EAST COCALICO WATER & SEWER TOWNSHIP AUTHORITY

YEARS ENDED
DECEMBER 31, 2023 AND 2022

Brown Plus
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EAST COCALICO TOWNSHIP AUTHORITY

YEARS ENDED DECEMBER 31, 2023 AND 2022

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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 each major fund of East Cocalico Township Authority (the Authority) as of and for the years ended December 31, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of East Cocalico Township Authority as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years 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 it.

Brown Plus

Camp Hill, Pennsylvania
June 24, 2024

EAST COCALICO TOWNSHIP AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)
DECEMBER 31, 2023 and 2022

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, 2023. 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 and deferred inflows of resources by $30,381,780 at the close of the calendar year ended December 31, 2023 compared to $29,288,912 for the previous year. This was an increase of 3.73% over the previous calendar year.

Total net position increased by $1,092,868 (3.73%) for the year ended December 31, 2023 compared to $584,056 (2.03%) for the year ended December 31, 2022. During 2023, total current and other assets increased by $1,053,585 compared to 2022 primarily due to an increase of $2,845,064 in cash and cash equivalents net of a decrease of $1,000,000 in certificates of deposit associated with the water fund; and an increase of $79,408 in cash and cash equivalents net of a decrease of $14,000 associated with the sewer fund. During the same time period, total utility plant and equipment increased by $2,830,630 due primarily to additions of $4,169,505 net of an increase of $1,338,875 in overall accumulated depreciation. Overall, the Authority's total assets increased by $3,884,215 (12.01%) compared to the previous year.

ECTA's total deferred outflows of resources decreased $24,765 for the year ended December 31, 2023 due to the annual amortization expense associated with the deferred loss on refunding.

ECTA's total liabilities increased $2,792,982 (93.99%) during the year ended December 31, 2023 compared to a decrease of $98,807 (3.22%) during the year ended December 31, 2022. The increase in 2023 is mostly attributed to an increase in unearned grant revenue of $1,096,776, an increase in trade accounts payable of $798,647 and an increase in long-term debt of $597,838.

ECTA's total deferred inflows of resources decreased $26,400 for the year ended December 31, 2023 due to the annual lease payment.

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, the statements of net position - fiduciary funds and statements of changes in fiduciary 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. It presents information on the Authority's assets, deferred outflows and inflows of resources, liabilities and net position. The difference between the sum of (1) assets and (2) deferred outflows and inflows 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 provide 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 deals 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 these statements. The notes to the financial statements provide additional information critical to the understanding of the basic financial statements.

Financial analysis – Proprietary funds

Table 1
Net Position

	Period ended		Increase (decrease)	
	December 31, 2023	December 31, 2022	Amount	Percentage
Assets:				
Current and other assets	$ 9,612,376	$ 8,558,791	$ 1,053,585	12.31 %
Utility plant and equipment, net	26,600,161	23,769,531	2,830,630	11.91
Total assets	**36,212,537**	**32,328,322**	**3,884,215**	**12.01**
Deferred outflows of resources, deferred loss on refunding	171,522	196,287	(24,765)	(12.62)
Total assets and deferred outflows of resources	**$ 36,384,059**	**$ 32,524,609**	**$ 3,859,450**	**11.87 %**
Liabilities:				
Current liabilities	$ 3,001,841	$ 806,697	$ 2,195,144	272.12 %
Long-term liabilities	2,762,838	2,165,000	597,838	27.61
Total liabilities	**5,764,679**	**2,971,697**	**2,792,982**	**93.99**
Deferred inflows of resources, leases	237,600	264,000	(26,400)	(10.00)
Net position:				
Invested in capital assets, net of related debt	23,875,731	21,676,322	2,199,409	10.15
Unrestricted	6,506,049	7,612,590	(1,106,541)	(14.54)
Total net position	**30,381,780**	**29,288,912**	**1,092,868**	**3.73**
Total liabilities, deferred inflows of resources and net position	**$ 36,384,059**	**$ 32,524,609**	**$ 3,859,450**	**11.87 %**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $30,381,780 as of December 31, 2023. ECTA's net position increased by $1,092,868 for the year ended December 31, 2023. The largest portion of total net position (78.59%) reflects ECTA's investment in capital assets (e.g., land, buildings, interceptor sewer lines, water lines, wells, equipment and leasehold improvements) 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 $6,506,049 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, 2023 as total net position grew by 3.73%.

ECTA placed into service a total of $2,421,029 worth of capital assets during 2023. Major capital assets in the water fund included $718,940 associated with the water treatment plant and $387,225 associated with leasehold improvements. Major capital assets in the sewer fund included $393,225 associated with leasehold improvements.

During 2023, there were additions to construction in progress of $3,473,136. 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, 2022, current and other assets for the year ended December 31, 2023 increase by $1,053,585 (12.31%) due primarily to an increase in cash and cash equivalents net of a decrease of certificates of deposit with both the water and sewer divisions. The Authority's total liabilities at the end of 2023 increased by $2,792,982 (93.99%) compared to the prior year ended December 31, 2022. This was primarily due to an increase in unearned grant revenue, trade accounts payable and long-term debt.

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 $29,288,912 to $30,381,780 as highlighted below:

Table 2
Changes in Revenues, Expenses and Net Position

	Period ended		Increase (decrease)	
	December 31, 2023	December 31, 2022	Amount	Percentage
Operating revenues, charges for services	**$ 4,193,250**	**$ 3,967,455**	**$ 225,795**	**5.69 %**
Operating expenses:				
Costs incurred for others	41,440	155,766	(114,326)	(73.40)
Operating and maintenance expenses	3,889,808	3,457,242	432,566	12.51
Transportation expenses	54,145	38,866	15,279	39.31
General and administrative expenses	697,037	608,471	88,566	14.56
Total operating expenses	**4,682,430**	**4,260,345**	**422,085**	**9.91**
Operating loss	**(489,180)**	**(292,890)**	**(196,290)**	**(67.02)**
Nonoperating revenue (expenses):				
Other income	710,943	119,312	591,631	495.87
Other deductions	(59,888)	(61,740)	1,852	(3.00)
Total nonoperating revenue	**651,055**	**57,572**	**593,483**	**1,030.85**
Gain (loss) before tapping fees, capital contribution fees and developer contributions	161,875	(235,318)	397,193	(168.79)
Tapping fees, capital contributions fees and developer contributions:				
Tapping fees	288,616	182,203	106,413	58.40
Capital contribution fees	174,519	30,799	143,720	466.64
Developer contributions	467,858	606,372	(138,514)	(22.84)
Total tapping fees, capital contributions fees and developer contributions	**930,993**	**819,374**	**111,619**	**13.62**
Increase in net position	**1,092,868**	**584,056**	**508,812**	**87.12**
Total net position:				
Beginning of year	29,288,912	28,704,856	584,056	2.03
End of year	**$ 30,381,780**	**$ 29,288,912**	**$ 1,092,868**	**3.73 %**

Review of operations

Operating revenues

Comparing the years ended December 31, 2023 and 2022, operating revenues increased by $225,795 (5.69%) from the beginning to the end of 2023. The majority of the change is attributable to an increase in the water and sewer utility rents. In 2015, the water fund began paying utility rents to the sewer fund for wastewater produced by the new water treatment plant. Included in the sewer division's 2023 operating revenue is $87,495 associated with these rents.

Operating expenses

Comparing the periods ended December 31, 2023 and 2022, overall operating expenses increased by $422,085 (9.91%). The majority of the change is attributable to an increase in operating and maintenance expense of $432,566 (12.51%).

Total loss before tapping fees, capital contribution fees and developer contributions

Operating revenues along with other income totaled $4,904,193 for the year ended December 31, 2023. Corresponding operating expenses and other deductions totaled $4,742,318 for the same time period. This resulted in loss before tapping fees, capital contribution fees and developer contributions of $161,875 compared to a loss of $235,318 for the year ended December 31, 2022.

Tapping fees

For the year ended December 31, 2023, compared to the year ended December 31, 2022, overall tapping fees increased by $106,413 (58.40%). Looking closer at this number, water tapping fees increased by $46,246 (45.03%) in 2023, which fluctuates each year based on new connections and capacity reassessments. Additionally, sewer tapping fees, which also fluctuate each year, increased by $60,167 (75.68%) due to a increase in new connections.

