72 requires the institution to pool collateral for all its government deposits and to have the collateral held by an approved custodian in the institution's name.

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|--------------------------|
| Deposits: | | |
| Collateral held by pledging bank under Act 72 but not in the Authority's name | \$ 8,092,025 | \$ 419,490 |
| Insured by Federal Deposit Insurance Corporation | 326,310 | 286,846 |
| Outstanding checks | (153,496) | (89,819) |
| Deposits in transit | 95,699 | 63,176 |
| Petty cash | <u>50</u> | <u>50</u> |
| Total deposits | <u><u>\$ 8,360,588</u></u> | <u><u>\$ 679,743</u></u> |

External investment pool:

The Authority uses an external investment pool to ensure safety and maximize efficiency, liquidity and yield for Authority funds. The external investment pool is valued at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The fair value of securities held by the external investment pool are evaluated on at least a weekly basis using prices supplied from an independent pricing service. These values are compared to the amortized cost of the securities.

PLGIT separately issues audited financial statements that are available to the public via their website. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pools. At December 31, 2021 and 2020, PLGIT carries an AAAM rating and has an average maturity of less than one year.

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

2. Deposits and investments (continued):

External investment pool:

The Authority has the following recurring amortized cost measurement as of December 31, 2021 and 2020, including unfunded commitments and redemption terms, as follows:

| | 2021 | | | |
|--|---------------------|-------------------------|-------------------------|--------------------------------|
| | Amortized cost | Unfunded commitments | Redemption frequency | Redemption notice period |
| Cash equivalents measured at amortized cost, external investment pool, PLGIT ¹ | <u>\$ 258,445</u> | <u>\$ -</u> | Weekly | 5 days |
| | 2020 | | | |
| | Amortized cost | Unfunded commitments | Redemption frequency | Redemption notice period |
| Cash equivalents measured at amortized cost, external investment pool, PLGIT ¹ | <u>\$ 6,957,366</u> | <u>\$ -</u> | Weekly | 5 days |

¹ External investment pool: This type includes pooled investments in bank repurchase agreements, certificates of deposit, U.S. treasuries and U.S. government obligations. The fair value of the investments in this type have been determined using amortized cost, which approximates fair value. Distributions from the fund will be received as the underlying investments of the funds are liquidated, which is expected to occur weekly.

Interest rate risk:

The Authority permits investments as authorized by law and requires that maturities of investments are consistent with cash flow requirements.

Credit risk:

The Authority's selection of depository institutions, brokers, custodians, investment advisors, local government investment pools and money market mutual funds are based on legality, performance, quality of services, creditworthiness, reputation and integrity. In addition, the investment companies used by the Authority must be rated in the highest category by a nationally recognized rating agency.

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

2. Deposits and investments (continued):

Investment concentrations:

The Authority places no limit on the amounts invested in any one issuer. The 457 Defined Contribution Pension Plan investments are in the following funds:

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Voya Financial, fair value, Level 1, equities: | | |
| Fidelity VIP Overseas Portfolio I | \$ 54,617 | \$ 44,296 |
| Inv Dev Mrkts Fd A | 53,836 | 56,237 |
| VY Inv Opp Global Port I | 12,791 | 18,810 |
| American Funds EuroPacific Grw R4 | 65,192 | 72,117 |
| Wanger International | | 7,125 |
| Voy Intl Hi Div LowVol Port-In | 29,584 | 25,335 |
| Voya Index Plus SmallCap Portfolio I | 11,440 | 15,041 |
| Franklin Small Cap Value VIP Fd 2 | 14,704 | 11,370 |
| Voya SmallCap Opportunities Prt I | 13,640 | 12,624 |
| Voya MidCap Opportunities Port I | 4,219 | 3,813 |
| VY AmCen Sm-Md Cp Val Port Srv | 45,613 | 34,755 |
| VY TRowePrice Divr Md Cp Gr Pt I | 30,781 | 26,482 |
| VY JPMorgan Sm Cp Core Eq Prt Srv | 7,512 | 6,165 |
| Wanger Select | 43,596 | 40,041 |
| Voya Russell Mid Cap Index Port I | 67,028 | 53,450 |
| BlackRock Md Cp Dividend Fund Inv A | 3,203 | 2,573 |
| Fidelity VIP Growth Portfolio I | 25,753 | 40,050 |
| VY TRowePrice Grwth Eqty Port I | 58,004 | 47,318 |
| American Funds Growth Fnd R4 | 110,123 | 119,025 |
| Voya Growth and Income Port I | 24,080 | 37,700 |
| VY Invesco Comstock Port Srv | 44,992 | 32,774 |
| American Funds Wash Mutual Inv R4 | 50,543 | 38,273 |
| American Funds Fundamental Inv R4 | 50,159 | 39,875 |
| Voya Large Cap Value Port Inst | 3,350 | 2,672 |
| Voya Russell Lrg Cap Index Port I | 57,636 | 44,221 |
| Voya Balanced Portfolio I | 61,701 | 54,750 |
| VY TRowePrice Captl Apprec Pt Srv | | 135,126 |
| Voya Strategic Alloc Growth Port I | 93,862 | 65,651 |
| Voya Solution 2035 Portfolio Srv | 24,906 | 15,377 |
| Voya Solution 2055 Portfolio Srv | 47,901 | 31,822 |
| Voya Solution 2065 Portfolio Srv | 89,818 | |
| Voya Intermediate Bond Port I | 31,042 | 30,181 |
| Voya GNMA Income Fund A | 17,371 | 16,838 |
| Voya Global Bond Port I | 17,481 | 17,652 |
| Voya Govt Money Market Portfolio I | 52 | 73 |
| Voya Fixed Account (4550) | 164,124 | 182,273 |
| Voya Fixed Plus Account II A | 89,537 | 30,835 |
| Total pension fund investments, equities | \$ 1,520,191 | \$ 1,412,720 |

