

DECEMBER 31, 2023

AUDIT REPORT

BEAVER FALLS, PENNSYLVANIA

NORTH SEWICKLEY TOWNSHIP SEWER AUTHORITY

NORTH SEWICKLEY TOWNSHIP SEWER AUTHORITY
BEAVER FALLS, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Sewickley Township Sewer Authority
893 Mercer Road
Beaver Falls, PA 15010

Opinions

We have audited the accompanying financial statements of the business-type activities of North Sewickley Township Sewer Authority as of and for the year ended December 31, 2023, 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 respective financial position of the business-type activities of North Sewickley Township Sewer Authority, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Sewickley Township Sewer 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 opinions.

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 North Sewickley Township Sewer 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 North Sewickley Township Sewer 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 North Sewickley Township Sewer 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

Management has omitted the management's discussion and analysis and budgetary comparison information 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 consider 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. In the opinion of the signer, the provisions of this Indenture have been complied with.

Herrmann & Loll, Inc.

HERRMANN & LOLL, INC.
Certified Public Accountants

Beaver, Pennsylvania
June 4, 2024

NORTH SEWICKLEY TOWNSHIP SEWER AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2023

Total

ASSETS	
Current Assets	
Cash	893,193
Cash Reserves	4,433,572
Accounts Receivable - Sewage	347,381
Accounts Receivable - Tap-in Fees	284,034
Total Current Assets	<u>5,958,180</u>
Non-Current Assets	
Net of Accumulated Depreciation	17,516,603
Other Assets	124
Non Current Assets	<u>17,516,727</u>
Total Assets	<u><u>23,474,907</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Current Liabilities:	
Accounts Payable - General	23,566
Security Deposits	18,000
Escrow Payments	500
Accrued Payroll	15,621
Payroll Taxes Payable	1,337
Current Portion of Notes Payable	547,784
Total Current Liabilities	<u>606,808</u>
Non-Current Liabilities	
Notes Payable	14,576,216
Other Liabilities	26,712
Total Non-Current Liabilities	<u>14,602,928</u>
Total Liabilities	<u>15,209,736</u>
NET POSITION	
Invested in capital assets, net of related debt	2,392,603
Restricted	4,433,572
Unrestricted	1,438,996
Total Net Position	<u>8,265,171</u>
Total Liabilities and Net Position	<u><u>23,474,907</u></u>

The accompanying notes are an integral part of the financial statements.

NORTH SEWICKLEY TOWNSHIP SEWER AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023

	2023		2022
OPERATING REVENUES		OPERATING REVENUES	
Sewage Billings	1,858,154	Sewage Billings	1,858,154
Sewage Connection Fees/Inspection Fees	30,700	Sewage Connection Fees/Inspection Fees	30,700
Miscellaneous Revenue	16,603	Miscellaneous Revenue	16,603
<u>Total Operating Revenues</u>	<u>1,905,457</u>	<u>Total Operating Revenues</u>	<u>1,905,457</u>
SALARIES, PAYROLL TAXES, AND BENEFITS		SALARIES, PAYROLL TAXES, AND BENEFITS	
Salaries and Wages	196,682	Salaries and Wages	196,682
Payroll Taxes and Benefits	45,199	Payroll Taxes and Benefits	45,199
<u>Total Salaries, Payroll Taxes, and Benefits</u>	<u>241,881</u>	<u>Total Salaries, Payroll Taxes, and Benefits</u>	<u>241,881</u>
GENERAL AND ADMINISTRATIVE EXPENSES		GENERAL AND ADMINISTRATIVE EXPENSES	
Office Expense	7,764	Office Expense	7,764
Billing Expense	12,969	Billing Expense	12,969
Administrative Expenses	9,700	Administrative Expenses	9,700
Professional Fees	76,282	Professional Fees	76,282
Insurance	14,844	Insurance	14,844
Phase II Expenses	-	Phase II Expenses	-
Phase III Expenses	-	Phase III Expenses	-
<u>Total General and Administrative Expenses</u>	<u>121,559</u>	<u>Total General and Administrative Expenses</u>	<u>121,559</u>
OPERATION AND MAINTENANCE EXPENSES		OPERATION AND MAINTENANCE EXPENSES	
Collection System Expense	569,989	Collection System Expense	569,989
<u>Total Operation and Maintenance Expenses</u>	<u>569,989</u>	<u>Total Operation and Maintenance Expenses</u>	<u>569,989</u>
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION		OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	
Depreciation Expense	806,565	Depreciation Expense	806,565
Amortization Expense	2,618	Amortization Expense	2,618
<u>Operating Income (Loss)</u>	<u>162,845</u>	<u>Operating Income (Loss)</u>	<u>162,845</u>
NON-OPERATING REVENUES / (EXPENSES)		NON-OPERATING REVENUES / (EXPENSES)	
Phase II & III	4,560	Phase II & III	4,560
Interest Revenue	130,773	Interest Revenue	130,773
Bond Premium	2,566	Bond Premium	2,566
Bond Costs	-	Bond Costs	-
Interest Expense	(614,580)	Interest Expense	(614,580)
<u>Total Non-Operating Revenues / (Expenses)</u>	<u>(476,681)</u>	<u>Total Non-Operating Revenues / (Expenses)</u>	<u>(476,681)</u>
Change in Net Position		Change in Net Position	
Net Position - January 1, 2023	8,579,007	Net Position - January 1, 2023	8,579,007
Net Position - December 31, 2023	<u>8,265,171</u>	Net Position - December 31, 2023	<u>8,265,171</u>

