

**DOYLESTOWN TOWNSHIP
MUNICIPAL AUTHORITY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
YEARS ENDED DECEMBER 31, 2023 AND 2022

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1-3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) | 4-7 |
| BASIC FINANCIAL STATEMENTS | |
| Statements of Net Position — Proprietary Fund | 8 |
| Statements of Revenues, Expenses, and Changes in Net Position — Proprietary Fund | 9 |
| Statements of Cash Flows — Proprietary Fund | 10 |
| Notes to the Basic Financial Statements | 11-15 |
| SUPPLEMENTARY INFORMATION | |
| Schedules of General and Administrative Expenses | 17 |
| Schedules of Water Treatment and Distribution | 18 |
| Schedules of Facilities Management | 19 |



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Doylestown Township Municipal Authority
Doylestown, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Doylestown Township Municipal Authority (the "Authority"), a component unit of Doylestown Township, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of December 31, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher



Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

To the Board of Directors
Doylestown Township Municipal Authority
Page 2

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

To the Board of Directors
Doylestown Township Municipal Authority
Page 3

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively compromise the Authority's basic financial statements. The Schedules of General and Administrative Expenses, Schedules of Water Treatment and Distribution, and Schedules of Facilities Management (the "supplementary schedules") are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
July 10, 2024

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENTS' DISCUSSION AND ANALYSIS (Unaudited)

This narrative overview and analysis of the financial activities of the Doylestown Township Municipal Authority, Bucks County Pennsylvania (the Authority) for the fiscal year ended December 31, 2023 has been prepared by the Authority's management. This information should be read in conjunction with the audited financial statements that follow this section.

The Authority was established by the Doylestown Township ("the Township") Board of Supervisors. The Authority's board members are appointed by the Township and operations are conducted by Township employees. Because of these factors, the Authority is considered to be a component unit of the Township.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$20,320,297 for 2023 and \$19,533,203 for 2022 (net position). Of this amount \$1,007,195 and \$909,219 for 2023 and 2022, respectively (unrestricted net position) may be used to meet the Authority's ongoing obligations to creditors.
- \$11,387,615 and \$11,177,155 for 2023 and 2022, respectively of net position is invested in capital assets, and \$7,925,487 and \$7,446,829 is restricted for capital improvements, for 2023 and 2022, respectively.
- The Authority's total net position increased by \$787,094 and \$1,063,329 in 2023 and 2022, respectively.
- Operating revenue decreased \$91,123 during the year 2023 and decreased \$834,490 during the year 2022. Operating expenses increased by \$173,538 during 2023 and increased by \$50,863 during 2022.
- During 2023, the Authority received contributions from private as well as governmental entities totaling \$15,000 in relation to a capital expansion project undertaken.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to basic financial statements of the Doylestown Township Municipal Authority. The financial statements are comprised of three components:

- Financial statements
- Notes to the financial statements
- Other supplementary information

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other special purpose governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary Fund. The Authority is a special purpose government that engages in only a business-type activity. The Authority uses an enterprise fund to account for its water operations.

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENTS' DISCUSSION AND ANALYSIS (Unaudited)

The Authority's proprietary fund financial statements include:

The Statement of Net Position presents information on the Authority's assets and liabilities, with the difference between the two 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.

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of the Authority's operations over the course of the fiscal year and information as to how the net position changed during the year. This statement can be used as an indicator of the extent to which the Authority has successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues.

The Statement of Cash Flows presents changes in cash and cash equivalents resulting from operational, capital, noncapital, and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration to the timing of the event giving rise to the obligation or receipt and excludes noncash accounting measures of depreciation or amortization of assets.

The basic proprietary fund financial statements can be found on pages 8-10 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Other Supplementary Information. The supplementary schedules provide additional analysis and are presented immediately following the notes to the financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded liabilities by \$20,320,297 and \$19,533,203 for 2023 and 2022, respectively at the close of each year.

