

NORTH SEWICKLEY TOWNSHIP WATER AUTHORITY

BEAVER FALLS, PENNSYLVANIA

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

NORTH SEWICKLEY TOWNSHIP WATER AUTHORITY

Index - Financial Report

Year Ended December 31, 2023

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INTRODUCTORY SECTION

NORTH SEWICKLEY TOWNSHIP WATER AUTHORITY

2023

BOARD OF DIRECTORS

Scott Morrow
Jason Wilds
Rudolph Shirilla
Arthur Hayes
Emmett Santillo

SOLICITOR

Gene Dimeo
Ellwood City, Pennsylvania

CONSULTING ENGINEERS

Michael Baker, Jr., Inc.
Beaver, Pennsylvania

INDEPENDENT AUDITOR

Herrmann & Loll Inc.
Certified Public Accountants
Beaver, Pennsylvania

FINANCIAL SECTION



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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Sewickley Township Water 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 Water 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 Water 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 Water 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 Water 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 Water 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 Water 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 8, 2024

**NORTH SEWICKLEY TOWNSHIP WATER AUTHORITY
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023**

	December 31 <u>2023</u>
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 5,219,771
Accounts Receivable	98,146
Inventory	88,732
Prepaid Expenses	4,286
Total Current Assets	<u>5,410,935</u>
 FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENT	
(Net of accumulated depreciation of \$3,396,949)	 <u>1,257,146</u>
 TOTAL ASSETS	 <u><u>6,668,081</u></u>
 CURRENT LIABILITIES	
Accounts Payable	91,526
Rental Deposits	10,681
Current Portion of Long Term Debt	90,000
Accrued Payroll Taxes	-
Total Current Liabilities	<u>192,207</u>
 LONG TERM DEBT	
2021 Bond Series	4,015,000
2021 Bond Discount (Net of Accumulated Amortization)	(35,058)
2021 Bond Premium (Net of Accumulated Premium)	8,090
FNB MiniExcavator	10,814
Total Long Term Liabilities	<u>3,998,846</u>
 TOTAL LIABILITIES	 <u><u>4,191,053</u></u>
 NET POSITION	
Invested in capital assets, net of related debt	(2,831,701)
Net Position	<u>5,308,729</u>
Total Net Assets	<u>2,477,028</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u><u>6,668,081</u></u>

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

**NORTH SEWICKLEY TOWNSHIP WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023**

OPERATING REVENUES		\$ <u>1,034,138</u>
OPERATING EXPENSES		
Cost of Water		530,912
Operations and Maintenance		337,957
General and Administrative Expenses		199,888
Total Operating Expenses		<u>1,068,757</u>
INCOME FROM OPERATIONS BEFORE DEPRECIATION		(34,619)
DEPRECIATION EXPENSE		<u>92,568</u>
OPERATING GAIN (LOSS)		<u>(127,187)</u>
NON-OPERATING INCOME (EXPENSES)		
Interest Income		8,693
Interest Expense		(97,125)
Capital Expenses		-
Non-Operating Income		212,172
Total Non-Operating Income-net		<u>123,740</u>
CHANGE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS		(3,447)
CAPITAL CONTRIBUTIONS		<u>10,060</u>
CHANGE IN NET POSITION		6,613
NET POSITION - BEGINNING		<u>2,470,415</u>
NET POSITION - ENDING		\$ <u><u>2,477,028</u></u>

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

**NORTH SEWICKLEY TOWNSHIP WATER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 1,033,877
Cash paid for supplies	(483,768)
Cash paid for operating expenses	<u>(539,389)</u>
Net Cash Provided by Operating Activities	10,720

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition and construction of property and equipment	(131,051)
Misc Income	11,170
Sale of Fixed Asset	-
Interest Income	<u>220,608</u>
Net Cash Provided Used in Investing Activities	100,727

CASH FLOWS FROM FINANCING ACTIVITIES:

Borrowing on notes payable	-
Principal payments on notes payable	(100,814)
Interest Payments	<u>(97,125)</u>
Net Cash Used in Investing Activities	(197,939)

Increase (Decrease) in Cash and Cash Equivalents	(86,492)
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CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>5,306,263</u>
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CASH AND CASH EQUIVALENTS END OF YEAR	<u><u>\$ 5,219,771</u></u>
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The accompanying notes are an integral part of the financial statements.

