

Benner Township Water Authority

Financial Statements

December 31, 2019 and 2018

Benner Township Water Authority

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Independent Auditors' Report

To the Board of Directors of
Benner Township Water Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Benner Township Water Authority (the Authority), which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses and change in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Benner Township Water Authority as of December 31, 2019 and 2018, and the change in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Baker Tilly Virchow Krause, LLP

State College, Pennsylvania
June 3, 2020

Benner Township Water Authority

Statements of Net Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 212,971	\$ 215,531
Accounts receivable, trade	35,110	33,772
Inventory	<u>3,177</u>	<u>3,140</u>
Total current assets	251,258	252,443
Noncurrent Assets		
Capital assets, net	<u>1,186,147</u>	<u>1,214,482</u>
Total	<u>\$ 1,437,405</u>	<u>\$ 1,466,925</u>
Liability and Net Position		
Current Liability		
Accounts payable	<u>\$ 5,776</u>	<u>\$ 9,388</u>
Net Position		
Net investment in capital assets	1,186,147	1,214,482
Unrestricted	<u>245,482</u>	<u>243,055</u>
Total net position	<u>1,431,629</u>	<u>1,457,537</u>
Total	<u>\$ 1,437,405</u>	<u>\$ 1,466,925</u>

See notes to financial statements

Benner Township Water Authority

Statements of Revenues, Expenses and Change in Net Position
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Water system usage charges	\$ 110,539	\$ 107,554
Connection fees	3,960	-
Penalties for late payment	879	1,024
Other operating income	476	30,060
	<u>115,854</u>	<u>138,638</u>
Total operating revenues		
Operating Expenses		
Purchased services	67,738	118,879
Depreciation expense	44,059	38,488
Other operating expense	33,151	41,509
	<u>144,948</u>	<u>198,876</u>
Total operating expenses		
Operating loss	(29,094)	(60,238)
Nonoperating Revenue		
Interest income	3,186	2,365
	<u>3,186</u>	<u>2,365</u>
Change in net position	(25,908)	(57,873)
Net Position, Beginning	<u>1,457,537</u>	<u>1,515,410</u>
Net Position, Ending	<u>\$ 1,431,629</u>	<u>\$ 1,457,537</u>

See notes to financial statements

Benner Township Water Authority

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 114,516	\$ 140,194
Cash paid to vendors	(104,538)	(159,853)
	<u>9,978</u>	<u>(19,659)</u>
Net cash provided by (used in) operating activities	9,978	(19,659)
Cash Flows Used in Capital Activities		
Purchase of property and equipment	(15,724)	(39,000)
Cash Flows Provided by Investing Activities		
Interest received	3,186	2,365
	<u>3,186</u>	<u>2,365</u>
Decrease in cash and cash equivalents	(2,560)	(56,294)
Cash and Cash Equivalents, Beginning	<u>215,531</u>	<u>271,825</u>
Cash and Cash Equivalents, Ending	<u>\$ 212,971</u>	<u>\$ 215,531</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	\$ (29,094)	\$ (60,238)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	44,059	38,488
Changes in assets and liabilities:		
Accounts receivable, trade	(1,338)	1,556
Inventory	(37)	(130)
Accounts payable	(3,612)	665
	<u>(3,612)</u>	<u>665</u>
Net cash provided by (used in) operating activities	<u>\$ 9,978</u>	<u>\$ (19,659)</u>

See notes to financial statements

Benner Township Water Authority

Notes to Financial Statements
December 31, 2019 and 2018

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Benner Township Water Authority (the Authority) was organized under the Pennsylvania Municipality Authorities Act of 1945 to form a water system serving the residents of Benner Township, Pennsylvania.

The Authority evaluated subsequent events for recognition or disclosure through June 3, 2020, the date the financial statements were available to be issued.

Reporting Entity

The reporting entity has been defined in accordance with the criteria established in Governmental Accounting Standards Board (GASB) Statement 14, as amended. The specific criteria used in determining whether other organizations should be included in the Authority's financial reporting entity are financial accountability, fiscal dependency and legal separation.