By far the largest portion of the Authority's net position (56% and 57% for 2023 and 2022, respectively) reflects its net investment in capital assets (e.g., land, buildings, plant systems and equipment, and vehicles). The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

| | 2023 | 2022 | 2021 |
|-----------------------------|----------------------|----------------------|----------------------|
| Current & Restricted Assets | \$ 9,254,065 | \$ 8,783,029 | \$ 7,683,233 |
| Capital Assets | 11,387,615 | 11,177,155 | 11,229,454 |
| Total Assets | <u>\$ 20,641,680</u> | <u>\$ 19,960,184</u> | <u>\$ 18,912,687</u> |
| Current Liabilities | 321,383 | 426,981 | 442,813 |
| Total Liabilities | <u>\$ 321,383</u> | <u>\$ 426,981</u> | <u>\$ 442,813</u> |
| Net Position: | | | |
| Invested in Capital Assets | \$ 11,387,615 | \$ 11,177,155 | \$ 11,229,454 |
| Restricted | 7,925,487 | 7,446,829 | 6,289,398 |
| Unrestricted | 1,007,195 | 909,219 | 951,022 |
| Total Net Position | <u>\$ 20,320,297</u> | <u>\$ 19,533,203</u> | <u>\$ 18,469,874</u> |

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENTS' DISCUSSION AND ANALYSIS (Unaudited)

An additional portion of the Authority's net position represents resources that are subject to external restrictions on how they may be used. The remaining balances of unrestricted net position (\$1,007,197 and \$909,219, for 2023 and 2022, respectively) may be used to meet the Authority's ongoing capital projects.

At the end of the current fiscal year, the Authority is able to report a positive balance in the category of net position for the government as a whole. The same situation held true for the prior fiscal year.

Change in Net Position: The Authority's net position increased by \$787,094 in 2023 and increased by \$1,063,329 in 2022. Key elements of these increases are:

| Revenues | 2023 | 2022 | 2021 |
|---|----------------------|----------------------|----------------------|
| Program Revenues | | | |
| Charges for Services | \$ 2,539,027 | \$ 2,461,367 | \$ 2,335,454 |
| Investment Earnings | 297,213 | 15,687 | 12,220 |
| Other | 533,530 | 995,413 | 1,651,455 |
| Total Revenues | <u>3,369,770</u> | <u>3,472,467</u> | <u>3,999,129</u> |
| Expenses | | | |
| Depreciation and Amortication of Captial Assets | 563,896 | 541,068 | 522,777 |
| General and Administrative | 561,151 | 521,097 | 507,317 |
| Water Treatment and Distribution | 525,149 | 463,055 | 450,414 |
| Facilities Management | 932,480 | 883,918 | 877,767 |
| Capital Contribution to Government Entity | - | - | 769,685 |
| Total Expenses | <u>2,582,676</u> | <u>2,409,138</u> | <u>3,127,960</u> |
| Change in Net Position | 787,094 | 1,063,329 | 871,169 |
| Net Position, Beginning | <u>19,533,203</u> | <u>18,469,874</u> | <u>17,598,705</u> |
| Ending Net Position | <u>\$ 20,320,297</u> | <u>\$ 19,533,203</u> | <u>\$ 18,469,874</u> |

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
MANAGEMENTS' DISCUSSION AND ANALYSIS (Unaudited)

Capital Asset and Debt Administration

Capital Assets: The Authority's capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not known. The Authority's investment in capital assets net of accumulated depreciation as of December 31, 2023 is \$11,387,615 and \$11,177,155 for 2022. This amount includes land, land improvements, buildings, plant, systems and equipment, infrastructure, construction in progress and vehicles. Capital asset additions during the year consisted mainly of construction related to infrastructure.

| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|------------------------------|----------------------|----------------------|----------------------|
| Land | \$ 144,586 | \$ 144,586 | \$ 144,586 |
| Construction in Progress | 665,695 | 133,082 | 2,755,328 |
| Land Improvements | 6,475 | 7,139 | 7,803 |
| Buildings | 522,598 | 550,596 | 578,837 |
| Plant, Systems and Equipment | 420,457 | 231,275 | 274,385 |
| Infrastructure | <u>9,627,804</u> | <u>10,110,477</u> | <u>7,468,515</u> |
| | <u>\$ 11,387,615</u> | <u>\$ 11,177,155</u> | <u>\$ 11,229,454</u> |

Additional information on the Authority's capital assets can be found in the footnotes.