Capital contribution fees and developer contributions

During 2023, the Authority received $642,377 in capital contribution fees and noncash developer contributions. In 2022, capital contribution fees and noncash developer contributions totaled $637,171. Included in the 2023 and 2022 amounts are funds totaling $174,519 and $30,799, 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 $467,858 in 2023 and $606,372 in 2022 were received in the form of contributed water and sewer lines.

Utility plant and equipment and debt administration

Table 3
Utility Plant and Equipment
(Net of Depreciation)

	Period ended		Increase (decrease)	
	December 31, 2023	December 31, 2022	Amount	Percentage
Land and land rights	$ 929,690	$ 929,690		
Construction in progress	3,629,589	1,881,113	$ 1,748,476	92.95 %
Water distribution system	14,533,689	13,974,068	559,621	4.00
Sewer collection system	6,243,951	6,614,114	(370,163)	(5.60)
Buildings	181,526	191,262	(9,736)	(5.09)
Machinery and equipment	197,118	67,031	130,087	194.07
Office furniture and fixtures	63,439	90,172	(26,733)	(29.65)
Trucks and cars	19,145	530	18,615	3,512.26
Computer hardware	21,564	21,551	13	0.06
Leasehold improvements	780,450		780,450	100.00
Total utility plant and equipment, net of depreciation	$ 26,600,161	$ 23,769,531	$ 2,830,630	11.91 %

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 increased $2,830,630 (11.91%) between December 31, 2022, and December 31, 2023. As of December 31, 2023, utility plant and equipment totaled $26,600,161 (net of accumulated depreciation) compared to $23,769,531 (net of accumulated depreciation) at the close of the year ended December 31, 2022. Construction in progress increased by $1,748,476 (92.95%) at December 31, 2023. In 2023, capital assets (net of accumulated depreciation) related to the water distribution system increased by $559,621 (4.00%) due primarily to 2023 additions. Capital assets in the sewer collection system decreased by $370,163 (5.60%) due primarily to 2023 depreciation. Capital assets in leasehold improvements increased by $780,450 (100.00%) due primarily to 2023 additions. 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; computer hardware and leasehold improvements.

Debt

As of December 31, 2023, the Authority's water fund had debt in the amount of $2,165,000 from the Water Revenue Note - Series of 2020. In 2023, the water division received funds in the amount of $154,537 from a PennVest loan received for the Meadowbrook Area Water Main replacement project. The sewer division also received funds in the amount of $593,301 from PennVest for the Meadowbrook Area Sanitary Sewer Rehabilitation and Replacement project.

Current debt

As of December 31, 2023, 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 fund as of December 31, 2023.

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 Section 457 Defined Contribution Pension Plan. The total fund balance of the fiduciary funds is $1,644,643. The Authority's plan represents 100% of that amount. In 2023, the net position of the pension trust fund increased by $316,226. The change is related to net depreciation in fair value in 2023.

Overall financial position

The overall financial position of ECTA improved during the calendar year ended December 31, 2023. Total net position increased by $1,092,868. The water fund holds $2,165,000 in debt from the Water Revenue Note - Series of 2020 and $154,537 from the PennVest loan. The sewer fund holds $593,301 in debt from the PennVest loan.

New year's budgets and rates

For the calendar year ending December 31, 2024, the East Cocalico Township Authority Board adopted a sewer budget projecting a $128,125 net income before extraordinary items and required no increase in sewer rates. On the water side, the budget was approved with a projected year-end net income of $140,265 before extraordinary items and no required increase in water rates.

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 2024 water rate is $7.65 per thousand gallons. The 2024 sewer rate is $13.30 per thousand gallons and is based on total water usage. There is a flat rate sewer charge of $172.90 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

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Water fund	Sewer fund	Total
Current assets:			
Cash and cash equivalents	$ 2,343,956	$ 982,797	$ 3,326,753
Certificates of deposit	1,000,000	3,736,000	4,736,000
Restricted cash and cash equivalents	184,608	203,327	387,935
Receivables:			
From customers	280,059	470,276	750,335
From others	393		393
Leases	23,160		23,160
Internal balances	(547)	547	-
Prepaid:			
Insurance	9,959	9,959	19,918
Other	825	119,452	120,277
Total current assets	**3,842,413**	**5,522,358**	**9,364,771**
Utility plant and equipment, at cost:			
Land and land rights	698,202	231,488	929,690
Water distribution system	27,940,000		27,940,000
Sewer collection system		19,715,913	19,715,913
Buildings	49,748	229,918	279,666
Machinery and equipment	391,390	97,671	489,061
Trucks and cars	149,502	149,502	299,004
Office furniture and fixtures	27,792	25,632	53,424
Computer hardware	59,209	26,961	86,170
Leasehold improvements	387,225	393,225	780,450
Construction in progress	2,284,197	1,345,392	3,629,589
	31,987,265	22,215,702	54,202,967
Accumulated depreciation	(13,826,869)	(13,775,937)	(27,602,806)
Total utility plant and equipment	**18,160,396**	**8,439,765**	**26,600,161**
Other assets:			
Computer software, net of amortization of $69,427 and $26,947, respectively	14,611	2,275	16,886
Long-term portion of lease receivable	230,719		230,719
Total other assets	**245,330**	**2,275**	**247,605**
Total assets	**22,248,139**	**13,964,398**	**36,212,537**
Deferred outflows of resources, deferred loss on refunding	171,522		171,522
Total assets and deferred outflows of resources	**$ 22,419,661**	**$ 13,964,398**	**$ 36,384,059**

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Water fund	Sewer fund	Total
Current liabilities:			
Accounts payable:			
Trade	$ 714,397	$ 242,050	$ 956,447
Retainage	93,730	105,217	198,947
Employee taxes withheld and unremitted	2,733		2,733
Accrued expenses	33,890	30,822	64,712
Unearned tapping fees	84,392	59,899	144,291
Unearned grant revenue	1,096,776		1,096,776
Escrow liability	184,608	203,327	387,935
Current portion of long-term debt	150,000		150,000
Total current liabilities	**2,360,526**	**641,315**	**3,001,841**
Long-term debt, net of current portion	2,169,537	593,301	2,762,838
Total liabilities	**4,530,063**	**1,234,616**	**5,764,679**
Deferred inflows of resources, leases	237,600		237,600
Net position:			
Invested in capital assets, net of related debt	16,026,992	7,848,739	23,875,731
Unrestricted	1,625,006	4,881,043	6,506,049
Total net position	**17,651,998**	**12,729,782**	**30,381,780**
Total liabilities, deferred inflows of resources and net position	**$ 22,419,661**	**$ 13,964,398**	**$ 36,384,059**

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Water fund	Sewer fund	Total
Current assets:			
Cash and cash equivalents	$ 481,689	$ 903,389	$ 1,385,078
Certificates of deposit	2,000,000	3,750,000	5,750,000
Restricted cash and cash equivalents	159,026	169,065	328,091
Receivables:			
From customers	266,238	442,366	708,604
From others	522		522
Leases	22,041		22,041
Note receivable	355		355
Internal balances	211	(211)	-
Prepaid:			
Insurance	8,663	8,663	17,326
Other	1,485	65,906	67,391
Total current assets	**2,940,230**	**5,339,178**	**8,279,408**
Utility plant and equipment, at cost:			
Land and land rights	698,202	231,488	929,690
Water distribution system	26,688,246		26,688,246
Sewer collection system		19,501,469	19,501,469
Buildings	49,748	229,918	279,666
Machinery and equipment	244,517	97,671	342,188
Trucks and cars	149,502	149,502	299,004
Office furniture and fixtures	18,288	16,127	34,415
Computer hardware	53,495	24,176	77,671
Construction in progress	1,616,244	264,869	1,881,113
	29,518,242	20,515,220	50,033,462
Accumulated depreciation	(13,098,910)	(13,165,021)	(26,263,931)
Total utility plant and equipment	**16,419,332**	**7,350,199**	**23,769,531**
Other assets:			
Computer software, net of amortization of $62,192 and $25,191, respectively	21,473	4,031	25,504
Long-term portion of lease receivable	253,879		253,879
Total other assets	**275,352**	**4,031**	**279,383**
Total assets	**19,634,914**	**12,693,408**	**32,328,322**
Deferred outflows of resources, deferred loss on refunding	196,287		196,287
Total assets and deferred outflows of resources	**$ 19,831,201**	**$ 12,693,408**	**$ 32,524,609**