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

3. Cash and cash equivalents:

Cash and cash equivalents at December 31, 2021 and 2020 consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|----------------------------|
| Water division: | | |
| Cash on hand | \$ 50 | \$ 50 |
| Ephrata National Bank | 3,193,585 | 348,194 |
| Fulton Bank | 22,668 | 9,433 |
| Pennsylvania Local Government Investment Trust | <u>124,801</u> | <u>2,574,493</u> |
| Total water division | <u>3,341,104</u> | <u>2,932,170</u> |
| Sewer division: | | |
| Ephrata National Bank | 4,893,419 | 114,436 |
| Pennsylvania Local Government Investment Trust | <u>133,644</u> | <u>4,134,873</u> |
| Total sewer division | <u>5,027,063</u> | <u>4,249,309</u> |
| Total cash and equivalents | <u><u>\$ 8,368,167</u></u> | <u><u>\$ 7,181,479</u></u> |

4. Restricted assets, cash and cash equivalents:

Restricted cash and cash equivalents consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| Held for construction, construction escrow | <u><u>\$ 250,866</u></u> | <u><u>\$ 207,630</u></u> |

These monies are invested as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|--------------------------|--------------------------|
| Deposits with financial institutions | <u><u>\$ 250,866</u></u> | <u><u>\$ 207,630</u></u> |

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

5. Accounts receivable:

The accounts receivable balance represents amounts due from customers for water and sewer services that have been provided as of December 31 by the Authority.

Accounts receivable included the following amounts that are 90 days or more past the invoice date of the related purchases:

| | <u>2021</u> | <u>2020</u> |
|--------------|-----------------|------------------|
| Over 90 days | <u>\$ 5,299</u> | <u>\$ 17,759</u> |

6. Utility plant, equipment and provisions for depreciation:

The Authority computes depreciation using the straight-line method. The charge to operations for depreciation amounted to \$1,272,870 and \$1,265,238 for 2021 and 2020, respectively. Additions to the water and sewer systems are valued at cost and amounted to \$1,232,938 and \$663,313 for 2021 and 2020, respectively. Additions and useful lives assigned to the various assets for depreciation purposes are as follows:

| <u>Asset classification</u> | <u>Useful lives</u> |
|-------------------------------|---------------------|
| Water distribution system | 7 - 50 years |
| Sewer collection system | 5 - 50 years |
| Buildings | 12 - 50 years |
| Machinery and equipment | 4 - 20 years |
| Trucks and cars | 5 - 10 years |
| Office furniture and fixtures | 5 - 10 years |
| Computer hardware | 4 - 10 years |

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

6. Utility plant, equipment and provisions for depreciation (continued):

A summary of the change to capital assets for 2021 follows:

| <u>2021</u> | <u>Beginning balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land and land rights | \$ 929,690 | | | \$ 929,690 |
| Construction in progress | 1,225,855 | \$ 1,081,608 | \$ 175,112 | 2,132,351 |
| Total capital assets not being depreciated | 2,155,545 | 1,081,608 | 175,112 | 3,062,041 |
| Other capital assets at historical cost: | | | | |
| Water distribution system | 24,892,991 | 117,578 | | 25,010,569 |
| Sewer collection system | 18,097,823 | 21,800 | | 18,119,623 |
| Buildings | 270,402 | | | 270,402 |
| Machinery and equipment | 324,534 | 2,127 | | 326,661 |
| Trucks and cars | 231,319 | | | 231,319 |
| Office furniture and fixtures | 34,415 | | | 34,415 |
| Computer hardware | 58,166 | 9,825 | | 67,991 |
| Total other assets at historical costs | 43,909,650 | 151,330 | | 44,060,980 |
| Accumulated depreciation: | | | | |
| Water distribution system | 11,397,460 | 668,818 | | 12,066,278 |
| Sewer collection system | 11,782,739 | 558,441 | | 12,341,180 |
| Buildings | 69,860 | 9,118 | | 78,978 |
| Machinery and equipment | 251,528 | 11,414 | | 262,942 |
| Trucks and cars | 175,970 | 17,454 | | 193,424 |
| Office furniture and fixtures | 33,413 | 236 | | 33,649 |
| Computer hardware | 40,328 | 7,389 | | 47,717 |
| Total accumulated depreciation | 23,751,298 | 1,272,870 | | 25,024,168 |
| Other capital assets, net | 20,158,352 | (1,121,540) | | 19,036,812 |
| Capital assets, net | \$ 22,313,897 | \$ (39,932) | \$ 175,112 | \$ 22,098,853 |

