

Benner Township Water Authority

Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such 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. 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.

Baker Tilly US, LLP

State College, Pennsylvania

June 28, 2021

Benner Township Water Authority

Management Discussion and Analysis (Unaudited)
December 31, 2020 and 2019

The Benner Township Water Authority (the Authority) is presenting the following management discussion and analysis to provide a detailed review of the Authority's financial condition and activities for the calendar years ended December 31, 2020 and 2019. The information presented should be reviewed in conjunction with the audit results following this section to gain a more complete understanding of the Authority's financial performance.

Overview of the Financial Statements

This annual report consists of several parts: the Independent Auditors' Report, the management discussion and analysis, the financial statements and accompanying notes.

Required Financial Statements

The three financial statements contained in this annual report detail financial information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information on the activities of the Authority.

The **Statements of Net Position** of the Authority provides a comparative snapshot of the financial condition of the Authority on December 31, 2020 and 2019. This report describes the total assets of the Authority, broken down into those that can be converted to cash easily (current assets), and those that cannot or are restricted in any way. These assets are either "owned" by the Authority (net position) or "owed" as obligations to Authority creditors (liabilities).

The Change in Net Position of the Authority over the course of the fiscal year is reflected on the **Statements of Revenues, Expenses and Change in Net Position**. This report provides the revenues and expenses of the Authority over the course of the year. Revenues and expenses are recorded as they occur (accrual method), rather than as they are received or disbursed, providing an accurate picture of the cost to operate the Authority during the time period given and whether or not the Authority is successfully recovering its costs through user fees and other charges. The difference between revenues, contributions and other forms of income and the costs to operate and administer the Authority results in the Change in Net Position, which accumulates on the Statements of Net Position as the difference between total assets and total liabilities.

The **Statements of Cash Flows** simply converts the Authority's financial results from the accrual method to cash. This report indicates the change in cash balances from the previous fiscal year, and explains how that change occurred. The report is broken into sections showing the cash inflows and outflows due to operations, capital and related financing and investing activities.

Benner Township Water Authority

Management Discussion and Analysis (Unaudited)
December 31, 2020 and 2019

Financial Analysis of Authority

The following comparative condensed financial statements serve as key financial indicators for management, monitoring and planning. Comments follow each statement.

Comparative Condensed Statement of Net Position

	<u>2020</u>	<u>2019</u>	<u>Variance</u>	<u>Percentage Change</u>
Current assets	\$ 258,225	\$ 251,258	\$ 6,967	2.77 %
Net property, plant and equipment	1,138,374	1,186,147	(47,773)	(4.03)
Total	<u>\$ 1,396,599</u>	<u>\$ 1,437,405</u>	<u>\$ (40,806)</u>	<u>(2.84) %</u>
Current liabilities	\$ 9,491	\$ 5,776	\$ 3,715	64.32 %
Net investments in capital assets	1,138,374	1,186,147	(47,773)	(4.03)
Net position	248,734	245,482	3,252	1.32
Total	<u>\$ 1,396,599</u>	<u>\$ 1,437,405</u>	<u>\$ (40,806)</u>	<u>(2.84) %</u>

Total assets were marginally lower on December 31, 2020 over the previous fiscal year-end. Property, plant and equipment decreased by \$47,733, which is related to the ongoing depreciation of these capital assets. Current liabilities increased by \$3,715 overall and net position increased \$3,252.

Comparative Statement of Revenues & Expenses to Prior Year

	<u>2020</u>	<u>2019</u>	<u>Variance</u>	<u>Percentage Change</u>
Operating revenues	\$ 115,275	\$ 115,854	\$ (579)	(0.50) %
Operating expenses	128,141	144,948	(16,807)	(11.60)
Net operating income	(12,866)	(29,094)	16,228	55.78
Nonoperating income (expense) and intergovernmental transfer, net	(31,655)	3,186	(34,841)	(1,093.57)
Change in net position	<u>\$ (44,521)</u>	<u>\$ (25,908)</u>	<u>\$ (18,613)</u>	<u>(71.84) %</u>

Operating revenues for the year ended December 31, 2020 remained comparable from those of 2019.

Operating expenses for the year ended December 31, 2020 decreased \$16,807 from 2019. During 2019, the Authority recorded expenses for amounts paid for the water system upgrades. The expenses were one time charges and are not a recurring expense.

Benner Township Water Authority

Management Discussion and Analysis (Unaudited)
December 31, 2020 and 2019

Capital Assets

The Authority's investment in capital assets as of December 31, 2020 and 2019 is summarized below.

	<u>2020</u>	<u>2019</u>
Land and rights-of-way	\$ 50,000	\$ 50,000
Construction in progress	29,868	15,724
Water system	<u>1,495,654</u>	<u>1,524,154</u>
Total	1,575,522	1,589,878
Less accumulated depreciation	<u>(437,148)</u>	<u>(403,731)</u>
Property, plant and equipment, net	<u>\$ 1,138,374</u>	<u>\$ 1,186,147</u>

Current Economic Outlook

The Authority continues to maintain its financial position in conjunction with upgrading and improving the aging components within their system. The effects of the COVID-19 pandemic appear to have had minimal effects on the financial status of the Authority; however, the Authority continues to monitor this situation. Planning has been initiated to supplement the current capacity of the system by developing a new water source within this rapidly growing community. A long-term, low interest PENNVEST loan appears to be the most economic avenue to secure the necessary funding for this project.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Benner Township Water Authority, 170 Irish Hollow Road, Bellefonte, PA 16823.