The Authority is a basic level of government that has oversight responsibility and control of a water system. The Authority receives funding from customer fees. Members of the board are appointed by the Township of Benner (Township); the Township's involvement does not extend beyond making Authority board appointments. The Authority is not included in any other governmental reporting entity as defined in GASB pronouncements, since Board members have decision making authority, the authority to establish fees, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. No other entities are included in these financial statements.

Basis of Presentation, Fund Accounting

Proprietary Fund Type

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The following is the Authority's proprietary fund:

Enterprise Fund

Enterprise funds are used for activities that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs of providing services to the public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are also used in situations where the governing body has determined that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. The Authority's enterprise fund type consists of its water operations.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurement made, regardless of the measurement focus being applied.

The proprietary fund type is accounted for on an economic resources management focus, using the accrual basis of accounting. Revenues are recorded when earned, including unbilled water services, which are accrued. Expenses are recorded at the time liabilities are incurred.

Benner Township Water Authority

Notes to Financial Statements
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Accounts Receivable, Trade

Accounts receivable, trade are reported at amounts management expects to collect on balances outstanding at year-end. Accounts are charged to bad debt expense when deemed uncollectible based upon a periodic review of individual accounts. Accounts receivable are considered fully collectible by management and, accordingly, no allowance for doubtful accounts is considered necessary.

Capital Assets, Net

Capital assets are stated at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Repairs and maintenance are expensed in the period when incurred.

Use of Estimates

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

Inventory

Parts and supplies are stated at the lower of cost or market (net realizable value).

Operating Revenues and Expenses

Operating revenues of the Authority consist of usage charges, connection fees, penalties, and other operating income. Interest income is considered nonoperating revenue. All expenses are recorded as operating expenses.

Cash Equivalents

The Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Recent Accounting Standards

In January 2017, the GASB issued statement No. 84 - *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how these activities should be reported. This standard was implemented January 1, 2019, but did not have a material impact on the Authority's financial statements.

In March 2018, the GASB issued statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. This standard was implemented January 1, 2019, but did not have a material impact on the Authority's financial statements.

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Notes to Financial Statements
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2. Custodial Credit Risk-Deposits

Under the Municipality Authorities Act, the Authority can invest in U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations or their agencies or instrumentalities and insured or collateralized time deposits and certificates of deposit.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of December 31, 2019, the Authority's total bank deposits were \$212,971, all of which was insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2018, the Authority's total bank deposits were \$215,470 of which \$250,000 was insured by the FDIC with the remainder collateralized with securities held by the pledging institution, but not in the Authority's name.

3. Capital Assets, Net

The useful lives of capital assets are as follows:

	<u>Useful Life</u>
Water system	5-50 years

Capital assets activity for the years ended December 31, 2019 and 2018 is as follows:

	<u>January 1, 2019</u>	<u>Additions</u>	<u>December 31, 2019</u>
Capital assets:			
Land, not depreciated	\$ 50,000	\$ -	\$ 50,000
Construction in progress	-	15,724	15,724
Water system	<u>1,524,154</u>	<u>-</u>	<u>1,524,154</u>
Total capital assets	1,574,154	15,724	1,589,878
Accumulated depreciation:			
Water system	<u>(359,672)</u>	<u>(44,059)</u>	<u>(403,731)</u>
Capital assets, net	<u>\$ 1,214,482</u>	<u>\$ (28,335)</u>	<u>\$ 1,186,147</u>
	<u>January 1, 2018</u>	<u>Additions</u>	<u>December 31, 2018</u>
Capital assets:			
Land, not depreciated	\$ 50,000	\$ -	\$ 50,000
Water system	<u>1,485,154</u>	<u>39,000</u>	<u>1,524,154</u>
Total capital assets	1,535,154	39,000	1,574,154
Accumulated depreciation:			
Water system	<u>(321,184)</u>	<u>(38,488)</u>	<u>(359,672)</u>
Capital assets, net	<u>\$ 1,213,970</u>	<u>\$ 512</u>	<u>\$ 1,214,482</u>

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Notes to Financial Statements
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4. Effect of New Accounting Standards on Future Financial Statements

The GASB has approved the following:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years.

Authority management is in the process of analyzing these pending changes in accounting principles and the impact they may have on the financial reporting process.