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

6. Utility plant, equipment and provisions for depreciation (continued):

A summary of the change to capital assets for 2020 follows:

| 2020 | Beginning balance | Additions | Deletions | Reclassifications | Ending balance |
|---|----------------------|--------------|-----------|-------------------|-------------------|
| Capital assets not being depreciated: | | | | | |
| Land and land rights | \$ 929,690 | | | | \$ 929,690 |
| Construction in progress | 1,591,457 | \$ 414,099 | | \$ (779,701) | 1,225,855 |
| Total capital assets not being depreciated | 2,521,147 | 414,099 | | (779,701) | 2,155,545 |
| Other capital assets at historical cost: | | | | | |
| Water distribution system | 24,496,884 | 144,500 | | 251,607 | 24,892,991 |
| Sewer collection system | 17,717,420 | 31,471 | | 348,932 | 18,097,823 |
| Buildings | 91,240 | | | 179,162 | 270,402 |
| Machinery and equipment | 324,534 | | | | 324,534 |
| Trucks and cars | 217,313 | 32,794 | \$ 18,788 | | 231,319 |
| Office furniture and fixtures | 34,415 | | | | 34,415 |
| Computer hardware | 47,717 | 10,449 | | | 58,166 |
| Total other assets at historical costs | 42,929,523 | 219,214 | 18,788 | 779,701 | 43,909,650 |
| Accumulated depreciation: | | | | | |
| Water distribution system | 10,738,062 | 659,398 | | | 11,397,460 |
| Sewer collection system | 11,223,064 | 559,675 | | | 11,782,739 |
| Buildings | 63,232 | 6,628 | | | 69,860 |
| Machinery and equipment | 238,510 | 13,018 | | | 251,528 |
| Trucks and cars | 175,951 | 18,807 | 18,788 | | 175,970 |
| Office furniture and fixtures | 33,177 | 236 | | | 33,413 |
| Computer hardware | 32,852 | 7,476 | | | 40,328 |
| Total accumulated depreciation | 22,504,848 | 1,265,238 | 18,788 | | 23,751,298 |
| Other capital assets, net | 20,424,675 | (1,046,024) | | 779,701 | 20,158,352 |
| Capital assets, net | \$ 22,945,822 | \$ (631,925) | \$ - | \$ - | \$ 22,313,897 |

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

7. Long-term debt:

The following is a summary of long-term debt transactions of the Authority for the years ended December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Long-term debt payable, beginning | \$ 2,615,000 | \$ 4,630,000 |
| Water revenue note issued | | 2,735,000 |
| Water revenue note principal repayment | (150,000) | (2,120,000) |
| Water revenue notes repayment per refunding | | (2,630,000) |
| | <u></u> | <u></u> |
| Long-term debt payable, ending | <u>\$ 2,465,000</u> | <u>\$ 2,615,000</u> |

Debt payable at December 31 is comprised of the following:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|---------------------|---------------------|
| Water Revenue Note, Series of 2020 | <u>\$ 2,465,000</u> | <u>\$ 2,615,000</u> |

Debt service requirements in future years are:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------|---------------------|-------------------|---------------------|
| 2022 | \$ 150,000 | 36,975 | \$ 186,975 |
| 2023 | 150,000 | 34,725 | 184,725 |
| 2024 | 150,000 | 32,475 | 182,475 |
| 2025 | 320,000 | 30,225 | 350,225 |
| 2026 | 330,000 | 25,425 | 355,425 |
| 2027-2030 | <u>1,365,000</u> | <u>51,675</u> | <u>1,416,675</u> |
| Total payments | <u>\$ 2,465,000</u> | <u>\$ 211,500</u> | <u>\$ 2,676,500</u> |

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

8. Water Revenue Note, Series of 2017 and Water Revenue Note, Series of 2020:

Water Revenue Note, Series of 2017:

On December 20, 2017, the Authority issued the Water Revenue Note, Series of 2017 in the maximum principal amount of \$4,760,000. Principal maturities begin on December 1, 2018 and continued annually through December 1, 2043. Interest rates ranged from 1.30% to 3.75%. Interest was payable in semi-annual installments beginning December 1, 2018 and continuing in December and June of each year thereafter. The average debt service cost was \$238,716.