The accompanying notes are an integral part of the financial statements.

NORTH SEWICKLEY TOWNSHIP SEWER AUTHORITY
STATEMENT OF CASH FLOWS
DECEMBER 31, 2023

	CASH FLOWS FROM OPERATING ACTIVITIES
	Cash received from customers
	Cash paid to suppliers for goods and services
	Cash payments to employees for services
	Net Cash Provided (Used) by Operating Activities
	1,891,649
	(644,595)
	(241,881)
	1,005,173
	CASH FLOWS FROM INVESTING ACTIVITIES
	Interest Income
	Net Cash Provided (Used) by Investing Activities
	130,773
	130,773
	CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
	Proceeds from Phase II & III
	Acquisition of Capital Assets
	Proceed from Long Term Debt
	Proceed from Bond Issue
	Bond Administration Costs
	Principal paid on Bonds and Notes
	Interest paid on Bonds and Notes
	Net Cash Provided (Used) for Capital and
	Related Financing Activities
	(585,598)
	550,348
	Cash and Cash Equivalents at December 31, 2022
	4,776,417
	5,326,765
	RECONCILIATION OF OPERATING INCOME TO NET
	CASH PROVIDED (USED) BY OPERATING ACTIVITIES
	Operating Income (Loss)
	Adjustments to reconcile operating income (loss) to
	net cash provided (used) by operating activities
	Depreciation and Amortization
	Changes in Assets and Liabilities
	(Increase) Decrease in Accounts Receivable
	(Increase) Decrease in Utility Deposits
	Increase (Decrease) in Accounts Payable
	Increase (Decrease) in Other Payables
	Total Adjustments
	Net Cash Provided (Used) by Operating Activities
	\$ 1,005,173

The accompanying notes are an integral part of the financial statements.

NORTH SEWICKLEY TOWNSHIP SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - ORGANIZATION

The North Sewickley Township Sewer Authority (Authority) is a body corporate and politic, organized under the Municipality Authorities Act of 1945, P.L. 382, as amended and supplemented (Act), having been duly organized under said Act by action of the Township of North Sewickley. The Secretary of the Commonwealth of Pennsylvania issued its Certificate of Incorporation on February 25, 1993.

The Authority provides sanitary sewer collection for the Township of North Sewickley.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. In applying the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds," the Authority applies all GASB pronouncements and all GASB pronouncements, Accounting Research Bulletin issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

Reporting Entity

The report includes all of the services provided by the Authority to residents and businesses within its boundaries. Authority services provided include sewage collection and maintenance of sewage lines.

The Board of Directors (Board) is a five-member Board. The Authority is not considered a component unit because the Township cannot exercise control of the Board.

