
Financial Statements

Newtown Township, Delaware County, Sewer Authority

(A Component Unit of the

Township of Newtown,

Delaware County, Pennsylvania)

December 31, 2017

R*ainer*
& Company

A Professional Corporation
Certified Public Accountants

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A Professional Corporation
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Newtown Township, Delaware County, Sewer Authority
Newtown Square, Pennsylvania

We have audited the accompanying financial statements of the Newtown Township, Delaware County, Sewer Authority (a component unit of the Township of Newtown, Delaware County, Pennsylvania), as of and for the year ended December 31, 2017, and the related notes to the financial statements, as listed in the table of contents.

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 audit. We conducted our audit 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 auditors' 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 the Newtown Township, Delaware County, Sewer Authority (a component unit of the Township of Newtown, Delaware County, Pennsylvania), as of December 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.


Rainer & Company

Newtown Square, PA
June 25, 2018

NEWTOWN TOWNSHIP, DELAWARE COUNTY, SEWER AUTHORITY
Management's Discussion and Analysis (Unaudited)
December 31, 2017

Our discussion and analysis of the Newtown Township, Delaware County, Sewer Authority provides an overview of the Authority's financial performance for the calendar year ended December 31, 2016. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A). Please consider the information presented here in conjunction with the Authority's financial statements, which begin on page 6.

FINANCIAL HIGHLIGHTS

- The assets of Authority exceeded its liabilities at the close of the most recent fiscal year by \$8,692,152 (representing its net position). Operating revenues amounted to \$4,313,531, including \$2,642,191 in sewer fees and \$1,671,340 in tapping fees. Operating expenses were \$1,666,270, including \$1,210,805 in sewer authority treatment charges.
- The note payable matured in November 2017. Interest expense was \$2,694 during 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of two parts: Management's Discussion and Analysis (MD&A) and the basic financial statements. This MD&A represents management's analysis of the Newtown Township, Delaware County, Sewer Authority's financial condition and performance. Summary financial statement data and other management tools were utilized for analysis. These financial statements report information about the Authority using the full accrual accounting methods as utilized by similar businesses in the private sector.

Business-Type Activities:

The Statement of Net Position includes all of the Authority's assets and liabilities with the difference between the two reported as net position. It also provides information about the nature and amounts of investments in resources (assets) and the liabilities to the Authority's creditors at year-end. It provides the financial position on a full accrual historical cost basis.

All of the current year revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement presents the result of the activities over the course of the fiscal year and how the net position has changed during that year.

The Statement of Cash Flows is prepared on the direct method and is designed to provide information about the Authority's cash receipts and cash disbursements during the period.

The notes to the financial statements provide required disclosures and other information essential to the Authority's accounting policies, significant accounts and activities, obligations, commitments and subsequent events, if any.

NEWTOWN TOWNSHIP, DELAWARE COUNTY, SEWER AUTHORITY
Management's Discussion and Analysis (Unaudited)
December 31, 2017

FINANCIAL ANALYSIS OF THE AUTHORITY

The following table presents condensed comparative financial information for the net position of the Authority for calendar years 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Increase</u>
Assets:			
Current Assets	\$ 5,028,344	\$ 2,725,805	\$2,302,539
Noncurrent Assets	5,258,997	4,684,790	574,207
TOTAL ASSETS	<u>\$ 10,287,341</u>	<u>\$ 7,410,595</u>	<u>\$2,876,746</u>
Liabilities and Net Assets:			
Current Liabilities	\$ 699,046	\$ 480,125	\$ 218,921
Noncurrent Liabilities	896,143	896,143	0
Net Position	8,692,152	6,034,327	2,657,825
TOTAL LIABILITIES AND NET POSITION	<u>\$ 10,287,341</u>	<u>\$ 7,410,595</u>	<u>\$2,876,746</u>