NORTH SEWICKLEY TOWNSHIP WATER AUTHORITY
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating Gain (Loss)	\$	(127,187)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		91,458
Changes in Assets and Liabilities:		
Decrease (Increase):		
Accounts Receivable		(261)
Materials and supplies inventories		-
Prepaid expenses		(425)
Increase (Decrease):		
Accounts Payable		47,144
Rental Deposits		(9)
Accrued payroll and taxes		-
Deferred Income		-
Insurance Payable		-
Total Adjustments		46,449
Net Cash Provided by Operating Activities	\$	10,720

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

NORTH SEWICKLEY TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations

The North Sewickley Township Water Authority (the "Authority") is a body, politic and corporate, created pursuant to an ordinance of the Board of Supervisors of the Township of North Sewickley, Beaver County, Pennsylvania (the "Township"), under an Act of the general assembly of the State, approved May 2, 1945, P.L. 382, as amended and supplemented, known as the Municipality Authorities Act of 1945 (the "Act"). The certificate of incorporation of the Authority was issued by the Secretary of the Commonwealth of Pennsylvania on August 23, 1956.

Reporting Entity

For purposes of defining the scope of the financial reporting entity, the North Sewickley Township Water Authority is considered a component unit of the Township of North Sewickley. Such determination is consistent with the Township's exercise of "oversight responsibility" as set forth in Statement No. 14 of the Governmental Accounting Standards Board, the *Financial Reporting Entity*. Specific criteria evaluated in determining the extent of oversight responsibility include financial interdependency, selection of governing body, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The accompanying statements represent discrete component unit financial statements of the North Sewickley Township Water Authority.

Basis of Presentation and Accounting

The Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standards Board (GASB) statements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NORTH SEWICKLEY TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of 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 as of the balance sheet date and revenues and expenses for the period. Estimates are used to determine depreciation expense and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

Budgetary Accounting

The Authority adopts flexible annual operating and capital budgets. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for operations, maintenance, general functions, and other charges for the year. The budget details the plan to receive and expend cash basis capital contribution fees, special assessments, grants, borrowings and certain revenues for capital projects.

A budget is adopted by resolution prior to January 1. During the year, management is authorized to transfer budgeted amounts between line items with the Authority's divisions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes Revenue Fund cash and interest bearing deposits. Cash equivalents include investments with a maturity of three months or less at the time of purchase.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances.

The Authority has not established an allowance for doubtful accounts, as uncollectible accounts receivable are charged to expense as incurred. This method provides results which materially approximate the allowance method.

Inventories

Inventories are priced at cost, based upon the first-in, first-out method.

NORTH SEWICKLEY TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

Property, plant and equipment are carried at cost, less accumulated depreciation, and include expenditures for new facilities and major renewals and betterments. Maintenance, repairs, and minor renewals are charged to expense as incurred. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

Contribution-in-Aid of Construction

Funds received from consumers, developers, and contractors for water main pipe extensions are recorded as capital contributed. Tap-in connection and customer facilities fees received are recorded as capital contributed.

Net Assets

Net assets comprise the various net earnings from operating income, nonoperation revenues and expenses, and capital contributions. Net assets are classified in the following three components:

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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets components the unspent proceeds.

Restricted - This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Authority had no restricted net assets at December 31, 2023.

Unrestricted net assets - This component of net assets that consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**NORTH SEWICKLEY TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 2 - DEFINED CONTRIBUTION PENSION PLAN

The Authority has established a defined contribution Rural/Municipal Retirement Plan that covers all eligible employees. Employer contributions to the plan are based on an amount equal to 7% of each participant's annual compensation and employee contributions of 3% of total participant's compensation. The minimum age is 21 with 12 months of service and 1,000 hours for eligibility. Retirement is the anniversary date following attainment of age 65.

A summary of pension expense for the year ended December 31, 2023:

		<u>2023</u>
Pension employer contributions	\$	8,226
Administrative service		-
Total pension expense	\$	<u><u>8,226</u></u>

All required employer and employee contributions were made for the year ended December 31, 2023. Pension employer contributions were \$8,226 based on total wages of \$196,529

NOTE 3 - CONCENTRATIONS

The Authority's activity is with consumers located within its local area. The payments from consumers are dependent upon local economic conditions in its immediate area.

NOTE 4 - CONCENTRATION OF CREDIT RISK

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including United States Treasury, and short-term United States and Pennsylvania government obligations, and insured or collateralized time deposits 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.

The deposit and investment policy of North Sewickley Township Water Authority adheres to state statutes and prudent business practice. Deposits of the Governmental Funds are maintained in demand deposits. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of North Sewickley Township Water Authority.

**NORTH SEWICKLEY TOWNSHIP WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 5 - CONCENTRATION OF CREDIT RISK (Continued)

A. Deposits with Financial Institutions

Customer credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Protection of the Authority's cash and certificates of deposits deposited with financial institutions is provided by the Federal Deposit Insurance Corporation (FDIC) as well as qualified securities pledged by the institution holding the assets. By law, all government deposits are collateralized by a pool of pledged assets that are maintained with the Federal Reserve System and Designated third party trustees of the financial institution.