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Water fund	Sewer fund	Total
Current liabilities:			
Accounts payable:			
Trade	$ 136,522	$ 21,278	$ 157,800
Retainage	23,506	23,932	47,438
Employee taxes withheld and unremitted	2,053		2,053
Accrued expenses	22,855	19,762	42,617
Unearned tapping fees	44,148	34,550	78,698
Escrow liability	159,026	169,065	328,091
Current portion of revenue note	150,000		150,000
Total current liabilities	**538,110**	**268,587**	**806,697**
Long-term debt, net of current portion, revenue note	2,165,000		2,165,000
Total liabilities	**2,703,110**	**268,587**	**2,971,697**
Deferred inflows of resources, leases	264,000		264,000
Net position:			
Invested in capital assets, net of related debt	14,322,092	7,354,230	21,676,322
Unrestricted	2,541,999	5,070,591	7,612,590
Total net position	**16,864,091**	**12,424,821**	**29,288,912**
Total liabilities, deferred inflows of resources and net position	**$ 19,831,201**	**$ 12,693,408**	**$ 32,524,609**

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023

	Water fund	Sewer fund	Total
Operating revenue:			
Utility rents	$ 1,552,780	$ 2,437,162	$ 3,989,942
Fire hydrant rent	65,700		65,700
Penalties on late payments	7,652	14,682	22,334
Inspection fees	3,185	4,496	7,681
Review fees	2,925	2,625	5,550
Miscellaneous	7,258	29,988	37,246
	1,639,500	2,488,953	4,128,453
Meters and reimbursed construction income:			
Sale of meters	15,315		15,315
Material sales	1,061		1,061
Legal fees	1,373	1,373	2,746
Engineering fees	15,693	20,423	36,116
Labor sales	9,392	167	9,559
Total meters and reimbursed construction income	42,834	21,963	64,797
Total operating revenue	**1,682,334**	**2,510,916**	**4,193,250**
Operating expenses:			
Meters and costs incurred for others:			
Purchases:			
Meters	1,026	1,026	2,052
Other materials	526		526
Legal costs	1,373	1,373	2,746
Engineering costs	15,693	20,423	36,116
Total meters and costs incurred for others	18,618	22,822	41,440

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

	Water fund	Sewer fund	Total
Operating expenses (continued):			
Operating and maintenance:			
Salaries and wages:			
Supervision	$ 93,027	$ 93,027	$ 186,054
Other	202,069	202,069	404,138
Payroll taxes	25,251	25,251	50,502
Pension	11,125	11,125	22,250
Workers' compensation insurance	5,270	5,270	10,540
Insurance	9,702	9,673	19,375
Employee group insurance	51,976	51,976	103,952
Maintenance:			
Building	7,233	168	7,401
Contents	28,209	31,299	59,508
Field items	13,949	16,329	30,278
Permit fees	10,575		10,575
Repairs to machinery and equipment	3,161	2,248	5,409
Sewer treatment costs, Ephrata/Adamstown		1,017,213	1,017,213
Sewer interceptor costs, Ephrata		15,105	15,105
Sewer debt service costs, Ephrata		282,443	282,443
Contracted services	10,175	544	10,719
Sewer charges, WTP	87,495		87,495
Electric	85,375	16,779	102,154
Laboratory testing	54,128	3,674	57,802
Chemicals	70,662		70,662
Certification	1,111	606	1,717
Auto allowance	68	68	136
Telemetering	5,762	6,177	11,939
Depreciation	708,423	594,917	1,303,340
Other operating expense	12,397	6,704	19,101
Total operating and maintenance	1,497,143	2,392,665	3,889,808

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

	Water fund	Sewer fund	Total
Operating expenses (continued):			
Transportation expenses:			
Gasoline and motor oil	$ 8,143	$ 8,143	$ 16,286
Repairs and service	2,767	2,668	5,435
Insurance	2,846	2,846	5,692
Depreciation	13,366	13,366	26,732
Total transportation expenses	27,122	27,023	54,145
General and administrative expenses:			
Salaries and wages, clerical	169,572	169,572	339,144
Payroll taxes	9,856	9,856	19,712
Pension	7,688	7,688	15,376
Insurance	1,889	1,889	3,778
Employee group insurance	31,801	31,864	63,665
Engineering fees	23,055	32,498	55,553
Legal fees	17,879	4,312	22,191
Audit fees	10,752	9,752	20,504
Bank fees	1,066	848	1,914
Officers expenses	2,400	2,400	4,800
Postage and office supplies	7,636	7,602	15,238
Dues and subscriptions	3,578	3,293	6,871
Public emergency notification			
Advertising	183	183	366
Maintenance and repairs	1,754	1,754	3,508
Training and seminars	1,937	2,557	4,494
Telephone	5,195	5,447	10,642
Rent, building	3,736	3,736	7,472
Auto allowance	599	536	1,135
Water and sewer	5,981	1,857	7,838
Computer support	37,029	27,995	65,024
Depreciation	6,171	2,632	8,803
Amortization of computer software	7,112	1,757	8,869
Other general expense	5,348	4,792	10,140
Total general and administrative expenses	362,217	334,820	697,037
Total operating expenses	**1,905,100**	**2,777,330**	**4,682,430**

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

	Water fund	Sewer fund	Total
Operating loss	**$ (222,766)**	**$ (266,414)**	**$ (489,180)**
Other income:			
Interest income	181,683	206,382	388,065
T-Mobile rent	26,652		26,652
Health insurance rebate	30,001	30,001	60,002
Miscellaneous			
Grant income	236,224		236,224
Total other income	**474,560**	**236,383**	**710,943**
Other deductions:			
Interest expense	34,807	316	35,123
Amortization of deferred loss on refunding	24,765		24,765
Total other deductions	**59,572**	**316**	**59,888**
Income (loss) before tapping fees, capital contribution fees and developer contributions	192,222	(30,347)	161,875
Tapping fees, capital contribution fees and developer contributions:			
Tapping fees	148,952	139,664	288,616
Capital contribution fees	174,519		174,519
Developer contributions	272,214	195,644	467,858
Total tapping fees, capital contribution fees and developer contributions	**595,685**	**335,308**	**930,993**
Increase in net position	**787,907**	**304,961**	**1,092,868**
Net position:			
January 1	16,864,091	12,424,821	29,288,912
December 31	**$ 17,651,998**	**$ 12,729,782**	**$ 30,381,780**

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Water fund	Sewer fund	Total
Operating revenue:			
Utility rents	$ 1,447,458	$ 2,276,671	$ 3,724,129
Fire hydrant rent	64,440		64,440
Penalties on late payments	8,861	16,813	25,674
Inspection fees	3,758	2,607	6,365
Review fees	1,350	1,650	3,000
Miscellaneous	5,073	2,400	7,473
	1,530,940	2,300,141	3,831,081
Meters and reimbursed construction income:			
Sale of meters	8,200		8,200
Material sales	419		419
Legal fees	278	278	556
Engineering fees	62,866	64,076	126,942
Labor sales	257		257
Total meters and reimbursed construction income	72,020	64,354	136,374
Total operating revenue	**1,602,960**	**2,364,495**	**3,967,455**
Operating expenses:			
Meters and costs incurred for others:			
Purchases, meters	14,134	14,134	28,268
Legal costs	278	278	556
Engineering costs	62,866	64,076	126,942
Total meters and costs incurred for others	77,278	78,488	155,766

