

Benner Township Water Authority

Financial Statements

December 31, 2021 and 2020

Benner Township Water Authority

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Independent Auditors' Report

To the Board of Directors of
Benner Township Water Authority

Opinion

We have audited the accompanying financial statements of Benner Township Water Authority (the Authority), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2021 and 2020, and the changes in financial position and 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 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 Auditors' Responsibilities for the Audit of the Financial Statements 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 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.

Auditors' 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 auditors' 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 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 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 the 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 statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Other Matters

Required Supplementary Information

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 1, 2022

Benner Township Water Authority

Management Discussion and Analysis (Unaudited)
December 31, 2021 and 2020

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, 2021 and 2020. 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 provide a comparative snapshot of the financial condition of the Authority on December 31, 2021 and 2020. This statement 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 items 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 statement 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 statement indicates the change in cash balances from the previous fiscal year, and explains how that change occurred. The statement 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, 2021 and 2020

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>2021</u>	<u>2020</u>	<u>Variance</u>	<u>Percentage Change</u>
Current assets	\$ 198,647	\$ 258,225	\$ (59,578)	(23.07) %
Net property, plant and equipment	<u>1,224,724</u>	<u>1,138,374</u>	<u>86,350</u>	<u>7.59</u>
Total	<u>\$ 1,423,371</u>	<u>\$ 1,396,599</u>	<u>\$ 26,772</u>	<u>1.92 %</u>
Current liabilities	\$ 7,613	\$ 9,491	\$ (1,878)	(19.79) %
Net position:				
Net investments in capital assets	<u>1,224,724</u>	<u>1,138,374</u>	<u>86,350</u>	<u>7.59</u>
Unrestricted	<u>191,034</u>	<u>248,734</u>	<u>(57,700)</u>	<u>(23.2)</u>
Total	<u>\$ 1,423,371</u>	<u>\$ 1,396,599</u>	<u>\$ 26,772</u>	<u>1.92 %</u>

Total assets were higher on December 31, 2021 over the previous fiscal year-end. Property, plant and equipment increased by \$86,350, which is related to the ongoing projects at the Authority. Current liabilities decreased by \$1,878 overall and net position decreased \$57,700.

Comparative Statement of Revenues and Expenses to Prior Year

	<u>2021</u>	<u>2020</u>	<u>Variance</u>	<u>Percentage Change</u>
Operating revenues	\$ 148,009	\$ 115,275	\$ 32,734	28.40 %
Operating expenses	<u>119,718</u>	<u>128,141</u>	<u>(8,423)</u>	<u>(6.57)</u>
Net operating income (loss)	28,291	(12,866)	41,157	(319.89)
Nonoperating income (expense) and intergovernmental transfer, net	<u>359</u>	<u>(31,655)</u>	<u>32,014</u>	<u>(101.13)</u>
Change in net position	<u>\$ 28,650</u>	<u>\$ (44,521)</u>	<u>\$ 73,171</u>	<u>164.35 %</u>

Operating revenues for the year ended December 31, 2021 increased due to a rate increase for water services.

Operating expenses for the year ended December 31, 2021 remained comparable from those of 2020.

Benner Township Water Authority

Management Discussion and Analysis (Unaudited)
December 31, 2021 and 2020

Capital Assets

The Authority's investment in capital assets as of December 31, 2021 and 2020 is summarized below.

	<u>2021</u>	<u>2020</u>
Land and rights-of-way	\$ 50,000	\$ 50,000
Construction in progress	48,106	29,868
Water system	<u>1,605,122</u>	<u>1,495,654</u>
Total	1,703,228	1,575,522
Less accumulated depreciation	<u>(478,504)</u>	<u>(437,148)</u>
Property, plant and equipment, net	<u>\$ 1,224,724</u>	<u>\$ 1,138,374</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 150,147	\$ 218,438
Accounts receivable, trade	42,918	36,197
Inventory	<u>5,582</u>	<u>3,590</u>
Total current assets	198,647	258,225
Noncurrent Assets		
Capital assets, net	<u>1,224,724</u>	<u>1,138,374</u>
Total assets	<u><u>\$ 1,423,371</u></u>	<u><u>\$ 1,396,599</u></u>
Liability and Net Position		
Current Liability		
Accounts payable	<u>\$ 7,613</u>	<u>\$ 9,491</u>
Net Position		
Net investment in capital assets	1,224,724	1,138,374
Unrestricted	<u>191,034</u>	<u>248,734</u>
Total net position	<u>1,415,758</u>	<u>1,387,108</u>
Total liability and net position	<u><u>\$ 1,423,371</u></u>	<u><u>\$ 1,396,599</u></u>