The following table presents condensed comparative financial information for the revenue and expenses of the Authority for calendar years 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Operating Revenues:			
Charges for Services - Sewer Fees	\$ 2,642,191	\$2,542,255	\$ 99,936
Charges for Services - Tapping Fees	1,671,340	487,078	1,184,262
TOTAL OPERATING REVENUES	<u>4,313,531</u>	<u>3,029,333</u>	<u>1,284,198</u>
Operating Expenses:			
Treatment Charges - Sewer Authorities	1,210,805	1,245,095	(34,290)
Treatment Plant Maintenance	1,995	87,440	(85,445)
Pump Station Maintenance	109,711	99,584	10,127
Utilities	21,288	21,973	(685)
Other Services and Charges	34,355	53,378	(19,023)
Office Expense	18,796	16,119	2,677
Professional Fees	26,373	20,590	5,423
Management Fee	135,000	135,000	0
Depreciation Expense	107,947	107,947	0
TOTAL OPERATING EXPENSES	<u>1,666,270</u>	<u>1,787,486</u>	<u>(121,216)</u>
OPERATING INCOME	<u>2,647,261</u>	<u>1,241,847</u>	<u>1,405,414</u>
Non-Operating Revenues/(Expenses)	<u>10,564</u>	<u>(3,297)</u>	<u>13,861</u>
INCOME BEFORE SPECIAL ITEMS	<u>2,657,825</u>	<u>1,238,550</u>	<u>1,419,275</u>
Special Items: Transfer of Operations	<u>0</u>	<u>582,559</u>	<u>(582,559)</u>
CHANGE IN NET ASSETS	<u>\$ 2,657,825</u>	<u>\$1,821,109</u>	<u>\$ 836,716</u>

NEWTOWN TOWNSHIP, DELAWARE COUNTY, SEWER AUTHORITY
Management's Discussion and Analysis (Unaudited)
December 31, 2017

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

The Authority's total net position for 2017 increased by \$2,657,825. Total revenues for 2017 increased by \$1,284,198. The increase derived from the large construction projects that opened in 2017 within the Township.

Total operating expenses for 2017 decreased by \$121,216.

REQUESTS FOR INFORMATION

The financial report of the Newtown Township, Delaware County, Sewer Authority is intended to provide readers with a general overview of the Authority's finances to the residents of the Township and other users of such data. Questions concerning any of the information provided in this report or additional requests for financial information should be addressed to the Board of Directors, Newtown Township, Delaware County, Sewer Authority, 209 Bishop Hollow Road, Drexel Hill, Pennsylvania 19026.

NEWTOWN TOWNSHIP, DELAWARE COUNTY, SEWER AUTHORITY

Statement of Net Position

December 31, 2017

ASSETS

Current:

Cash and Cash Equivalents	\$ 4,109,998
Accounts Receivable, Net	918,346
TOTAL CURRENT ASSETS	<u>5,028,344</u>

Noncurrent:

Capital Assets, Net of Accumulated Depreciation	<u>5,258,997</u>
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TOTAL ASSETS	<u>\$ 10,287,341</u>
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LIABILITIES

Current:

Accounts Payable	\$ 211,364
Escrow Deposits	487,682
TOTAL CURRENT LIABILITIES	<u>699,046</u>

Noncurrent:

Due to Primary Government	<u>896,143</u>
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TOTAL LIABILITIES	<u>1,595,189</u>
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NET POSITION

Net Investment in Capital Assets	5,258,997
Unrestricted	<u>3,433,155</u>
TOTAL NET ASSETS	<u>8,692,152</u>

TOTAL LIABILITIES AND NET POSITION	<u>\$ 10,287,341</u>
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The accompanying notes are an integral part of this statement.

NEWTOWN TOWNSHIP, DELAWARE COUNTY, SEWER AUTHORITY

**Statement of Revenues, Expenses and
 Changes in Net Position**

For the Year Ended December 31, 2017

Operating Revenue:	
Charges for Services - Sewer Fees	\$ 2,642,191
Charges for Services - Tapping Fees	1,671,340
TOTAL OPERATING REVENUES	<u>4,313,531</u>
Operating Expenses:	
Treatment Charges - Sewer Authorities	1,210,805
Treatment Plant Maintenance	1,995
Pump Station Maintenance	109,711
Utilities	21,288
Other Services and Charges	34,355
Office Expense	18,796
Professional Fees	26,373
Management Fee	135,000
Depreciation Expense	107,947
TOTAL OPERATING EXPENSES	<u>1,666,270</u>
OPERATING INCOME	<u>2,647,261</u>
Non-Operating Revenues/(Expenses):	
Interest Expense	(2,694)
Interest Income	13,258
TOTAL NON-OPERATING REVENUES/(EXPENSES)	<u>10,564</u>
CHANGE IN NET POSITION	2,657,825
Net Position - January 1, 2017	<u>6,034,327</u>
NET POSITION - DECEMBER 31, 2017	<u>\$ 8,692,152</u>

The accompanying notes are an integral part of this statement.