Economic Factors and the 2024 Budgets

Economic conditions for the Authority remain stable. The Authority's water rates remained unchanged in 2023 for the seventh year in a row. The rates are comparable to other neighboring water providers located in Bucks and Montgomery Counties.

At the end of 2023, the Authority had 2,892 water customers, which represents approximately 43% of the occupied building units in the Township.

The 2024 budget provides the necessary resources for the Authority to achieve its goals and priorities. It maintains accustomed service levels and represents an accurate estimate in dollar terms of the Authority's commitment to deliver quality water services to their customers.

The authority budgeted a capital project improvement plan in the amount of \$7.075 million. Due to newly promulgated PA Department of Environmental Protection and Environmental Protection Agency regulations, \$1.5 million is budgeted for PFAS treatment design and the beginning of construction activities. DTMA began the design work and Pennvest grant application process in 2023 and will receive a determination of any grant or loan awards in 2024.

The Northern Tank Transmission Loop is a budgeted \$2.5 million dollar project that is a key piece of the DTMA Master Plan. In 2023, DTMA was favored with a Covid-19 ARPA H2O PA grant in the amount of \$1.431 million to help fund this project. Other projects listed in the budget are currently in design or under construction. Both the South Booster Pump Station and Cross Keys Pump Station began construction in 2023. Supply chain issues with equipment such as emergency generators and pumps remain a challenge.

Request for information

The financial report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Doylestown Township Municipal Authority, 425 Wells Road, Doylestown, PA 18901.

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|----------------------------------|----------------|----------------|
| ASSETS | | |
| Current Assets | | |
| Cash | 718,344 | \$ 709,496 |
| Accounts Receivable | 572,061 | 592,443 |
| Notes Receivable | 8,000 | 8,000 |
| Prepaid Expenses | 30,173 | 26,261 |
| Total Current Assets | 1,328,578 | 1,336,200 |
| Restricted Assets | | |
| Cash | 1,258,734 | 1,855,413 |
| Investments | 6,666,753 | 5,591,416 |
| Total Restricted Assets | 7,925,487 | 7,446,829 |
| Noncurrent Assets | | |
| Capital Assets | | |
| Land | 144,586 | 144,586 |
| Land Improvements | 28,012 | 28,012 |
| Buildings | 1,860,696 | 1,866,096 |
| Plant, Systems and Equipment | 1,759,243 | 1,765,209 |
| Vehicles | 606,799 | 456,373 |
| Construction in Progress | 665,695 | 133,082 |
| Infrastructure | 22,234,636 | 22,234,636 |
| Accumulated Depreciation | (15,912,052) | (15,450,839) |
| Total Noncurrent Assets | 11,387,615 | 11,177,155 |
| TOTAL ASSETS | 20,641,680 | 19,960,184 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | 118,919 | 113,939 |
| Developers' Escrows | 202,464 | 313,042 |
| Total Current Liabilities | 321,383 | 426,981 |
| TOTAL LIABILITIES | 321,383 | 426,981 |
| NET POSITION | | |
| Net Investment in Capital Assets | 11,387,615 | 11,177,155 |
| Restricted for | | |
| Capital Improvements | 7,925,487 | 7,446,829 |
| Unrestricted | 1,007,195 | 909,219 |
| TOTAL NET POSITION | \$ 20,320,297 | \$ 19,533,203 |

See accompanying notes to the financial statements.

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---------------|---------------|
| Operating Revenue | | |
| Private Fire Protection | \$ 40,271 | \$ 35,553 |
| Water Meter Sales | 2,498,756 | 2,425,814 |
| Other Revenue | 375,699 | 544,482 |
| Total Operating Revenue | 2,914,726 | 3,005,849 |
| Operating Expenses | | |
| Depreciation and Amortization on Capital Assets | 563,896 | 541,068 |
| General and Administrative | 561,151 | 521,097 |
| Water Treatment and Distribution | 525,149 | 463,055 |
| Facilities Management | 932,480 | 883,918 |
| Total Operating Expenses | 2,582,676 | 2,409,138 |
| Net Operating Income | 332,050 | 596,711 |
| Nonoperating Revenue (Expenses) | | |
| Investment Income | 297,213 | 15,687 |
| Grant Revenue | 142,831 | 400,000 |
| Private and Government Contributions | 15,000 | 50,931 |
| Total Nonoperating Revenue (Expenses) | 455,044 | 466,618 |
| Change in Net Position | 787,094 | 1,063,329 |
| Total Net Position, Beginning | 19,533,203 | 18,469,874 |
| Total Net Position, Ending | \$ 20,320,297 | \$ 19,533,203 |

See accompanying notes to the financial statements.