The note was secured by the pledge of all receipts and revenues from or in connection with the water system, including receipts from tapping fees. The purpose of this note issue was to advance refund the Water Revenue Bonds, Series of 2013 and pay the cost of issuance of the note. As of December 31, 2020, the remaining balance of the note was paid off through the issuance of the Water Revenue Note, Series of 2020.

Water Revenue Note, Series of 2020:

On October 15, 2020, the Authority issued the Water Revenue Note, Series of 2020 in the maximum principal amount of \$2,735,000. Principal maturities begin on December 1, 2020 and continue annually through December 1, 2030. The interest rate is fixed at 1.50%. Interest is payable in semi-annual installments beginning December 1, 2020 and continuing in December and June of each year thereafter. The average debt service cost is \$154,620.

The note is secured by the pledge of all receipts and revenues from or in connection with the water system, including receipts from tapping fees. The purpose of this note issue is to currently refund the Water Revenue Bonds, Series of 2017 and pay the cost of issuance of the note. The net savings of the refunding for the Authority is approximately \$511,000.

Loss on refunding:

On October 15, 2020, the Authority issued the Water Revenue Note, Series of 2020, to currently refund the Water Revenue Bond, Series of 2017. The refunding resulted in a deferred loss on refunding. The balance of the deferred loss on refunding, net of accumulated amortization, is \$221,052 and \$245,817 as of December 31, 2021 and 2020, respectively.

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

9. Related parties:

Lease rental agreement:

The Authority entered into a rental agreement with East Cocalico Township, a related organization, dated August 21, 1989. This agreement covers the rental of office space for a year. Each year it can be renewed at an adjusted cost no greater than the Consumer Price Index rise for this area. Rentals of \$11,700 were paid in 2021 and 2020, respectively.

Tapping fees:

The Authority's water division paid the Authority's sewer division \$61,697 in both 2021 and 2020 for 25 EDUs of sewer capacity for each year. The water division recorded the capacity as an addition to the water distribution system during both the years ended December 31, 2021 and 2020. The sewer division recorded \$61,697 as tapping fees on the statements of revenues, expenses and changes in fund net position – proprietary fund in both 2021 and 2020.

10. Sewer service agreement, intermunicipal group:

On November 1, 1995, the Authority entered into a Sewage Service Agreement with the Borough of Ephrata and neighboring communities, whereby the Borough of Ephrata will provide sewage treatment services to neighboring communities. Costs of operation and total annual capital costs are shared by each party on the basis of their proportionate share of sewage flow to the total flow of sewage. Recognizing the partnership agreement between the Authority and the Borough of Adamstown, the agreement permits East Cocalico Township Authority to divert up to 100,000 gallons per day without any payments. The Authority is permitted to divert up to an additional 300,000 gallons per day. A diversion charge will be computed to allocate annual capital costs allocable to Plant No. 2 on the additional gallons as outlined in the agreement. This agreement shall remain in effect until terminated by consent of all parties hereto.

All facilities will be owned by the Ephrata Borough Authority. There are no minimum rentals established in the agreement.

11. Sewer service and partnership agreement:

On September 25, 1995, the Authority entered into an agreement with the Borough of Adamstown and Adamstown Borough Authority (collectively, Adamstown), whereby Adamstown grants unto East Cocalico the perpetual right to collect, transport and deliver wastewater to the Adamstown Treatment Facilities. East Cocalico connected to the Adamstown Treatment Facilities on April 16, 1997. The Authority is allocated an initial capacity of 100,000 gallons per day. The Authority paid Adamstown an initial buy-in fee of \$845,191. In addition, the Authority is responsible to pay an annual service fee and surcharges, if applicable. Calculation of surcharges is made pursuant to an amendment of the partnership agreement dated October 7, 2004.

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

11. Sewer service and partnership agreement (continued):

Additional provisions of the agreement require East Cocalico to pay its proportional share of any future plant upgrades and 100% of the cost of any future solids handling facilities. Future expansion of the treatment plant is to be paid for by the municipality requiring the additional treatment capacity or proportionally if both municipalities require additional capacity.

All properties covered by this agreement are the sole property of Adamstown. Costs have been capitalized as part of the sewer collection system.

Adamstown has the option to reallocate capacity from East Cocalico to Adamstown. Adamstown is responsible to pay East Cocalico \$4.83 for each gallon of capacity reallocated to Adamstown.

12. Employee group insurance:

The Authority has entered into an inter-governmental cooperation agreement with other municipalities, in order to provide health, hospitalization, medical or surgical insurance for Authority employees and their dependents. Under this agreement, the Authority is entering into a partially self-funded arrangement with a local insurance carrier. This arrangement requires monthly deposits be placed in an account from which the insurance carrier can draw for claims made. Specific individual losses for claims are limited to \$45,000 per incident per fiscal year. In total, the Authority's liability is limited for each fiscal year to the amount that the Authority is required to deposit based on individual rates established at the beginning of the year. Depending on the claims incurred by other participating municipalities, the Authority may be responsible for a portion of excess claims incurred by the other participants (but not to exceed the Authority's overall limit of liability). Although not guaranteed, the plan also allows the Authority to receive a distribution of surplus income depending upon claim experience.