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

	Water fund	Sewer fund	Total
Operating expenses (continued):			
Operating and maintenance:			
Salaries and wages:			
Supervision	$ 87,029	$ 87,029	$ 174,058
Other	156,493	156,493	312,986
Payroll taxes	21,038	21,038	42,076
Pension	11,585	11,585	23,170
Workers' compensation insurance	4,644	4,644	9,288
Insurance	8,750	8,750	17,500
Employee group insurance	45,995	45,751	91,746
Maintenance:			
Building	4,290	919	5,209
Contents	21,667	9,447	31,114
Field items	19,499	15,168	34,667
Permit fees	10,700		10,700
Repairs to machinery and equipment	1,939	1,506	3,445
Sewer treatment costs, Ephrata/Adamstown		940,904	940,904
Sewer interceptor costs, Ephrata		14,656	14,656
Sewer debt service costs, Ephrata		232,090	232,090
Contracted services	6,455	465	6,920
Sewer charges, WTP	63,457		63,457
Electric	81,188	17,432	98,620
Laboratory testing	32,149	3,110	35,259
Chemicals	65,031		65,031
Certification	746	651	1,397
Auto allowance	7	7	14
Telemetering	4,518	6,612	11,130
Depreciation	659,772	555,945	1,215,717
Other operating expense	10,286	5,802	16,088
Total operating and maintenance	1,317,238	2,140,004	3,457,242

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

	Water fund	Sewer fund	Total
Operating expenses (continued):			
Transportation expenses:			
Gasoline and motor oil	$ 6,307	$ 6,307	$ 12,614
Repairs and service	2,590	2,590	5,180
Insurance	2,831	2,831	5,662
Depreciation	7,705	7,705	15,410
Total transportation expenses	19,433	19,433	38,866
General and administrative expenses:			
Salaries and wages, clerical	151,803	151,803	303,606
Payroll taxes	9,210	9,210	18,420
Pension	5,984	5,984	11,968
Insurance	1,500	1,500	3,000
Employee group insurance	31,147	31,147	62,294
Engineering fees	31,410	17,412	48,822
Legal fees	3,622	2,206	5,828
Audit fees	9,493	9,493	18,986
Bank fees	190		190
Officers expenses	2,175	2,175	4,350
Postage and office supplies	5,731	5,603	11,334
Dues and subscriptions	3,426	3,091	6,517
Public emergency notification	1,160		1,160
Advertising	2,574	1,771	4,345
Maintenance and repairs	1,768	1,768	3,536
Training and seminars	3,179	1,794	4,973
Telephone	4,878	5,009	9,887
Rent, building	6,503	6,503	13,006
Auto allowance	561	561	1,122
Water and sewer	6,081	2,115	8,196
Computer support	22,285	22,200	44,485
Depreciation	6,430	2,206	8,636
Amortization of computer software	7,123	1,645	8,768
Other general expense	2,521	2,521	5,042
Total general and administrative expenses	320,754	287,717	608,471
Total operating expenses	**1,734,703**	**2,525,642**	**4,260,345**

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

	Water fund	Sewer fund	Total
Operating loss	**$ (131,743)**	**$ (161,147)**	**$ (292,890)**
Other income:			
Interest income	16,497	20,426	36,923
T-Mobile rent	26,337		26,337
Health insurance rebate	24,263	24,263	48,526
Miscellaneous	26		26
Grant income	7,500		7,500
Total other income	**74,623**	**44,689**	**119,312**
Other deductions:			
Interest expense	36,975		36,975
Amortization of deferred loss on refunding	24,765		24,765
Total other deductions	**61,740**		**61,740**
Loss before tapping fees, capital contribution fees and developer contributions	(118,860)	(116,458)	(235,318)
Tapping fees, capital contribution fees, developer contributions and transfers:			
Tapping fees	102,706	79,497	182,203
Capital contribution fees	30,799		30,799
Developer contributions	409,079	197,293	606,372
Total tapping fees, capital contribution fees, developer contributions and transfers:	**542,584**	**276,790**	**819,374**
Increase in net position	**423,724**	**160,332**	**584,056**
Net position:			
January 1	16,440,367	12,264,489	28,704,856
December 31	**$ 16,864,091**	**$ 12,424,821**	**$ 29,288,912**

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023

	Water fund	Sewer fund	Total
Cash flows from operating activities:			
Receipts from customers	$ 1,694,982	$ 2,516,510	$ 4,211,492
Payments for:			
Supplies and other operating activities	(127,441)	(1,534,060)	(1,661,501)
Salaries and wages	(453,608)	(453,608)	(907,216)
Net cash provided by operating activities	**1,113,933**	**528,842**	**1,642,775**
Cash flows from noncapital financing activities:			
Tapping fees received	189,197	165,014	354,211
Capital contribution fees	174,519		174,519
Grant income	236,224		236,224
Unearned grant income	1,096,776		1,096,776
T-Mobile rent	22,293		22,293
Health insurance rebate	30,001	30,001	60,002
Net cash provided by noncapital financing activities	**1,749,010**	**195,015**	**1,944,025**
Cash flows from capital and related financing activities:			
Purchase of:			
Utility plant and equipment	(2,126,587)	(1,423,554)	(3,550,141)
Computer software	(250)		(250)
Principal paid on note	(150,000)		(150,000)
Interest and fiscal charges paid on note	(34,832)	(316)	(35,148)
Proceeds from long-term debt	154,537	593,301	747,838
Net cash used in capital and related financing activities	**(2,157,132)**	**(830,569)**	**(2,987,701)**
Cash flows from investing activities:			
Interest income	181,683	206,382	388,065
Note receivable principal payments	355		355
Net sales of certificates of deposit	1,000,000	14,000	1,014,000
Net cash provided by investing activities	**1,182,038**	**220,382**	**1,402,420**
Net increase in cash and cash equivalents	**1,887,849**	**113,670**	**2,001,519**
Cash and cash equivalents:			
Beginning of year	640,715	1,072,454	1,713,169
End of year	**$ 2,528,564**	**$ 1,186,124**	**$ 3,714,688**
Reconciliation with financial statements:			
Unrestricted cash and cash equivalents	$ 2,343,956	$ 982,797	$ 3,326,753
Restricted cash and cash equivalents	184,608	203,327	387,935
Total cash and cash equivalents	**$ 2,528,564**	**$ 1,186,124**	**$ 3,714,688**

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

	Water fund	Sewer fund	Total
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$ (222,766)	$ (266,414)	$ (489,180)
Adjustments:			
Depreciation	727,960	610,915	1,338,875
Amortization	7,112	1,757	8,869
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables:			
Customers	(13,821)	(27,910)	(41,731)
Others	129		129
Prepaid:			
Insurance	(1,296)	(1,296)	(2,592)
Other	660	(53,546)	(52,886)
Internal balances	758	(758)	-
Increase in:			
Accounts payable:			
Trade	577,875	220,772	798,647
Employee taxes	680		680
Accrued expenses	11,060	11,060	22,120
Customer deposits	25,582	34,262	59,844
Net cash provided by operating activities	**$ 1,113,933**	**$ 528,842**	**$ 1,642,775**
Supplemental schedule of noncash capital and related financing activities, developer contributions	$ 272,214	$ 195,644	$ 467,858

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Water fund	Sewer fund	Total
Cash flows from operating activities:			
Receipts from customers	$ 1,632,210	$ 2,381,117	$ 4,013,327
Payments for:			
Supplies and other operating activities	(570,970)	(1,684,683)	(2,255,653)
Payments for salaries and wages	(394,154)	(394,154)	(788,308)
Net cash provided by operating activities	**667,086**	**302,280**	**969,366**
Cash flows from noncapital financing activities:			
Tapping fees received	120,257	94,306	214,563
Capital contribution fees	30,799		30,799
Grant income	7,500		7,500
Miscellaneous income	26		26
T-Mobile rent	20,898		20,898
Health insurance rebate	24,263	24,263	48,526
Net cash provided by noncapital financing activities	**203,743**	**118,569**	**322,312**
Cash flows from capital and related financing activities:			
Purchase of:			
Utility plant and equipment	(1,519,949)	(777,788)	(2,297,737)
Computer software	(591)	(591)	(1,182)
Principal paid on note	(150,000)		(150,000)
Interest and fiscal charges paid on notes	(36,963)		(36,963)
Net cash used in capital and related financing activities	**(1,707,503)**	**(778,379)**	**(2,485,882)**
Cash flows from investing activities:			
Interest income	16,497	20,426	36,923
Note receivable principal payments	1,417		1,417
Purchase of certificates of deposit	(2,000,000)	(3,750,000)	(5,750,000)
Net cash used in investing activities	**(1,982,086)**	**(3,729,574)**	**(5,711,660)**
Net decrease in cash and cash equivalents	**(2,818,760)**	**(4,087,104)**	**(6,905,864)**
Cash and cash equivalents:			
Beginning of year	3,459,475	5,159,558	8,619,033
End of year	**$ 640,715**	**$ 1,072,454**	**$ 1,713,169**
Reconciliation with financial statements:			
Unrestricted cash and cash equivalents	$ 481,689	$ 903,389	$ 1,385,078
Restricted cash and cash equivalents	159,026	169,065	328,091
Total cash and cash equivalents	**$ 640,715**	**$ 1,072,454**	**$ 1,713,169**