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

| | 2023 | 2022 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers and Users | \$ 2,931,196 | \$ 2,937,568 |
| Cash Payments to Suppliers for Good and Services | (1,480,480) | (1,254,362) |
| Cash Payments Paid to Affiliate Government for Employee Services | (643,898) | (629,540) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 806,818 | 1,053,666 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Private and Government Contributions | 15,000 | 50,931 |
| Grant Revenue Received | 142,831 | 400,000 |
| Acquisition of Capital Assets | (774,356) | (488,769) |
| NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES | (616,525) | (37,838) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Investments | (1,075,337) | (3,400,000) |
| Sale of Investments | - | 17,110 |
| Interest Earnings | 297,213 | 15,687 |
| NET CASH PROVIDED BY (USED IN) INVESTING ACITIVITES | (778,124) | (3,367,203) |
| NET INCREASE (DECREASE) IN CASH | (587,831) | (2,351,375) |
| CASH AT BEGINNING OF YEAR | 2,564,909 | 4,916,284 |
| CASH AT END OF YEAR | \$ 1,977,078 | \$ 2,564,909 |
| RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Net Operating Income | \$ 332,050 | \$ 596,711 |
| Adjustments to reconcile Operating Income to Net Cash | | |
| Used by Operating Activities | | |
| Depreciation and Amortization | 563,896 | 541,068 |
| (Increase) Decrease in Assets | | |
| Accounts Receivable | 20,382 | (64,165) |
| Prepaid Expenses | (3,912) | (4,116) |
| Increase (Decrease) in Liabilities | | |
| Accounts Payable | 4,980 | (18,110) |
| Developers' Escrows | (110,578) | 2,278 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 806,818 | \$ 1,053,666 |

See accompanying notes to the financial statements.

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Doylestown Township Municipal Authority (the Authority) was incorporated in 1978 under the Commonwealth of Pennsylvania's Municipal Authorities Act of 1945. The Authority owned and operated sewage treatment and water facilities throughout Doylestown Township through 1992 and water facilities only from 1993. In 1992, the Authority sold the sewer operations to Bucks County Water and Sewer Authority.

The Authority was established by the Doylestown Township Board of Supervisors. The Authority's board members are appointed by the Township and operations are conducted by Township employees. Because of these factors, the Authority is considered to be a component unit of the Township. These component unit financial statements solely reflect the activity of the Authority and do not include the results of operations of Doylestown Township.

Basis of Accounting

The Authority is a special purpose government that engages in only a business-type activity. The Authority uses an enterprise fund to account for its water operations.

Proprietary funds are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for sales and services. Operating expenses include costs of services as well as, administrative expenses and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

Cash and Cash Equivalents

The Authority considers all certificates of deposit, including those classified as restricted assets, with a maturity of three months or less to be cash equivalents.

Net Position

Net position is divided into three components:

Net investment in capital assets — consist of the historical costs of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position — consist of assets that are restricted by the Authority's creditors, by the state enabling legislation, by grantors, and by other contributors.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Unrestricted — all other net position is reported in this category.

Accounts Receivable

The Authority's management expects that all accounts receivable are collectible, therefore, no allowance for doubtful accounts has been established.

Capital Assets

Capital assets which include, property, plant and equipment is stated at historical cost or estimated historical cost if actual historical cost is not known. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Donated property, plant and equipment are accounted for at their estimated fair value on the date received. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

| | |
|----------------------------|-------------|
| Water System and buildings | 30-50 years |
| Equipment | 5-10 years |
| Vehicles | 8 years |

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Under Section 7.1 of the Municipal Authorities Act, as amended, the Authority is permitted to invest funds in the following types of investments:

1. U.S. Treasury bills
2. Short term obligations of the U.S. Government and federal agencies .
3. Savings, checking accounts, and certificates of deposit in banks, savings and loan associations, and credit unions where such funds are insured by the FDIC and National Credit Union Share Insurance Fund.
4. General Obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision.