For the year ended December 31, 2021, the Authority paid premiums of \$87,643. Actual claims paid for the year ended December 31, 2021 were \$28,872. The Authority also incurred a shared cost of \$10,116 and is anticipating a refund of \$48,655 in 2022. For the year ended December 31, 2020, the Authority paid premiums of \$98,604. Actual claims paid for the year ended December 31, 2020 were \$27,084. The Authority also incurred a shared cost of \$416 and received a refund of \$71,090 in 2021.

13. 457 deferred compensation plan:

The Authority maintains a deferred compensation plan that is available to all full-time employees. The participating employees are required to contribute a minimum of 2% of their earnings but have the option to contribute more. The Authority will only match contributions up to 5% for the participating employees. The Authority's Administrator is the administrator of the plan. The administrator of the plan has the authority to amend the plan. The Authority has delegated the authority to manage plan assets to Voya. Funds are held in trust by Voya Financial for each employee.

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

13. 457 deferred compensation plan (continued):

Investment balances are not available to participants until termination, retirement, death or unforeseeable emergency. Upon termination of employment, employer contributions are due to the employee in accordance with a staged vesting schedule. A year of vesting service shall consist of 12 completed months of service. As of seven years of service, an employee is fully vested in the plan. Any portion of the Authority's contributions to the plan, which is not vested upon termination of an employee, before seven years, shall be forfeited. Forfeited amounts shall be held in a suspense account until used to reduce future Authority contributions to the plan. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts and all income attributable to these amounts, property or rights are held in trust for the exclusive benefits of participants and their beneficiaries. Deferred compensation balances of \$1,520,191 and \$1,412,720 are being held as of December 31, 2021 and 2020, respectively. During the years ended December 31, 2021 and 2020, there were \$0 in forfeitures. The Authority does not have a liability related to the plan as of the years ended December 31, 2021 and 2020.

14. Commitments and contingencies:

Risk management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority maintains commercial insurance covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three years.

Letters of credit:

Developers and others are periodically required to issue an irrevocable letter of credit to secure the completion of public improvements in accordance with Authority regulations. These letters of credit are released upon completion of the improvements.

Construction commitments:

In 2020, the Authority entered into agreements with two contractors for the Well M Main Project for \$325,750. There was \$62,462 outstanding on the contract at December 31, 2021.

In 2021, the Authority entered into agreements with two contractors for the Stevens Pumping Station Project for \$847,812. There was \$509,802 outstanding on the contract at December 31, 2021.

In 2021, the Authority entered into an engineering agreement with CDM Smith for the Meadowbrook Project for \$318,200. There was \$205,511 outstanding on the contract at December 31, 2021.

EAST COCALICO TOWNSHIP AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021 and 2020

15. Impact of COVID-19 pandemic on financial statements:

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has caused business disruption to many industries, due to state government-imposed shutdowns of businesses and other results of the illness, such as cancellation of large group events. While the Authority expects this matter may negatively impact its results, the extent of the impact of COVID-19 on the Authority's operations is highly uncertain and cannot be predicted.

16. Subsequent events:

Management has evaluated subsequent events through June 22, 2022, which is the date the financial statements were available to be issued.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
WATER DIVISION – ACTUAL VS BUDGET
YEAR ENDED DECEMBER 31, 2021

(See independent auditor's report on supplementary information)

| | Actual | Budget | Over (under) budget |
|---|------------------|------------------|------------------------|
| Operating revenue: | | | |
| Utility rents | \$ 1,397,983 | \$ 1,433,000 | \$ (35,017) |
| Fire hydrant rent | 63,180 | 63,180 | - |
| Penalties on late payments | 6,984 | 7,375 | (391) |
| Inspection fees | 4,070 | 12,000 | (7,930) |
| Review fees | 3,725 | 1,000 | 2,725 |
| Miscellaneous | 7,764 | 4,000 | 3,764 |
| | <u>1,483,706</u> | <u>1,520,555</u> | <u>(36,849)</u> |
| Meters and reimbursed construction income: | | | |
| Sale of meters | 25,062 | 20,100 | 4,962 |
| Material sales | 247 | 1,000 | (753) |
| Legal fees | 1,842 | 2,000 | (158) |
| Engineering fees | 17,920 | 16,000 | 1,920 |
| Reimbursable fees | | 100 | (100) |
| Sub-contractor | | 100 | (100) |
| Labor sales | 2,377 | 1,500 | 877 |
| | <u>47,448</u> | <u>40,800</u> | <u>6,648</u> |
| Total meters and reimbursed construction income | | | |
| | <u>1,531,154</u> | <u>1,561,355</u> | <u>(30,201)</u> |
| Operating expenses: | | | |
| Meters and costs incurred for others: | | | |
| Purchases: | | | |
| Meters | 6,766 | 16,200 | (9,434) |
| Other materials | 3,059 | 1,000 | 2,059 |
| Legal costs | 1,842 | 2,000 | (158) |
| Engineering costs | 17,920 | 16,000 | 1,920 |
| Reimbursable costs | | 200 | (200) |
| Purchases, sub-contractor | | 200 | (200) |
| | <u>29,587</u> | <u>35,600</u> | <u>(6,013)</u> |
| Total meters and costs incurred for others | | | |