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

	Water fund	Sewer fund	Total
Reconciliation of operating loss to net cash provided by operating activities:			
Operating income (loss)	$ (131,743)	$ (161,147)	$ (292,890)
Adjustments:			
Depreciation	673,907	565,856	1,239,763
Amortization	7,123	1,645	8,768
Changes in assets and liabilities:			
(Increase) decrease in:			
Receivables:			
Customers	(11,536)	(20,143)	(31,679)
Others	326		326
Prepaid:			
Insurance	(735)	(735)	(1,470)
Other	(1,485)	35,543	34,058
Internal balances	(195)	195	-
Increase (decrease) in:			
Accounts payable:			
Trade	89,613	(156,675)	(67,062)
Employee taxes	(15)		(15)
Accrued expenses	1,171	1,171	2,342
Customer deposits	40,655	36,570	77,225
Net cash provided by operating activities	**$ 667,086**	**$ 302,280**	**$ 969,366**
Supplemental schedule of noncash capital and related financing activities, developer contributions	$ 409,079	$ 197,293	$ 606,372

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF NET POSITION – FIDUCIARY FUND
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Section 457 Defined Contribution Pension Plan	
	2023	2022
Assets, investments	$ 1,644,643	$ 1,328,417
Net position, held in trust for pension benefits	$ 1,644,643	$ 1,328,417

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Section 457 Defined Contribution Pension Plan	
	2023	2022
Additions:		
Contributions, employer and employee	$ 106,570	$ 93,378
Net appreciation (depreciation) in fair value of investments	219,979	(265,404)
Total additions (deletions)	**326,549**	**(172,026)**
Deductions:		
Benefits paid	10,103	19,508
Administrative fees	220	240
Total deductions	**10,323**	**19,748**
Net increase (decrease) in plan assets	**316,226**	**(191,774)**
Net position held in trust:		
Beginning of year	1,328,417	1,520,191
End of year	**$ 1,644,643**	**$ 1,328,417**

See notes to financial statements.

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 eight 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.

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.

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

Basis of presentation, measurement focus and accounting:

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.

The Authority accounts for all funds existing under its jurisdiction, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

The Authority classifies both of the following funds as major funds. The sewer operating and capital reserve are combined to present the Authority's sewer fund:

Major funds:

Water fund – The Authority fund that accounts for maintenance and construction of water lines throughout the Township. Financing is provided by water rentals collected from Township water customers.

Sewer fund – The Authority fund that accounts for maintenance and construction of the sewer system throughout the Township. The fund also accounts for resources for anticipated operating and capital expenditures and debt service. Financing is provided by sewer rentals collected from the Township's sewer system customers and by the Authority's collection of ready-to-serve charges.

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. There were no restrictions during the years ended December 31, 2023 and 2022.

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.

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 accounts 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 Internal Revenue Services section 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.

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.

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

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 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, 2023 and 2022 was $24,765.

Deferred outflows of resources:

The statements of net position – proprietary funds 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 funds. 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.

Leases receivable and deferred inflows of resources:

The Authority's lease receivables are measured at the present value of lease payments expected to be received during the lease terms. Leases receivables do not include additional cost payments required for utilities or costs associated with common area maintenance.

Deferred inflows of resources are a separate financial statement element and represent the acquisition of net position or fund balance that applies to future periods and will not be recognized as an inflow of resources (revenue) until a future period. Deferred inflows of resources are recorded in conjunction with leases receivable. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. Deferred inflows of resources are amortized on a straight-line basis over the terms of the related leases.

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

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 funds, and could be refunded upon request from the customer.

Unearned grant revenue:

Unearned grant revenue (American Rescue Plan Act funding) collected is reported as unearned until the Authority incurs appropriate expenditures to earn the revenue. Unearned grant revenue is reported as a current liability on the statements of net position – proprietary funds.

Long-term debt:

The debt obtained to finance the construction projects and used to refund previously issued debt is 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.

Change in accounting principle:

During the current year, the Authority adopted GASB Statement No. 94, *Public-Private Partnerships and Availability Payment Arrangements* and GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*. The Authority's beginning balances and current year results were not affected by the implementation of these new standards.

Pending GASB statements:

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. This Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions and assessing accountability. The provisions of GASB Statement No.100 are effective for the Authority's December 31, 2024 financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The provisions of GASB Statement No. 101 are effective for the Authority's December 31, 2024 financial statements.

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

Pending GASB statements:

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued The provisions of this Statement are effective for the Authority's 2025 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.

Statues 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 Plan funds are not restricted to the above requirements and may invest in other instruments.

2. Deposits and investments (continued):

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.

Cash, cash equivalents, certificates of deposit and investments as of December 31, 2023 and 2022 were classified in the accompanying financial statements as follows:

	2023	2022
Statements of net position, proprietary funds:		
Cash and cash equivalents	$ 3,326,753	$ 1,385,078
Certificates of deposit	4,736,000	5,750,000
Restricted cash and cash equivalents	387,935	328,091
Statements of fiduciary net position, pension trust fund	1,644,643	1,328,417
	$ 10,095,331	$ 8,791,586

2. Deposits and investments (continued):

Cash, cash equivalents, certificates of deposit and investments as of December 31, 2023 and 2022 consisted of the following:

	2023	2022
Water fund:		
Cash on hand	$ 50	$ 50
Deposits with financial institutions	376,479	478,275
PLGIT:		
State investment pool	2,152,035	162,390
Certificates of deposit	1,000,000	2,000,000
Total water fund	3,528,564	2,640,715
Sewer fund:		
Deposits with financial institutions	318,596	902,386
PLGIT:		
State investment pool	867,528	170,068
Certificates of deposit	3,736,000	3,750,000
Total sewer fund	4,922,124	4,822,454
Pension trust fund, Level 1, equities	1,644,643	1,328,417
Total cash, cash equivalents, certificates of deposit and equities	$ 10,095,331	$ 8,791,586

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, 2023, $435,865 of the Authority's bank balance of $739,125 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.

	2023	2022
Deposits:		
Collateral held by pledging bank under Act 72, but not in the Authority's name	$ 435,865	$ 1,177,459
Insured by Federal Deposit Insurance Corporation	303,260	395,625
Outstanding checks	(68,432)	(194,684)
Deposits in transit	24,382	2,261
PLIGIT, state investment pool	3,019,563	332,458
Petty cash	50	50
Total deposits	$ 3,714,688	$ 1,713,169
Statements of net position, proprietary funds:		
Cash and cash equivalents	$ 3,326,753	$ 1,385,078
Restricted cash and cash equivalents	387,935	328,091
	$ 3,714,688	$ 1,713,169

2. Deposits and investments (continued):

Certificates of deposit:

The Authority's certificates of deposit, stated at fair value, consisted of the following as of December 31, 2023:

Certificates of deposit	
PLGIT:	
Certificates maturing on March 1, 2024, rate 5.59%	$ 750,000
Certificates maturing on April 2, 2024, rate 5.84%	750,000
Certificates maturing on April 10, 2024, rate 5.59%	236,000
Certificates maturing on May 2, 2024, rate 5.89%	1,250,000
Certificate maturing on July 1, 2024, rate 5.87%	1,250,000
Certificates maturing on August 16, 2024, rate 5.70%	500,000
	$ 4,736,000

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.

The Authority has funds totaling $7,755,563 invested in PLGIT. 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, 2023 and 2022, PLGIT carries an AAAm rating and has an average maturity of less than one year. At December 31, 2023, the Authority's PLGIT investments consisted of $4,736,000 in certificates of deposit and $3,019,563 in Prime investments.