Use of Estimates in the Preparation of Financial Statements

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

NORTH SEWICKLEY TOWNSHIP SEWER AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Basis of Accounting and Measurement Focus

The Authority utilizes the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Operations are accounted for as an Enterprise Fund that is financed and operated in a manner similar to private business enterprises, where the intent of the Authority is that the costs (expenses, including depreciation where applicable) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Cash

For purposes of the statements of cash flows, the Authority considers all checking and savings accounts that are not restricted to be cash.

Capital Assets

Capital Assets are capitalized at their historical cost and depreciated over their estimated useful lives. Depreciation of all exhaustible capital assets used by the Authority is charged as an expense against their operations. Accumulated depreciation is reported on the Authority's statements of net assets. Depreciation has been provided using the straight-line method.

Depreciation and amortization as provided:

Capitalized interest	25 years
Sewer plant and line extensions	40 years
Building	40 years
Office equipment	7 years
Vehicle and equipment	7 - 10 years

Tap-in Fees

Tap-in fees are paid in advance by developers or homeowners within the service area of the Authority prior to their connection to the sewer conveyance system. At the time of receipt, the Authority records amounts as revenue. Tap-in fees for Phase II customers discussed in later notes.

The deposit and investment policy of the Authority adheres to state statutes and prudent business practice. Deposits of the Governmental Fund are either maintained in demand deposits or highly liquid money market funds and are captioned as "Cash" in the combined balance sheet. The deposits and cash of the Governmental Funds are administered by trustees and are held separately from those of other Authority funds. 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.

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short term U.S. and Pennsylvania government obligations, and insured or collateralized time deposit and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes.

NOTE 3 - DEPOSITS AND INVESTMENTS

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - This component of net assets consists of constraints placed on net assets used through external restrictions.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested capital assets, net of related debt".

GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis" for State and Local Governments" requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Net Position

The Authority has the ability to lien and sell property to recover sewer receivable amounts, therefore, uncollectible accounts are minimal. However, due to certain property value declines, associated receivables may be partially uncollectible; therefore, the Authority identifies bad debts as they become known and records allowances for such uncollectible accounts

Allowance for Doubtful Accounts

NORTH SEWICKLEY TOWNSHIP SEWER AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit

The following is a description of the Authority's deposit risks:

Custodial Credit Risk- Deposits: As of December 31, 2023, \$2,029,846 of the Authority's \$5,360,350 bank balance was insured by the Federal Deposit Insurance Corporation. The remaining bank balance of \$3,330,504 was exposed to custodial credit risk, which is collateralized in accordance with act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the Institution's name. These deposits have carrying amounts of \$ 5,326,165 as of December 31, 2023.

NOTE 4 - ACCUMULATED COMPENSATED ABSENCES

It has been the Authority's experience that the employees have not carried over any unused vacation and sick leave, which would be payable. In proprietary funds, the cost of vacation and sick leave is recognized when earned.

NOTE 5 - PENSION PLAN

The Authority's employees are not covered under a pension plan. The Authority makes a contribution to an annuity policy for the Authority manager.

NOTE 6 - CAPITAL ASSETS

Capital assets and accumulated depreciation consist of the following:

	Balance 1/1/2022	Additions	Deductions	Balance 12/31/2023
Sewage Lines	\$ 6,234,271	-	-	\$ 6,234,271
Sewage Lines Phase II	21,882,875	-	-	21,882,875
Equipment	219,227	33,670	-	252,897
Water Line	1,223	-	-	1,223
Land Acquisition Phase II	290,091	-	-	290,091
Sewage Lines Phase III	2,703,242	-	-	2,703,242
Building	-	-	-	-
Vehicle	99,106	-	-	99,106
Total Capital Assets	\$ 31,430,035	\$ 33,670	\$ -	\$ 31,463,705

Depreciation expense for 2023 was \$ 806,565. Accumulated depreciation at December 31, 2023 is \$13,947,102.

NORTH SEWICKLEY TOWNSHIP SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 - LONG TERM DEBT

Pennvest Loan #27624

North Sewickley Township Sewer Authority obtained a loan of \$996,900 from Pennvest (Pennsylvania Infrastructure Investment Authority). The Pennvest loan has an annual interest rate of 1.00%. The monthly loan payment is \$3,206 with a final maturity date of January 1, 2037. During 2023, the Authority paid \$4,899 of interest expense.