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
WATER DIVISION – ACTUAL VS BUDGET (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

(See independent auditor's report on supplementary information)

| | Actual | Budget | Over (under) budget |
|--|-----------|-----------|------------------------|
| Operating expenses (continued): | | | |
| Operating and maintenance: | | | |
| Salaries and wages: | | | |
| Supervision | \$ 84,095 | \$ 82,460 | \$ 1,635 |
| Other | 144,259 | 146,490 | (2,231) |
| Payroll taxes | 17,508 | 17,950 | (442) |
| Pension | 11,147 | 11,260 | (113) |
| Workers' compensation insurance | 3,501 | 3,610 | (109) |
| Insurance | 8,642 | 9,165 | (523) |
| Employee group insurance | 43,171 | 47,300 | (4,129) |
| Maintenance: | | | |
| Building | 7,378 | 4,500 | 2,878 |
| Contents | 19,368 | 26,000 | (6,632) |
| Field items | 53,749 | 20,000 | 33,749 |
| Telemetering repairs | | 1,000 | (1,000) |
| Permit fees | 10,525 | 11,000 | (475) |
| Repairs to machinery and equipment | 3,388 | 2,000 | 1,388 |
| Contracted services | 6,824 | 11,400 | (4,576) |
| Sewer charges, WTP | 53,136 | 54,765 | (1,629) |
| Electric | 82,508 | 93,000 | (10,492) |
| Laboratory testing | 31,700 | 28,000 | 3,700 |
| Chemicals | 43,351 | 48,000 | (4,649) |
| Certification | 581 | 1,000 | (419) |
| Auto allowance | | 100 | (100) |
| Depreciation | 679,840 | 674,104 | 5,736 |
| Other operating expense | 8,220 | 8,500 | (280) |
| Total operating and maintenance | 1,312,891 | 1,301,604 | 11,287 |

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
WATER DIVISION – ACTUAL VS BUDGET (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

(See independent auditor's report on supplementary information)

| | Actual | Budget | Over (under) budget |
|---|------------------|------------------|------------------------|
| Operating expenses (continued): | | | |
| Transportation expenses: | | | |
| Gasoline and motor oil | \$ 5,348 | \$ 6,000 | \$ (652) |
| Repairs and service | 2,412 | 3,000 | (588) |
| Insurance | 2,657 | 2,840 | (183) |
| Depreciation | 8,727 | 8,727 | - |
| Total transportation expenses | 19,144 | 20,567 | (1,423) |
| General and administrative expenses: | | | |
| Salaries and wages, clerical | 116,128 | 109,245 | 6,883 |
| Payroll taxes | 8,632 | 8,555 | 77 |
| Pension | 4,455 | 4,045 | 410 |
| Insurance | 1,619 | 2,100 | (481) |
| Employee group insurance | 26,231 | 28,200 | (1,969) |
| Engineering fees | 44,516 | 20,000 | 24,516 |
| Legal fees | 9,402 | 8,000 | 1,402 |
| Audit fees | 8,940 | 9,355 | (415) |
| Bank fees | 3 | 500 | (497) |
| Officers expenses | 2,300 | 3,000 | (700) |
| Postage and office supplies | 4,442 | 4,000 | 442 |
| Dues and subscriptions | 2,562 | 2,300 | 262 |
| Public emergency notification | 1,160 | 1,200 | (40) |
| Advertising | 223 | 500 | (277) |
| Maintenance and repairs | 2,174 | 1,500 | 674 |
| Training and seminars | 2,744 | 2,000 | 744 |
| Telephone | 5,082 | 5,500 | (418) |
| Rent, building | 6,443 | 6,500 | (57) |
| Auto allowance | 400 | 350 | 50 |
| Water and sewer | 5,687 | 5,500 | 187 |
| Computer training | | 100 | (100) |
| Computer support | 21,629 | 21,000 | 629 |
| Depreciation | 6,070 | 5,857 | 213 |
| Amortization of computer software | 9,074 | 9,059 | 15 |
| Uncollectible accounts | | 100 | (100) |
| Notary fees | | 250 | (250) |
| Other general expense | 4,025 | 2,500 | 1,525 |
| Total general and administrative expenses | 293,941 | 261,216 | 32,725 |
| Total operating expenses | 1,655,563 | 1,618,987 | 36,576 |