2. Deposits and investments (continued):

External investment pool:

The Authority has the following recurring amortized cost measurement as of December 31, 2023 and 2022, including unfunded commitments and redemption terms, as follows:

	2023			
	Amortized cost	Unfunded commitments	Redemption frequency	Redemption notice period
Cash equivalents measured at amortized cost, external investment pool, PLGIT[1]	$ 3,019,563	$ -	Weekly	5 days

	2022			
	Amortized cost	Unfunded commitments	Redemption frequency	Redemption notice period
Cash equivalents measured at amortized cost, external investment pool, PLGIT[1]	$ 332,458	$ -	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.

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:

	2023	2022
Voya Financial, fair value, Level 1, equities:		
Fidelity VIP Overseas Portfolio I	$ 53,550	$ 42,949
Inv Dev Mrkts Fd A	50,512	42,617
Fidelity VIP Eqty-Income Port I	1,634	
VY Inv Glob Portf - Init Cl	12,156	8,950
VY Baron Growth Port Srv	1,617	
American Funds EuroPacific Grw R4	65,806	53,685
Voy Intl Hi Div LowVol Port-In	33,765	28,252
Amana Growth Fund Inv	838	
The Hartford Intl Opport Fd R4	801	
Voya Index Plus SmallCap Portfolio I	12,201	10,082
Franklin Small Cap Value VIP Fd 2	15,961	13,707
Voya SmallCap Opportunities Prt I	13,825	10,979
Voya MidCap Opportunities Port I	3,809	3,122
VY AmCen Sm-Md Cp Val Port Srv	51,467	44,468
VY TRowePrice Divr Md Cp Gr Pt I	28,329	23,360
VY JPMorgan Sm Cp Core Eq Prt Srv	9,130	6,415
Wanger Select		29,869
Wanger Acorn	38,024	
Voya Russell Mid Cap Index Port I	68,649	57,051
BlackRock Md Cp Dividend Fund Inv A	3,360	3,030
Fidelity VIP Growth Portfolio I	26,694	19,212
VY TRowePrice Grwth Eqty Port I	54,015	35,692
American Funds Growth Fnd R4	108,339	77,660
Voya Growth and Income Port I	26,402	20,627
VY Invesco Comstock Port Srv	53,624	46,583
VY TRowePrice Captl Apprec Pt Srv	4,884	
American Funds Wash Mutual Inv R4	57,243	47,624
American Funds Fundamental Inv R4	55,819	43,173
Artisan International Fund I	1,610	
Voya Large Cap Value Port Inst	3,597	3,203
Voya Russell Lrg Cap Index Port I	62,670	47,340
Voya Balanced Portfolio I	57,674	50,265
Voya Strategic Alloc Growth Port I	123,627	91,627
Voya Solution 2035 Portfolio Srv	52,341	32,466
Voya Solution 2055 Portfolio Srv	70,069	48,188
Voya Solution 2065 Portfolio Srv	101,143	78,103
Voya Intermediate Bond Port I	31,114	27,789
Voya GNMA Income Fund A	17,835	16,273
Voya Global Bond Port I	16,769	15,026
Voya Govt Money Market Portfolio I	13	32
Voya Fixed Account (4550)	156,320	155,816
Voya Fixed Plus Account II A	97,407	93,182
Total pension fund investments, equities	**$ 1,644,643**	**$ 1,328,417**

3. Accounts receivable:

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

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

	2023	2022
Over 90 days	$ 6,887	$ 2,816

4. Lease receivable:

The Authority has entered into a communication tower lease agreement with monthly rental payments ranging from approximately $1,350 to $2,900. The agreement has consecutive renewal options at the lessee's discretion, which extend the lease term to expiring in December 2032. These renewal options have been included in the lease receivable as of December 31, 2023. The current renewal period expires in December 2025. The lease receivable is measured at the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.50%. Lease revenues generated for the year ended December 31, 2023 were $26,652, all of which were recognized in the water fund.

The following is the schedule of the lease receivable as of December 31, 2023:

Year	
2024	$ 26,776
2025	27,579
2026	28,407
2027	29,259
2028	30,137
Thereafter	129,864
Total	272,022
Present value discount	(18,143)
Lease receivable	$ 253,879

5. Utility plant, equipment and provisions for depreciation:

The Authority computes depreciation using the straight-line method. The charge to operations for depreciation amounted to $1,338,875 and $1,239,763 for 2023 and 2022, respectively. Additions to the water and sewer systems are valued at cost and amounted to $4,169,505 and $2,910,441 for 2023 and 2022, respectively. Additions and useful lives assigned to the various assets for depreciation purposes are as follows:

Asset classification	Useful lives
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
Leasehold improvements	15 - 25 years

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

A summary of the change to capital assets for 2023 follows:

2023	Beginning balance	Additions	Reclassifications	Ending balance
Capital assets not being depreciated:				
Land and land rights	$ 929,690			$ 929,690
Construction in progress	1,881,113	$ 3,473,136	$ (1,724,660)	3,629,589
Total capital assets not being depreciated	2,810,803	3,473,136	(1,724,660)	4,559,279
Other capital assets at historical cost:				
Water distribution system	26,688,246	307,544	944,210	27,940,000
Sewer collection system	19,501,469	214,444		19,715,913
Buildings	279,666			279,666
Machinery and equipment	342,188	146,873		489,061
Trucks and cars	299,004			299,004
Office furniture and fixtures	34,415	19,009		53,424
Computer hardware	77,671	8,499		86,170
Leasehold improvements			780,450	780,450
Total other assets at historical costs	47,222,659	696,369	1,724,660	49,643,688
Accumulated depreciation:				
Water distribution system	12,714,178	692,133		13,406,311
Sewer collection system	12,887,355	584,607		13,471,962
Buildings	88,404	9,736		98,140
Machinery and equipment	275,157	16,786		291,943
Trucks and cars	208,832	26,733		235,565
Office furniture and fixtures	33,885	394		34,279
Computer hardware	56,120	8,486		64,606
Total accumulated depreciation	26,263,931	1,338,875		27,602,806
Other capital assets, net	20,958,728	(642,506)	1,724,660	22,040,882
Capital assets, net	$ 23,769,531	$ 2,830,630	$ -	$ 26,600,161

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

A summary of the change to capital assets for 2022 follows:

2022	Beginning balance	Additions	Reclassifications	Ending balance
Capital assets not being depreciated:				
Land and land rights	$ 929,690			$ 929,690
Construction in progress	2,132,351	$ 2,182,172	$ (2,433,410)	1,881,113
Total capital assets not being depreciated	3,062,041	2,182,172	(2,433,410)	2,810,803
Other capital assets at historical cost:				
Water distribution system	25,010,569	428,820	1,248,857	26,688,246
Sewer collection system	18,119,623	197,293	1,184,553	19,501,469
Buildings	270,402	9,264		279,666
Machinery and equipment	326,661	15,527		342,188
Trucks and cars	231,319	67,685		299,004
Office furniture and fixtures	34,415			34,415
Computer hardware	67,991	9,680		77,671
Total other assets at historical costs	44,060,980	728,269	2,433,410	47,222,659
Accumulated depreciation:				
Water distribution system	12,066,278	647,900		12,714,178
Sewer collection system	12,341,180	546,175		12,887,355
Buildings	78,978	9,426		88,404
Machinery and equipment	262,942	12,215		275,157
Trucks and cars	193,424	15,408		208,832
Office furniture and fixtures	33,649	236		33,885
Computer hardware	47,717	8,403		56,120
Total accumulated depreciation	25,024,168	1,239,763		26,263,931
Other capital assets, net	19,036,812	(511,494)	2,433,410	20,958,728
Capital assets, net	$ 22,098,853	$ 1,670,678	$ -	$ 23,769,531

6. Long-term debt:

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 $171,522 and $196,287 as of December 31, 2023 and 2022, respectively.

Sewer Obligation Bond, Series 2023:

On June 29, 2023, the Authority issued the Sewer Obligation Bond, Series of 2023 in the aggregate principal amount of $3,410,319. The proceeds will be used by the Authority to finance capital projects for the sewer system. The bond has an interest rate of 1.743% from years one through five and an interest rate of 2.179% from years six through twenty. Proceeds from the bond shall be available to the Authority on a draw down basis through and including March 1, 2025. Interest only payments will be made until the principal amount is fully drawn upon. As of December 31, 2023, the Authority has drawn $593,301 of the total amount of the debt and is in the process of drawing down the remaining available funds. The future payment schedule below reflects amounts as if the loan was fully drawn upon.