See notes to financial statements

Benner Township Water Authority

Statements of Revenues, Expenses and Change in Net Position
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Water charges	\$ 147,293	\$ 113,228
Penalties for late payment	716	674
Connection fees	-	1,320
Other operating income	-	53
	<u>148,009</u>	<u>115,275</u>
Operating Expenses		
Purchased services	53,176	58,383
Depreciation expense	41,356	38,988
Other operating expense	25,186	30,770
	<u>119,718</u>	<u>128,141</u>
Total operating revenues	<u>148,009</u>	<u>115,275</u>
Total operating expenses	<u>119,718</u>	<u>128,141</u>
Operating income (loss)	<u>28,291</u>	<u>(12,866)</u>
Nonoperating Revenue (Expenses)		
Interest income	359	1,774
Intergovernmental transfer	-	(33,429)
	<u>359</u>	<u>(31,655)</u>
Total nonoperating revenues (expenses)	<u>359</u>	<u>(31,655)</u>
Change in net position	28,650	(44,521)
Net Position, Beginning	<u>1,387,108</u>	<u>1,431,629</u>
Net Position, Ending	<u>\$ 1,415,758</u>	<u>\$ 1,387,108</u>

See notes to financial statements

Benner Township Water Authority

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 141,288	\$ 114,188
Cash paid to vendors	<u>(82,232)</u>	<u>(85,851)</u>
Net cash provided by operating activities	59,056	28,337
Cash Flows Used in Capital and Related Financing Activities		
Purchase of capital assets	(127,706)	(24,644)
Cash Flows Provided by Investing Activities		
Interest received	<u>359</u>	<u>1,774</u>
(Decrease) increase in cash and cash equivalents	(68,291)	5,467
Cash and Cash Equivalents, Beginning	<u>218,438</u>	<u>212,971</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 150,147</u></u>	<u><u>\$ 218,438</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 28,291	\$ (12,866)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	41,356	38,988
Changes in assets and liabilities:		
Accounts receivable, trade	(6,721)	(1,087)
Inventory	(1,992)	(413)
Accounts payable	<u>(1,878)</u>	<u>3,715</u>
Net cash provided by operating activities	<u><u>\$ 59,056</u></u>	<u><u>\$ 28,337</u></u>
Supplementary Cash Flow Information		
Noncash capital and related financing activities, Intergovernmental transfer	<u><u>\$ -</u></u>	<u><u>\$ (33,429)</u></u>

See notes to financial statements

Benner Township Water Authority

Notes to Financial Statements
December 31, 2021 and 2020

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 1, 2022, 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. 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 the 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, 2021 and 2020

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.

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, 2021 and 2020, the Authority's total bank deposits were \$150,147 and \$218,939, respectively, all of which was insured by the Federal Deposit Insurance Corporation (FDIC).

Benner Township Water Authority

Notes to Financial Statements
December 31, 2021 and 2020

3. Capital Assets, Net

The useful lives of capital assets are as follows:

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

Capital assets activity for the years ended December 31, 2021 and 2020 is as follows:

	<u>January 1, 2021</u>	<u>Additions/ (Disposals)</u>	<u>Transfers</u>	<u>December 31, 2021</u>
Capital assets, not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	29,868	18,238	-	48,106
Total capital assets, not being depreciated	<u>79,868</u>	<u>18,238</u>	<u>-</u>	<u>98,106</u>
Capital assets, being depreciated:				
Water system	1,495,654	109,468	-	1,605,122
Less accumulated depreciation	<u>(437,148)</u>	<u>(41,356)</u>	<u>-</u>	<u>(478,504)</u>
Total capital assets being depreciated, net	<u>1,058,506</u>	<u>68,112</u>	<u>-</u>	<u>1,126,618</u>
Total	<u>\$ 1,138,374</u>	<u>\$ 86,350</u>	<u>\$ -</u>	<u>\$ 1,224,724</u>
	<u>January 1, 2020</u>	<u>Additions</u>	<u>Transfers</u>	<u>December 31, 2020</u>
Capital assets, not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	15,724	14,144	-	29,868
Total capital assets, not being depreciated	<u>65,724</u>	<u>14,144</u>	<u>-</u>	<u>79,868</u>
Capital assets, being depreciated:				
Water system	1,524,154	10,500	(39,000)	1,495,654
Less accumulated depreciation	<u>(403,731)</u>	<u>(38,988)</u>	<u>5,571</u>	<u>(437,148)</u>
Total capital assets being depreciated, net	<u>1,120,423</u>	<u>(28,488)</u>	<u>(33,429)</u>	<u>1,058,506</u>
Total	<u>\$ 1,186,147</u>	<u>\$ (14,344)</u>	<u>\$ (33,429)</u>	<u>\$ 1,138,374</u>

Benner Township Water Authority

Notes to Financial Statements
December 31, 2021 and 2020

4. Line of Credit

The Authority has a \$300,000 line of credit secured by the water revenues with a local financial institution as of December 31, 2021. There were no drawdowns on this line of credit during the year and no amounts outstanding at December 31, 2021 or 2020.

There was no interest expense on this line for 2021 or 2020.

5. Effect of New Accounting Standards on Future Financial Statements

The GASB has approved the following:

- Statement No. 87, *Leases*
- 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*
- Statement No. 99, *Omnibus 2022*

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.