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – WATER DIVISION – ACTUAL VS BUDGET (CONTINUED) YEAR ENDED DECEMBER 31, 2021

(See independent auditor's report on supplementary information)

| | Actual | Budget | Over (under) budget |
|--|-----------------------------|--------------------|--------------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Over (under) budget</u> |
| Operating loss | \$ (124,409) | \$ (57,632) | \$ (66,777) |
| Other income: | | | |
| Interest income | 2,981 | 3,000 | (19) |
| Miscellaneous income | | 100 | (100) |
| T-Mobile rent | 24,741 | 24,740 | 1 |
| Health insurance rebate | 35,545 | 15,000 | 20,545 |
| Gain on sale of assets | | 2,500 | (2,500) |
| | <u>63,267</u> | <u>45,340</u> | <u>17,927</u> |
| Total other income | 63,267 | 45,340 | 17,927 |
| Other deductions: | | | |
| Interest expense | 39,037 | 39,225 | (188) |
| Disposal of construction in progress | 175,112 | | 175,112 |
| Amortization of deferred loss on refunding | 24,765 | 29,476 | (4,711) |
| | <u>238,914</u> | <u>68,701</u> | <u>170,213</u> |
| Total other deductions | 238,914 | 68,701 | 170,213 |
| Loss before tapping fees, capital contribution fees and developer contributions | <u>(300,056)</u> | <u>(80,993)</u> | <u>(219,063)</u> |
| Tapping fees, capital contribution fees and developer contributions: | | | |
| Tapping fees | 386,675 | 220,740 | 165,935 |
| Capital contribution fees | 280,334 | 44,320 | 236,014 |
| Developer contributions | 14,850 | | 14,850 |
| | <u>681,859</u> | <u>265,060</u> | <u>416,799</u> |
| Tapping fees, capital contribution fees and developer contributions | 681,859 | 265,060 | 416,799 |
| Increase in net position | 381,803 | \$ 184,067 | \$ 197,736 |
| Net position: | | | |
| January 1 | <u>16,052,083</u> | | |
| December 31 | <u>\$ 16,433,886</u> | | |

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
SEWER DIVISION – ACTUAL VS BUDGET
YEAR ENDED DECEMBER 31, 2021

(See independent auditor's report on supplementary information)

| | Actual | Budget | Over (under) budget |
|--|-------------------------|-------------------------|------------------------|
| Operating revenue: | | | |
| Utility rents | \$ 2,221,816 | \$ 2,230,165 | \$ (8,349) |
| Penalties on late payments | 13,419 | 11,198 | 2,221 |
| Inspection fees | 4,499 | 12,000 | (7,501) |
| Review fees | 3,600 | 1,000 | 2,600 |
| Miscellaneous | 1,610 | 1,500 | 110 |
| | <u>2,244,944</u> | <u>2,255,863</u> | <u>(10,919)</u> |
| Reimbursed construction income: | | | |
| Material sales | 139 | 200 | (61) |
| Legal fees | 1,842 | 2,500 | (658) |
| Engineering fees | 19,723 | 14,250 | 5,473 |
| Reimbursable fees | | 200 | (200) |
| Sub-contractor | | 200 | (200) |
| Labor sales | 1,365 | 500 | 865 |
| | <u>23,069</u> | <u>17,850</u> | <u>5,219</u> |
| Total reimbursed construction income | | | |
| | <u>23,069</u> | <u>17,850</u> | <u>5,219</u> |
| Total operating revenue | <u>2,268,013</u> | <u>2,273,713</u> | <u>(5,700)</u> |
| Operating expenses: | | | |
| Costs incurred for others: | | | |
| Purchases: | | | |
| Meters | 5,857 | | 5,857 |
| Other materials | 109 | 200 | (91) |
| Sub-contractor | | 200 | (200) |
| Legal costs | 1,842 | 2,500 | (658) |
| Engineering costs | 19,723 | 14,250 | 5,473 |
| Reimbursable costs | | 200 | (200) |
| | <u>27,531</u> | <u>17,350</u> | <u>10,181</u> |
| Total costs incurred for others | | | |
| | <u>27,531</u> | <u>17,350</u> | <u>10,181</u> |

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
SEWER DIVISION – ACTUAL VS BUDGET (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