Water Obligation Bond, Series 2023:

On June 29, 2023, the Authority issued the Sewer Obligation Bond, Series of 2023 in the aggregate principal amount of $972,546. The proceeds will be used by the Authority to finance capital projects for the water system. The bond has an interest rate of 1.743% from years one through five and an interest rate of 2.179% from years six through twenty. Proceeds from the bond shall be available to the Authority on a draw down basis through and including March 1, 2025. Interest only payments will be made until the principal amount is fully drawn upon. As of December 31, 2023, the Authority has drawn $154,837 of the total amount of the debt and is in the process of drawing down the remaining available funds. The future payment schedule below reflects amounts as if the loan was fully drawn upon.

6. Long-term debt (continued):

The following is a summary of long-term debt transactions of the Authority for the years ended December 31, 2023 and 2022:

2023	Water Revenue Note, Series 2020	Sewer Obligation Bond, Series 2023	Water Obligation Bond, Series 2023	Total
Outstanding balance at December 31, 2022	$ 2,315,000			$ 2,315,000
Principal additions		$ 593,301	$ 154,537	747,838
Principal payments	(150,000)			(150,000)
Outstanding balance at December 31, 2023	2,165,000	593,301	154,537	2,912,838
Current portion at December 31, 2023	(150,000)			(150,000)
Outstanding long-term portion at December 31, 2023	$ 2,015,000	$ 593,301	$ 154,537	$ 2,762,838

2022	Water Revenue Note, Series 2020
Outstanding balance at December 31, 2021	$ 2,465,000
Principal payments	(150,000)
Outstanding balance at December 31, 2022	2,315,000
Current portion at December 31, 2022	(150,000)
Outstanding long-term portion at December 31, 2022	$ 2,165,000

Debt payable at December 31 is comprised of the following:

	2023	2022
Water Revenue Note, Series of 2020	$ 2,165,000	$ 2,165,000
Sewer Obligation Bond, Series 2023	593,301	
Water Obligation Bond, Series 2023	154,537	
	$ 2,912,838	$ 2,165,000

6. Long-term debt (continued):

Debt service requirements in future years are:

Water Revenue Note, Series of 2020

Year	Principal	Interest	Total
2024	$ 150,000	$ 32,475	$ 182,475
2025	320,000	30,225	350,225
2026	330,000	25,425	355,425
2027	330,000	20,475	350,475
2028	340,000	15,525	355,525
2029-2030	695,000	15,675	710,675
Total payments	$ 2,165,000	$ 139,800	$ 2,304,800

Sewer Obligation Bond, Series 2023

Year	Principal	Interest	Total
2025	$ 119,647	$ 48,755	$ 168,402
2026	145,888	56,195	202,083
2027	148,451	53,631	202,082
2028	151,060	51,023	202,083
2029-2045	2,845,273	517,895	3,363,168
Total payments	$ 3,410,319	$ 727,499	$ 4,137,818

Water Obligation Bond, Series 2023

Year	Principal	Interest	Total
2025	$ 34,121	$ 13,904	$ 48,025
2026	41,604	16,025	57,629
2027	42,335	15,294	57,629
2028	43,079	14,551	57,630
2029-2045	811,407	147,692	959,099
Total payments	$ 972,546	$ 207,466	$ 1,180,012

7. 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. In July 2023, the Authority signed a new agreement for office space which requires rental payments of $1 through July 2048. Rentals of $6,151 and $11,700 were paid in 2023 and 2022, respectively.

Tapping fees:

The Authority's water fund paid the Authority's sewer fund $24,679 in 2023 for 10 EDUs of sewer capacity for each year. The water division recorded the capacity as an addition to the water distribution system during the year ended December 31, 2023. There was no amount paid or added in 2022. The sewer fund recorded $24,679 as tapping fees income in 2023. There was no amount recorded in 2022.

8. 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.

9. 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.

Additional provisions of the agreement require the Authority 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.

10. Employee group insurance:

The Authority has entered into an inter-governmental cooperation agreement with other municipalities, in order to provide health, hospitalization, medical and 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, 2023, the Authority paid premiums of $96,252. Actual claims paid for the year ended December 31, 2023 were $101,925 less $30,261 for reinsurance reimbursements. The Authority also incurred a shared cost of $7,920 and is anticipating a refund of $16,667 in 2024. For the year ended December 31, 2022, the Authority paid premiums of $95,033. Actual claims paid for the year ended December 31, 2022 were $21,175. The Authority also incurred a shared cost of $13,600 and received a refund of $60,258 in 2023.

11. Section 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.

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 plan, 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 $1,644,643 and $1,328,417 are being held as of December 31, 2023 and 2022, respectively. During the years ended December 31, 2023 and 2022, there were $0 in forfeitures. The Authority does not have a liability related to the plan as of the years ended December 31, 2023 and 2022.

12. 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.

12. Commitments and contingencies (continued):

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 2023, the Authority entered into an agreement with a contractor for the Meadowbrook Project for $4,692,893. There was $3,057,254 outstanding on the contract at December 31, 2023.

13. Subsequent events:

During March 2024, the Authority's board approved to issue a Water Revenue Note for a maximum principal of $1,840,242 with Pennsylvania Infrastructure Investment Authority to construct improvements to the public water system facilities of the Authority.

Management has evaluated subsequent events through June 24, 2024, 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 FUND – ACTUAL VS BUDGET
YEAR ENDED DECEMBER 31, 2023
(See independent auditor's report on supplementary information)

	Actual	Budget	Over (under) budget
Operating revenue:			
Utility rents	$ 1,552,780	$ 1,635,380	$ (82,600)
Fire hydrant rent	65,700	65,700	-
Penalties on late payments	7,652	10,400	(2,748)
Inspection fees	3,185	5,000	(1,815)
Review fees	2,925	2,000	925
Miscellaneous	7,258	4,000	3,258
	1,639,500	1,722,480	(82,980)
Meters and reimbursed construction income:			
Sale of meters	15,315	14,200	1,115
Material sales	1,061	1,000	61
Legal fees	1,373	1,500	(127)
Engineering fees	15,693	32,000	(16,307)
Labor sales	9,392	1,500	7,892
Total meters and reimbursed construction income	42,834	50,200	(7,366)
Total operating revenue	**1,682,334**	**1,772,680**	**(90,346)**
Operating expenses:			
Meters and costs incurred for others:			
Purchases:			
Meters	1,026	1,345	(319)
Other materials	526	1,000	(474)
Legal costs	1,373	1,500	(127)
Engineering costs	15,693	32,000	(16,307)
Total meters and costs incurred for others	18,618	35,845	(17,227)

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
WATER FUND – ACTUAL VS BUDGET (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(See independent auditor's report on supplementary information)

	Actual	Budget	Over (under) budget
Operating expenses (continued):			
Operating and maintenance:			
Salaries and wages:			
Supervision	$ 93,027	$ 90,700	$ 2,327
Other	202,069	213,075	(11,006)
Payroll taxes	25,251	23,800	1,451
Pension	11,125	12,180	(1,055)
Workers' compensation insurance	5,270	4,310	960
Insurance	9,702	9,390	312
Employee group insurance	51,976	60,000	(8,024)
Maintenance:			
Building	7,233	15,000	(7,767)
Contents	28,209	23,000	5,209
Field items	13,949	30,000	(16,051)
Permit fees	10,575	11,000	(425)
Repairs to machinery and equipment	3,161	2,750	411
Contracted services	10,175	11,000	(825)
Sewer charges, WTP	87,495	70,000	17,495
Electric	85,375	92,000	(6,625)
Laboratory testing	54,128	46,000	8,128
Chemicals	70,662	80,000	(9,338)
Certification	1,111	1,000	111
Auto allowance	68	100	(32)
Telemetering	5,762	6,300	(538)
Depreciation	708,423	663,236	45,187
Other operating expense	12,397	12,200	197
Total operating and maintenance	1,497,143	1,477,041	20,102

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
WATER FUND – ACTUAL VS BUDGET (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(See independent auditor's report on supplementary information)