The deposit and investment policy of the Authority adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either the state statutes or the policy of the Authority.

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

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Under Act No. 72 enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the depository are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit in excess of the Federal Depository Insurance Corporation (FDIC) limit. These may be bonds of the United States, any State of the United States, or bonds of any political subdivision of Pennsylvania, or the general state authority or other authorities created by the General Assembly of the Commonwealth of Pennsylvania or insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk — Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority manages its custodial credit risk by requiring financial institutions to secure any deposits over the \$250,000 FDIC limit with the bank's assets in accordance with Act 72. As of December 31, 2023, \$1,795,089 of the Authority's bank balance of \$2,093,253 and as of December 31, 2022, \$2,140,509 of the Authority's bank balance of \$2,623,563 were exposed to custodial credit risk as the funds were collateralized by collateral held by the pledging financial institution's trust department not in the Authority's name.

The Authority's cash equivalents of \$8,770 were not subject to custodial credit risk as they were invested with the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT issues separately audited financial statements that are available to the public. The fair value of the Authority's position in the external investment pool is equivalent to the value of the pool shares. PLGIT does not place any limitations or restrictions on withdrawals from the program. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pools.

The Authority's investment of \$5,080,075 with PLGIT is a fixed term investment with a 60-day minimum investment period and has a premature withdrawal penalty.

Credit Risk. The Authority does not have a policy limiting credit risk. As of December 31, 2023, the Authority's investments in PLGIT were rated AAAM by Standard & Poor's.

The Authority's investments are certificate of deposits with maturities in excess of 90 days. The certificate of deposits are held in nine different financial institutions and the balances are entirely covered by the FDIC.

NOTE 3: NOTES RECEIVABLE

The Authority issued notes receivable to Township residents to pay for sewer connection fees. These notes totaling \$71,500 were to be repaid in aggregate annual installments with the balance due in November 1997. As of 2023 and 2022 the Authority has a remaining balance of \$8,000 in outstanding notes receivable. The Authority expects to collect the remaining balance.

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

NOTE 4: CAPITAL ASSETS

| | Balance 1/1/2023 | Increases | Decreases | Balance 12/31/2023 |
|--|----------------------|---------------------|-----------------------|-----------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 144,586 | \$ - | \$ - | \$ 144,586 |
| Construction in Progress | 133,082 | 532,613 | - | 665,695 |
| Total Capital Assets Not Being Depreciated | <u>277,668</u> | <u>532,613</u> | <u>-</u> | <u>810,281</u> |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | 28,012 | - | - | 28,012 |
| Buildings | 1,866,096 | - | (5,400) | 1,860,696 |
| Plant, Systems and Equipment | 1,765,209 | - | (5,966) | 1,759,243 |
| Infrastructure | 22,234,636 | - | - | 22,234,636 |
| Vehicles | 456,373 | 241,743 | (91,317) | 606,799 |
| Total Capital Assets Being Depreciated at Historical Cost | 26,350,326 | 241,743 | (102,683) | 26,489,386 |
| Less Accumulated Depreciation | <u>(15,450,839)</u> | <u>(563,896)</u> | <u>102,683</u> | <u>(15,912,052)</u> |
| Total Capital Assets Being Depreciated, Net | <u>10,899,487</u> | <u>(322,153)</u> | <u>-</u> | <u>10,577,334</u> |
| Capital Assets, Net | <u>\$ 11,177,155</u> | <u>\$ 210,460</u> | <u>\$ -</u> | <u>\$ 11,387,615</u> |
| | | | | |
| | Balance 1/1/2022 | Increases | Decreases | Balance 12/31/2022 |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 144,586 | \$ - | \$ - | \$ 144,586 |
| Construction in Progress | 2,755,328 | 96,248 | (2,718,494) | 133,082 |
| Total Capital Assets Not Being Depreciated | <u>2,899,914</u> | <u>96,248</u> | <u>(2,718,494)</u> | <u>277,668</u> |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | 28,012 | - | - | 28,012 |
| Buildings | 1,866,096 | - | - | 1,866,096 |
| Plant, Systems and Equipment | 1,765,209 | - | - | 1,765,209 |
| Infrastructure | 19,123,621 | 3,111,015 | - | 22,234,636 |
| Vehicles | 456,373 | - | - | 456,373 |
| Total Capital Assets Being Depreciated at Historical Cost | 23,239,311 | 3,111,015 | - | 26,350,326 |
| Less Accumulated Depreciation | <u>(14,909,771)</u> | <u>(541,068)</u> | <u>-</u> | <u>(15,450,839)</u> |
| Total Capital Assets Being Depreciated, Net | <u>8,329,540</u> | <u>2,569,947</u> | <u>-</u> | <u>10,899,487</u> |
| Capital Assets, Net | <u>\$ 11,229,454</u> | <u>\$ 2,666,195</u> | <u>\$ (2,718,494)</u> | <u>\$ 11,177,155</u> |