Benner Township Water Authority

Statements of Net Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 218,438	\$ 212,971
Accounts receivable, trade	36,197	35,110
Inventory	3,590	3,177
	<u>258,225</u>	<u>251,258</u>
Noncurrent Assets		
Capital assets, net	1,138,374	1,186,147
	<u>1,396,599</u>	<u>1,437,405</u>
Liability and Net Position		
Current Liability		
Accounts payable	\$ 9,491	\$ 5,776
Net Position		
Net investment in capital assets	1,138,374	1,186,147
Unrestricted	248,734	245,482
	<u>1,387,108</u>	<u>1,431,629</u>
	<u>\$ 1,396,599</u>	<u>\$ 1,437,405</u>

See notes to financial statements

Benner Township Water Authority

Statements of Revenues, Expenses and Change in Net Position
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Water system usage charges	\$ 113,228	\$ 110,539
Connection fees	1,320	3,960
Penalties for late payment	674	879
Other operating income	53	476
	<u>115,275</u>	<u>115,854</u>
Total operating revenues		
Operating Expenses		
Purchased services	58,383	67,738
Depreciation expense	38,988	44,059
Other operating expense	30,770	33,151
	<u>128,141</u>	<u>144,948</u>
Total operating expenses		
Operating loss	<u>(12,866)</u>	<u>(29,094)</u>
Nonoperating (Expenses) Revenue		
Intergovernmental transfer	(33,429)	-
Interest income	1,774	3,186
	<u>(31,655)</u>	<u>3,186</u>
Total nonoperating (expenses) revenues		
Change in net position	(44,521)	(25,908)
Net Position, Beginning	<u>1,431,629</u>	<u>1,457,537</u>
Net Position, Ending	<u>\$ 1,387,108</u>	<u>\$ 1,431,629</u>

See notes to financial statements

Benner Township Water Authority

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 114,188	\$ 114,516
Cash paid to vendors	(85,851)	(104,538)
Net cash provided by operating activities	28,337	9,978
Cash Flows Used in Capital and Related Financing Activities		
Purchase of capital assets	(24,644)	(15,724)
Cash Flows Provided by Investing Activities		
Interest received	1,774	3,186
Increase (decrease) in cash and cash equivalents	5,467	(2,560)
Cash and Cash Equivalents, Beginning	<u>212,971</u>	<u>215,531</u>
Cash and Cash Equivalents, Ending	<u>\$ 218,438</u>	<u>\$ 212,971</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (12,866)	\$ (29,094)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	38,988	44,059
Changes in assets and liabilities:		
Accounts receivable, trade	(1,087)	(1,338)
Inventory	(413)	(37)
Accounts payable	3,715	(3,612)
Net cash provided by operating activities	<u>\$ 28,337</u>	<u>\$ 9,978</u>
Supplementary Cash Flow Information		
Noncash capital and related financing activities, Intergovernmental transfer	<u>\$ (33,429)</u>	<u>\$ -</u>

See notes to financial statements

Benner Township Water Authority

Notes to Financial Statements
December 31, 2020 and 2019

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, as amended, to form a water system serving the residents of Benner Township, Pennsylvania.

The Authority evaluated subsequent events for recognition or disclosure through June 28, 2021, 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
December 31, 2020 and 2019

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. The Authority transferred a vehicle to Spring Benner Walker Joint Authority.

Cash Equivalents

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

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, 2020 and 2019, the Authority's total bank deposits were \$218,939 and \$212,971, respectively, all of which was insured by the Federal Deposit Insurance Corporation (FDIC).

Benner Township Water Authority

Notes to Financial Statements
December 31, 2020 and 2019

3. Capital Assets, Net

The useful lives of capital assets are as follows:

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

Capital assets activity for the years ended December 31, 2020 and 2019 is as follows:

	<u>January 1, 2020</u>	<u>Additions/ (Disposals)</u>	<u>Transfers</u>	<u>December 31, 2020</u>
Capital assets:				
Land, not depreciated	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress, not depreciated	15,724	14,144	-	29,868
Water system	<u>1,524,154</u>	<u>10,500</u>	<u>(39,000)</u>	<u>1,495,654</u>
Total capital assets	1,589,878	24,644	(39,000)	1,575,522
Accumulated depreciation, Water system	<u>(403,731)</u>	<u>(38,988)</u>	<u>5,571</u>	<u>(437,148)</u>
Capital assets, net	<u>\$ 1,186,147</u>	<u>\$ (14,344)</u>	<u>\$ (33,429)</u>	<u>\$ 1,138,374</u>
	<u>January 1, 2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>December 31, 2019</u>
Capital assets:				
Land, not depreciated	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress, not depreciated	-	15,724	-	15,724
Water system	<u>1,524,154</u>	<u>-</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>-</u>	<u>(403,731)</u>
Capital assets, net	<u>\$ 1,214,482</u>	<u>\$ (28,335)</u>	<u>\$ -</u>	<u>\$ 1,186,147</u>

Benner Township Water Authority

Notes to Financial Statements
December 31, 2020 and 2019

4. Effect of New Accounting Standards on Future Financial Statements

The GASB has approved the following:

- Statement No. 87, *Leases*
- 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*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

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.