	Actual	Budget	Over (under) budget
Operating expenses (continued):			
Transportation expenses:			
Gasoline and motor oil	$ 8,143	$ 8,750	$ (607)
Repairs and service	2,767	2,000	767
Insurance	2,846	3,030	(184)
Depreciation	13,366	13,366	-
Total transportation expenses	27,122	27,146	(24)
General and administrative expenses:			
Salaries and wages, clerical	169,572	165,075	4,497
Payroll taxes	9,856	12,890	(3,034)
Pension	7,688	7,755	(67)
Insurance	1,889	1,950	(61)
Employee group insurance	31,801	32,000	(199)
Engineering fees	23,055	25,000	(1,945)
Legal fees	17,879	10,000	7,879
Audit fees	10,752	10,000	752
Bank fees	1,066	1,000	66
Officers expenses	2,400	3,000	(600)
Postage and office supplies	7,636	5,750	1,886
Dues and subscriptions	3,578	3,300	278
Public emergency notification		1,200	(1,200)
Advertising	183	2,000	(1,817)
Maintenance and repairs	1,754	1,750	4
Training and seminars	1,937	5,000	(3,063)
Telephone	5,195	5,500	(305)
Rent, building	3,736	6,850	(3,114)
Auto allowance	599	500	99
Water and sewer	5,981	6,000	(19)
Computer support	37,029	33,000	4,029
Depreciation	6,171	7,324	(1,153)
Amortization of computer software	7,112	7,034	78
Uncollectible accounts		100	(100)
Other general expense	5,348	3,850	1,498
Total general and administrative expenses	362,217	357,828	4,389
Total operating expenses	**1,905,100**	**1,897,860**	**7,240**

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
WATER FUND – ACTUAL VS BUDGET (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(See independent auditor's report on supplementary information)

	Actual	Budget	Over (under) budget
Operating loss	**$ (222,766)**	**$ (125,180)**	**$ (97,586)**
Other income:			
Interest income	181,683	70,000	111,683
T-Mobile rent	26,652	26,250	402
Health insurance rebate	30,001	20,000	10,001
Miscellaneous			
Gain on sale of assets		2,500	(2,500)
Grant income	236,224		236,224
Total other income	**474,560**	**118,750**	**355,810**
Other deductions:			
Interest expense	34,807	34,725	82
Amortization of deferred loss on refunding	24,765	29,476	(4,711)
Total other deductions	**59,572**	**64,201**	**(4,629)**
Income (loss) before tapping fees, capital contribution fees and developer contributions	192,222	(70,631)	262,853
Tapping fees, capital contribution fees and developer contributions:			
Tapping fees	148,952	139,802	9,150
Capital contribution fees	174,519	89,880	84,639
Developer contributions	272,214		272,214
Total tapping fees, capital contribution fees and developer contributions	**595,685**	**229,682**	**366,003**
Change in net position	**787,907**	**$ 159,051**	**$ 628,856**
Net position:			
January 1	16,864,091		
December 31	**$ 17,651,998**		

See notes to financial statements.

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
SEWER FUND – ACTUAL VS BUDGET
YEAR ENDED DECEMBER 31, 2023
(See independent auditor's report on supplementary information)

	Actual	Budget	Over (under) budget
Operating revenue:			
Utility rents	$ 2,437,162	$ 2,523,945	$ (86,783)
Penalties on late payments	14,682	16,205	(1,523)
Inspection fees	4,496	5,000	(504)
Review fees	2,625	2,000	625
Miscellaneous	29,988	1,500	28,488
	2,488,953	2,548,650	(59,697)
Reimbursed construction income:			
Material sales		100	(100)
Legal fees	1,373	1,500	(127)
Engineering fees	20,423	32,000	(11,577)
Labor sales	167	500	(333)
Total reimbursed construction income	21,963	34,100	(12,137)
Total operating revenue	**2,510,916**	**2,582,750**	**(71,834)**
Operating expenses:			
Costs incurred for others:			
Purchases:			
Meters	1,026	1,345	(319)
Other materials		200	(200)
Legal costs	1,373	1,500	(127)
Engineering costs	20,423	32,000	(11,577)
Total costs incurred for others	22,822	35,045	(12,223)

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
SEWER FUND – ACTUAL VS BUDGET (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(See independent auditor's report on supplementary information)

	Actual	Budget	Over (under) budget
Operating expenses (continued):			
Operating and maintenance:			
Salaries and wages:			
Supervision	$ 93,027	$ 90,700	$ 2,327
Other	202,069	213,075	(11,006)
Payroll taxes	25,251	23,800	1,451
Pension	11,125	12,180	(1,055)
Workers' compensation insurance	5,270	4,310	960
Insurance	9,673	9,390	283
Employee group insurance	51,976	60,000	(8,024)
Maintenance:			
Building	168	3,000	(2,832)
Contents	31,299	15,000	16,299
Field items	16,329	20,000	(3,671)
Permit fees		100	(100)
Repairs to machinery and equipment	2,248	2,500	(252)
Sewer treatment costs, Ephrata/Adamstown	1,017,213	1,115,018	(97,805)
Sewer interceptor costs, Ephrata	15,105	24,177	(9,072)
Sewer debt service costs, Ephrata	282,443	294,193	(11,750)
Contracted services	544	500	44
Electric	16,779	20,000	(3,221)
Laboratory testing	3,674	3,500	174
Certification	606	700	(94)
Telemetering	6,177	7,200	(1,023)
Auto allowance	68	100	(32)
Depreciation	594,917	560,444	34,473
Other operating expense	6,704	5,750	954
Total operating and maintenance	2,392,665	2,485,637	(92,972)

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
SEWER FUND – ACTUAL VS BUDGET (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(See independent auditor's report on supplementary information)

	Actual	Budget	Over (under) budget
Operating expenses (continued):			
Transportation expenses:			
Gasoline and motor oil	$ 8,143	$ 8,750	$ (607)
Repairs and service	2,668	2,000	668
Insurance	2,846	3,030	(184)
Depreciation	13,366	13,366	-
Total transportation expenses	27,023	27,146	(123)
General and administrative expenses:			
Salaries and wages, clerical	169,572	165,075	4,497
Payroll taxes	9,856	12,890	(3,034)
Pension	7,688	7,755	(67)
Insurance	1,889	1,950	(61)
Employee group insurance	31,864	32,000	(136)
Engineering fees	32,498	25,000	7,498
Legal fees	4,312	10,000	(5,688)
Audit fees	9,752	10,000	(248)
Bank fees	848	1,000	(152)
Officers expenses	2,400	3,000	(600)
Postage and office supplies	7,602	5,750	1,852
Dues and subscriptions	3,293	3,300	(7)
Advertising	183	2,000	(1,817)
Maintenance and repairs	1,754	1,750	4
Training and seminars	2,557	3,000	(443)
Telephone	5,447	5,500	(53)
Rent, building	3,736	6,850	(3,114)
Auto allowance	536	500	36
Water and sewer	1,857	2,000	(143)
Computer support	27,995	24,500	3,495
Depreciation	2,632	2,947	(315)
Amortization of computer software	1,757	1,757	-
Uncollectible accounts		100	(100)
Other general expense	4,792	3,850	942
Total general and administrative expenses	334,820	332,474	2,346
Total operating expenses	**2,777,330**	**2,880,302**	**(102,972)**

(continued)

EAST COCALICO TOWNSHIP AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
SEWER FUND – ACTUAL VS BUDGET (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(See independent auditor's report on supplementary information)

	Actual	Budget	Over (under) budget
Operating loss	**$ (266,414)**	**$ (297,552)**	**$ 31,138**
Other income:			
Interest income	206,382	123,000	83,382
Health insurance rebate	30,001	20,000	10,001
Gain on sale of assets		2,500	(2,500)
Total other income	**236,383**	**145,500**	**90,883**
Other deductions, interest expense	**316**		**316**
Loss before tapping fees and developer contributions	(30,347)	(152,052)	121,705
Tapping fees and developer contributions:			
Tapping fees	139,664	145,553	(5,889)
Developer contributions	195,644		195,644
Total tapping fees and developer contributions	**335,308**	**145,553**	**189,755**
Change in net position	**304,961**	**$ (6,499)**	**$ 311,460**
Net position:			
January 1	12,424,821		
December 31	**$ 12,729,782**		

See notes to financial statements.