NOTE 5: RESTRICTED NET POSITION

Net Position has been restricted by the Authority to be used for the following:

| | 2023 | 2022 |
|---------------------|--------------|--------------|
| Capital Improvement | \$ 7,925,487 | \$ 7,446,829 |

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

NOTE 6: MAJOR CUSTOMERS

During 2023 and 2022 respectively, the Authority generated \$2,498,756 and \$2,425,814 in water revenues. Of this amount, \$226,391 and \$255,583, for 2023 and 2022, respectively, represents amounts billed to Doylestown Hospital; and \$285,544 and \$248,528 represents the amount billed to Neshaminy Manor for 2023 and 2022, respectively. These are the Authority's major customers that exceeded 10% of the total water revenues.

NOTE 7: SUBSEQUENT EVENTS

Subsequent events for Doylestown Township Municipal Authority as of and for the year ended December 31, 2023, were evaluated through June 10, 2024, and no material subsequent events exist that require disclosure.

SUPPLEMENTARY INFORMATION

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
 SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
 FOR THE YEARS ENDED DECEMBER 31,

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| General and Administrative Expenses | | |
| Accounting and Legal | \$ 17,050 | \$ 16,371 |
| Advertising | 735 | 320 |
| Annual Fee | 11,139 | 10,500 |
| Dues and Subscriptions | 9,748 | 9,256 |
| Insurance | 47,813 | 40,903 |
| Fringes | 404,610 | 333,962 |
| Litigation | - | 28,007 |
| Office Supplies | 3,368 | 3,556 |
| Office Equipment | 3,088 | 18,039 |
| Other Services | 5,222 | 4,767 |
| Permits | 50 | 50 |
| Postage | 4,448 | 3,539 |
| Printing | 1,399 | 1,133 |
| Rent | 47,435 | 46,233 |
| Reporting | 1,691 | 1,566 |
| Travel | 3,355 | 2,895 |
| | <u>561,151</u> | <u>521,097</u> |
| Total General and Administrative Expenses | <u>\$ 561,151</u> | <u>\$ 521,097</u> |

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
 SCHEDULES OF WATER TREATMENT AND DISTRIBUTION
 FOR THE YEARS ENDED DECEMBER 31,

| | 2023 | 2022 |
|--|----------------|----------------|
| Water Treatment and Distribution | | |
| Chemicals | \$ 46,926 | \$ 56,448 |
| Laboratory Expenses | 38,595 | 8,145 |
| Maintenance and Repairs | 274,447 | 288,781 |
| Operating Supplies | 26,999 | 7,030 |
| Water Purchases | 138,182 | 102,651 |
| Total Water Treatment and Distribution | \$ 525,149 | \$ 463,055 |

DOYLESTOWN TOWNSHIP MUNICIPAL AUTHORITY
 SCHEDULES OF FACILITIES MANAGEMENT
 FOR THE YEARS ENDED DECEMBER 31,

| | 2023 | 2022 |
|-----------------------------|------------|------------|
| Facilities Management | | |
| Operations Contract | \$ 59,780 | \$ 43,658 |
| Engineering | 30,465 | 27,916 |
| Labor | 643,898 | 629,540 |
| Phone, Alarms and Software | 40,521 | 48,614 |
| Uniforms | 3,712 | 3,596 |
| Equipment Rental | - | 212 |
| Utilities | 154,104 | 130,382 |
| Total Facilities Management | \$ 932,480 | \$ 883,918 |