(See independent auditor's report on supplementary information)

| | Actual | Budget | Over (under) budget |
|--|-----------|-----------|------------------------|
| Operating expenses (continued): | | | |
| Operating and maintenance: | | | |
| Salaries and wages: | | | |
| Supervision | \$ 84,095 | \$ 82,460 | \$ 1,635 |
| Other | 144,259 | 146,490 | (2,231) |
| Payroll taxes | 17,508 | 17,950 | (442) |
| Pension | 11,147 | 11,260 | (113) |
| Workers' compensation insurance | 3,501 | 3,610 | (109) |
| Insurance | 8,642 | 9,165 | (523) |
| Employee group insurance | 43,147 | 47,300 | (4,153) |
| Maintenance: | | | |
| Building | 274 | 1,000 | (726) |
| Contents | 9,284 | 15,000 | (5,716) |
| Field items | 16,289 | 22,000 | (5,711) |
| Permit fees | | 100 | (100) |
| Repairs to machinery and equipment | 3,698 | 2,000 | 1,698 |
| Sewer treatment costs, Ephrata/Adamstown | 717,889 | 818,309 | (100,420) |
| Sewer interceptor costs, Ephrata | 15,348 | 22,381 | (7,033) |
| Sewer debt service costs, Ephrata | 257,254 | 235,657 | 21,597 |
| Contracted services | 360 | 400 | (40) |
| Electric | 18,987 | 22,000 | (3,013) |
| Laboratory testing | 2,855 | 3,300 | (445) |
| Certification | 606 | 700 | (94) |
| Telemetry | 6,577 | 6,600 | (23) |
| Auto allowance | | 100 | (100) |
| Depreciation | 567,951 | 567,058 | 893 |
| Other operating expense | 4,753 | 5,000 | (247) |
| Total operating and maintenance | 1,934,424 | 2,039,840 | (105,416) |

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
SEWER DIVISION – ACTUAL VS BUDGET (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

(See independent auditor's report on supplementary information)

| | Actual | Budget | Over (under) budget |
|---|------------------|------------------|------------------------|
| Operating expenses (continued): | | | |
| Transportation expenses: | | | |
| Gasoline and motor oil | \$ 5,348 | \$ 6,000 | \$ (652) |
| Repairs and service | 2,407 | 3,000 | (593) |
| Insurance | 2,657 | 2,840 | (183) |
| Depreciation | 8,727 | 8,727 | - |
| Total transportation expenses | 19,139 | 20,567 | (1,428) |
| General and administrative expenses: | | | |
| Salaries and wages, clerical | 116,128 | 109,245 | 6,883 |
| Payroll taxes | 8,632 | 8,555 | 77 |
| Pension | 4,455 | 4,045 | 410 |
| Insurance | 1,619 | 2,100 | (481) |
| Employee group insurance | 26,231 | 28,200 | (1,969) |
| Engineering fees | 23,691 | 18,000 | 5,691 |
| Legal fees | 5,364 | 5,000 | 364 |
| Audit fees | 8,940 | 9,355 | (415) |
| Bank fees | | 500 | (500) |
| Officers expenses | 2,300 | 3,000 | (700) |
| Postage and office supplies | 4,421 | 4,000 | 421 |
| Dues and subscriptions | 2,562 | 2,300 | 262 |
| Advertising | 223 | 500 | (277) |
| Maintenance and repairs | 2,174 | 1,500 | 674 |
| Training and seminars | 2,154 | 2,000 | 154 |
| Telephone | 5,076 | 5,500 | (424) |
| Rent, building | 6,443 | 6,500 | (57) |
| Auto allowance | 400 | 350 | 50 |
| Water and sewer | 1,425 | 750 | 675 |
| Notary fees | | 250 | (250) |
| Computer training | | 100 | (100) |
| Computer support | 20,788 | 21,000 | (212) |
| Depreciation | 1,555 | 1,528 | 27 |
| Amortization of computer software | 1,397 | 1,382 | 15 |
| Uncollectible accounts | | 100 | (100) |
| Other general expense | 3,431 | 2,500 | 931 |
| Total general and administrative expenses | 249,409 | 238,260 | 11,149 |
| Total operating expenses | 2,230,503 | 2,316,017 | (85,514) |

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
SEWER DIVISION – ACTUAL VS BUDGET (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

(See independent auditor's report on supplementary information)

| | Actual | Budget | Over (under) budget |
|-----------------------------------|----------------------|--------------------|------------------------|
| Operating income (loss) | \$ 37,510 | \$ (42,304) | \$ 79,814 |
| Other income: | | | |
| Interest income | 5,034 | 6,500 | (1,466) |
| Miscellaneous income | | 100 | (100) |
| Health insurance rebate | 35,545 | 15,000 | 20,545 |
| Gain on sale of assets | | 2,500 | (2,500) |
| Total other income | 40,579 | 24,100 | 16,479 |
| Income (loss) before tapping fees | 78,089 | (18,204) | 96,293 |
| Tapping fees | 238,657 | 209,770 | 28,887 |
| Increase in net position | 316,746 | \$ 191,566 | \$ 125,180 |
| Net position: | | | |
| January 1 | 11,947,743 | | |
| December 31 | \$ 12,264,489 | | |

See notes to financial statements.