Financial instruments that potentially subject North Sewickley Township Water Authority to concentrations of credit risk consist principally of cash deposits. The Authority maintains its cash in financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at December 31, 2023. At December 31, 2023, the Authority had \$4,069,335 in excess of FDIC insured limits.

NOTE 6 - CREDIT LINE

The Authority has a credit line with a bank for \$100,000. The Authority had no additional borrowings during the year ended December 31, 2023. The interest rate on the credit line was 4.25% on December 31, 2023.

NOTE 7 - RISK MANAGEMENT

The Authority has purchased commercial insurance policies for various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; or natural disasters. Payments and premiums for these policies are recorded as expenses of the Authority.

NOTE 8 - NOTE PAYABLE

Note Payable consists of a note from First National Bank on a Mini Excavator with a an original balance of \$ 54,070 dated December 15, 2019 and is secured by a John Deere Excavator. The note is payable in annual installments of \$ 10,814 including proinciple and interest with a final maturity of December 15, 2024. The interest rate is fixed at 0.05% and the outstanding balance at December 31, 2023 is \$10,814 with matururities summarized as follows:

	2024 \$	_____	10,814
Total	\$	=====	10,814

NORTH SEWICKLEY TOWNSHIP WATER AUTHORITY
Budgetary Comparison Schedule
FOR THE YEAR ENDED DECEMBER 31, 2023

	Actual	Budget	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Domestic Billing	\$ 749,322	\$ 806,000	\$ (56,678)
Commercial Billing	43,619	36,000	7,619
Industrial Billing	206,242	210,000	(3,758)
Fire Protection	20,080	19,080	1,000
Consumer Penalties	8,332	8,000	332
Miscellaneous	6,543	9,000	(2,457)
Total Operating Revenues	1,034,138	1,088,080	(53,942)
OPERATING EXPENSES			
Cost of Raw Water	530,912	461,200	(69,712)
Operation and Maintenance:			
Authority Manager	53,205	51,179	(2,026)
Authority Operator	52,567	47,522	(5,045)
Assistant Authority Operator	19,905	20,182	277
Field Supervisor	12,815	34,345	21,530
Part Time Help	14,726	14,010	(716)
Operating Supplies and Maintenance	127,404	60,000	(67,404)
Operating Power and Heat	2,334	1,700	(634)
Vehicle and Equipment Maintenance	16,913	28,000	11,087
Water Line Breaks and Repairs	38,088	20,000	(18,088)
Capital Expense- Fixed Assets	-	-	-
Total Operation and Maintenance	337,957	276,938	(61,019)
General and Administrative Expenses:			
Building, Telephone and Utilities	4,690	4,000	(690)
Billing Collection Expense	14,812	15,000	188
Transfer to Capital Savings	-	-	-
Office Personnel	42,373	43,264	891
Office Building and Grounds	1,700	2,160	460
Directors Fees	938	3,700	2,762
Legal and Accounting	5,341	8,100	2,759
Insurance Expense	20,628	21,000	372
Engineering	59,259	23,000	(36,259)
Office equipment repairs and maintenance	1,417	3,000	1,583
Office Expense	7,339	11,000	3,661
Unemployment compensation	955	2,500	1,545
Social Security	15,076	18,000	2,924
Employee Benefits	17,054	23,133	6,079
Pension Expense	8,226	8,900	674
Medicare	-	-	-
Line Of Credit	-	-	-
Miscellaneous	79	-	(79)
Total General Administrative Expenses	199,887	186,757	(14,021)
Net Operating Revenues			
Before Depreciation	(34,618)	163,185	(197,803)
DEPRECIATION EXPENSE	92,568	-	(92,568)
Income (loss) from Operations	(127,186)	163,185	(290,371)
NON-OPERATING INCOME (EXPENSE)			
Interest Income	220,608	600	220,008
Miscellaneous	256	-	256
Bond Costs	(97,125)	(207,930)	110,805
Money Max Supplement	-	32,146	(32,146)
Total Non-Operating Income(expense)	123,739	(175,184)	298,923
INCREASE(DECREASE) IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS	(3,447)	(11,999)	8,552
CONTRIBUTIONS	10,060	12,000	(1,940)
INCREASE(DECREASE)IN NET Position	\$ 6,613	\$ 1	\$ 6,612

NORTH SEWICKLEY TOWNSHIP WATER AUTHORITY
 STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Amount</u>	<u>Percent</u>
OPERATING EXPENSES		
Cost of Raw Water	\$ 530,912	49.68%
Operation and Maintenance	337,957	31.62%
General and Administrative System	<u>199,887</u>	<u>18.70%</u>
 Total Operations Expenses	 \$ <u>1,068,756</u>	 <u>100.00%</u>

Percentages represent percent of operating revenues.