NEWTOWN TOWNSHIP, DELAWARE COUNTY, SEWER AUTHORITY

Statement of Cash Flows

For the Year Ended December 31, 2017

Cash Flows From Operating Activities:	
Cash Received from Users	\$ 4,352,440
Cash Payments to Suppliers for Goods and Services	(1,373,398)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,979,042</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Capital Assets	(682,154)
Principal Paid on Long-Term Debt	(86,174)
Interest Paid on Long-Term Debt	(2,694)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>(771,022)</u>
Cash Flows From Investing Activities:	
Earnings on Investments	<u>13,258</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,221,278
Cash and Cash Equivalents - January 1, 2017	<u>1,888,720</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2017	<u>\$ 4,109,998</u>

<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Revenue	\$ 2,647,261
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	107,947
Changes in Assets and Liabilities:	
Accounts Receivable	(81,260)
Accounts Payable	184,925
Escrow Deposits	<u>120,169</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,979,042</u>

The accompanying notes are an integral part of this statement.

NEWTOWN TOWNSHIP, DELAWARE COUNTY, SEWER AUTHORITY

Notes to Financial Statements

December 31, 2017

NOTE 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Newtown Township, Delaware County, Sewer Authority (the "Authority") is a corporate body organized and existing under the laws of the Commonwealth of Pennsylvania. The Authority was incorporated on August 7, 1961, under the Municipal Authorities Act of 1945, as amended, pursuant to a resolution adopted by the Township of Newtown, Delaware County. The purpose of the Authority is to assist the Township to acquire or facilitate ownership of land, buildings and equipment for any use approved by the Township, as well as sewer and industrial waste disposal. The Authority will cease existence on June 30, 2026, unless terminated earlier by operation of law.

The Authority is considered a component unit of the Township of Newtown, Delaware County, Pennsylvania. The Authority's Board is officially appointed by the Township Board of Supervisors.

B. Basis of Presentation

The Authority reports only one fund, an enterprise fund. An enterprise fund is used to account for the operations and activities of the Authority that are operated in a manner similar to a private business enterprise where the intent of the governing body is that the cost of providing services to the private and public sectors on a continuing basis will be recovered primarily through user charges.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Authority are fees associated with the issuance of bonds and notes for the financing of industrial and commercial projects through third party sources. Operating expenses for enterprise funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For purposes of the statement of cash flows of enterprise funds, cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

C. Assets, Liabilities and Net Position or Equity

Receivables

All receivables are shown net of any allowance for uncollectibles. The allowance for uncollectibles was \$23,479 as of December 31, 2017.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

NEWTOWN TOWNSHIP, DELAWARE COUNTY, SEWER AUTHORITY

Notes to Financial Statements

December 31, 2017

NOTE 1 - Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets

Capital assets, which include the property and the sewer system, are reported in the financial statements net of accumulated depreciation. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Equipment is depreciated using the straight-line method over the following estimated useful lives:

Sewer System	40 Years
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Enterprise Fund Net Position

Enterprise fund net position is divided into three components:

Net Investment in Capital Assets - Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted - Consists of assets for which constraints have been placed on the use by external groups or law. Currently, the Authority has reported no restricted net position.

Unrestricted - Consists of all other net position reported in this category.

NOTE 2 - Deposits and Investments

Deposits - At year-end, the total carrying amount of the Authority's checking and savings deposits was \$4,109,998 and the corresponding bank balance was \$4,091,606.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. In the normal course of business, the Authority may have deposits that exceed insured balances.

NEWTOWN TOWNSHIP, DELAWARE COUNTY, SEWER AUTHORITY

Notes to Financial Statements

December 31, 2017

NOTE 3 - Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets:				
Land	\$ 1,234,825	\$ 0	\$ 0	\$ 1,234,825
Sewer System	7,195,511	0	0	7,195,511
Construction in Progress	404,160	682,154	0	1,086,314
TOTAL CAPITAL ASSETS	8,834,496	682,154	0	9,516,650
Accumulated Depreciation for:				
Sewer System	4,149,706	107,947	0	4,257,653
CAPITAL ASSETS, NET	\$ 4,684,790	\$ 574,207	\$ 0	\$ 5,258,997

NOTE 4 - Due to Primary Government

	Due from Primary Government	Due to Primary Government
Due to Primary Government (Township of Newtown)	\$ 0	\$ 896,143

The balance of \$896,143 due to the Township as of December 31, 2017 resulted from the advances from the Township to the Authority during the years 2011-2014 to fund their engineering costs and debt service payments. In addition, during 2015 the Township transferred the majority of the cash from the Townships' sewer funds prior to the transfer of operations effective January 1, 2016. There are no formal set terms of repayment to the Township, therefore the balance due to the primary government was classified as a long-term liability.

The Township of Newtown provides management and support services for the Authority. The Authority pays a management fee to the Township for these services. Management fees were calculated at \$135,000 for the year ended December 31, 2017, which were paid in full during 2018.

NOTE 5 - Subsequent Events

The Authority has evaluated subsequent events through June 25, 2018, which represents the date the financial statements were available to be issued.