Pennvest Loan #75284

North Sewickley Township Sewer Authority obtained a loan of \$1,495,803 from Pennvest (Pennsylvania Infrastructure Investment Authority). The Pennvest loan has an annual interest rate of 1.00%. The monthly loan payment is \$5,075.94 with a final maturity being 240 months from the completion of all actions required to complete construction of Phase III. During 2023, the Authority paid \$7,578 of interest expense.

US Bank Series of 2005

The Authority issued its Guaranteed Sewer Revenue Bonds, Series of 2005 in the principal amount of \$6,702,827, which are comprised of \$4,890,000 Current Interest Bonds and \$2,467,988 Capital Appreciation Bonds. The proceeds of this bond issuance is to be used for the construction of Phase II sewer system. The bond indenture requires semi-annual sinking fund payments to be made in February and August. This amount varies with final maturity in 2040. The bonds are secured with receipts, revenues and receivable of the Authority. During 2023, the Authority incurred \$225,003 of interest expense. The Current Interest Bonds were refunded in 2023.

NORTH SEWICKLEY TOWNSHIP SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 - LONG TERM DEBT (CONTINUED)

US Bank Series of 2022

During 2022, the Authority issued Guaranteed Sewer Revenue Bonds, Series of 2022, in the principal amount of \$9,510,000. Proceeds of the Bonds, together with other available funds of the Authority, will be used to currently refund all of the Authority's outstanding Guaranteed Sewer Revenue Bonds, Series of 2016, refund all of the Authority's outstanding Pennvest Loan #75186, and pay the costs of issuing the Bonds. The bond indenture requires semi-annual interest payments to be made in February and August and annual principal payments to be made in February. During 2023 the Authority paid \$377,100 of interest expense.

The following are debt service requirements for the future five years as of December 31, 2023:

Year	Interest	Principal	Total
2024	378,304	547,784	926,088
2025	363,022	563,666	926,688
2026	355,956	569,557	925,513
2027	353,107	570,457	923,564
2028	349,823	576,366	926,189
2029-2033	1,690,561	2,935,781	4,626,342
2034-2038	1,577,506	3,161,939	4,739,445
2039-2043	1,408,600	3,665,000	5,073,600
2044-2048	754,200	3,870,000	4,624,200
2049-2050	71,700	1,775,000	1,846,700
	<u>\$ 7,302,779</u>	<u>\$ 18,235,550</u>	<u>\$ 25,538,329</u>

The total amount of interest charged to expense for 2023 was \$614,580.

NORTH SEWICKLEY TOWNSHIP SEWER AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

NOTE 8 - CHANGES IN LONG-TERM DEBT

	Balance 12/31/2022	Additions	Retirements	Balance 12/31/2023
Pennvest #27624	505,264	-	33,578	471,686
Pennvest #75284	782,197	-	53,333	728,864
US Bank Series 2005	4,268,446	225,003	-	4,493,449
US Bank Series 2022	9,510,000	-	80,000	9,430,000
Total	\$ 15,065,907	\$ 225,003	\$ 166,911	\$ 15,123,999

NOTE 9 - PREPAID TAP-IN AND SEWER INSPECTION FEES

The Authority established the Tap-in fees for homeowners at \$6,000 per EDU. The Authority established a discount to be given to residents in Phase II if paid early.

NOTE 10 - BOND ISSUANCE COSTS AND BOND DISCOUNTS COSTS

The bond issuance costs, bond discounts, and amortization expense are as follows:

	Balance 1/1/2023	Additions	Deductions	Balance 12/31/2023
2005 Bond Discount Costs	\$ 17,350	-	\$ 968	\$ 16,382
2022 Bond Discount Costs	79,185	-	1,650	77,535
2022 Bond Premium	123,194	-	2,566	120,628
Total	\$ 219,729	-	\$ 5,184	\$ 214,545

Amortization expense for 2023 was \$2,618.
 Amortization income for 2023 was \$2,566.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.