

**WARWICK TOWNSHIP WATER
AND SEWER AUTHORITY**

**COMPONENT UNIT OF THE
TOWNSHIP OF WARWICK**

**FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORT**

DECEMBER 31, 2020 AND 2019

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
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DECEMBER 31, 2020 AND 2019**

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940 West Sproul Road, Suite 101, Springfield, PA 19064 | PHONE: 610.544.5900 | FAX: 610.544.7455

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Warwick Township Water and Sewer Authority

We have audited the accompanying financial statements of Warwick Township Water and Sewer Authority (the Authority), a Component Unit of the Township of Warwick, Pennsylvania, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Warwick Township Water and Sewer Authority, a Component Unit of the Township of Warwick, Pennsylvania, as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 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 audits 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.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements as a whole. The Schedule of Operating Expenses on page 25 and budgetary comparison information on pages 26 and 27 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards on page 28 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Operating Expenses, budgetary comparison information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Brinker Simpson & Company, LLC".

Brinker Simpson & Company, LLC
Springfield, Pennsylvania
June 28, 2021

Warwick Township Water & Sewer Authority
Component Unit of the Township of Warwick
Management's Discussion and Analysis
December 31, 2020 and 2019

This section of Warwick Township Water & Sewer Authority's, hereafter referred to as "Authority" annual financial report presents management's analysis of the Authority's financial condition for the years ended December 31, 2020 and 2019.

Financial Highlights

- In August 2017, WTWSA entered into a Cooperative Agreement with the United States Navy to design, construct and operate certain facilities to extend public water connections to six property locations with private wells that are above the United States Environmental Protection Agency (EPA) Health Advisory (HA) levels of Perflourinated Compounds known as Perfluorooctane Sulfonic Acid (PFOS) and Perfluorooctanoic Acid (PFOA). The construction of the water main extension was completed in 2020. The contract award was for \$2,157,518. To date, the Authority received Federal reimbursement in the amount of \$1,987,768.
- Due to the COVID-19 pandemic, the Authority Board temporarily adopted a policy to waive all late fees or charges beginning April 1, 2020 through March 31, 2021. In addition, during this time, no termination of services or any collection methods were initiated by the Authority for unpaid services.
- There was no Water or Sewer rate increase for 2020.
- For fiscal year 2020, the Authority delivered 277.0 million gallons of water and treated 289.0 million gallons of wastewater, compared to 249.0 million gallons of water and treated 324.8 million gallons of wastewater in the previous year. The Authority purchased 304.4 million gallons of water in 2020, which represented a daily average of 834,167 gallons, while 2019 purchases totaled 274.6 million gallons, an average of 752,276 gallons per day. Unaccounted for water decreased to 8.95% in 2020 from 9.27% in 2019.
- Total assets at year-end were \$36.9 million and exceeded liabilities in the amount of \$36 million (i.e., net position). Total assets increased from 2019 due to the completion of the Bristol Road Water Main Extension in 2020.
- Operating revenues increased by 6.19% from \$3,509,410 in 2019 to \$3,726,712 in 2020, and were over budget projections by \$247,712. Water revenues by existing customers increased from 2019 to 2020 by approximately 7.46% and sewer revenues increased by 5.37%. Non-operating revenue increased over 2019 by \$1,946,422 due to the Bristol Road Water Main Extension U.S. Navy matching funds.
- Operating expenses before depreciation for 2020 were \$3,100,486 and were \$145,590 over the budget projection. Operating expenses increased \$256,409 or 9.02%, from the previous calendar year.
- Operating income before depreciation for the year totaled \$626,226. Operating income before depreciation decreased from 2019 by \$39,107 or 5.88%.

Warwick Township Water & Sewer Authority
Component Unit of the Township of Warwick
Management's Discussion and Analysis
December 31, 2020 and 2019

Overview of Annual Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with the independent auditor's report at the front of this report and the Authority's audited financial statements and supplementary information, which follow this section.

This annual report consists of four parts – management's discussion and analysis, the basic financial statements, notes explaining some of the information in the financial statements and supplementary information. In addition, a single audit was performed as part of the U.S. Navy Water Main Extension Project requirements.

The financial statements report information about the Authority using full accrual accounting methods similar to those used by the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities.

The financial statements include the statements of net position; statements of revenues, expenses and changes in net position; statements of cash flows; notes to the financial statements; and supplementary information.

The **statements of net position** present the financial position of the Authority on a full accrual historical cost basis. The statements of net position present information on all the Authority's assets and liabilities, with the difference reported as net position.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the **statements of revenues, expenses and changes in net position** presents the results of the business activities over the course of the fiscal year and the amount by which the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Authority's recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting principles. The primary objective of a rate model is to improve financial position among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for growth.

The **statements of cash flows** report changes in cash and cash equivalents resulting from operating, capital, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The **notes to the financial statements** provide required disclosures and other information that are essential to a full understanding of the financial data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Supplementary information includes schedules of operating expenses and also provides statements of revenues and expenses compared to budget.

The financial statements were prepared by the Authority's staff from detailed books and records of the Authority and audited during the annual independent external audit.

Warwick Township Water & Sewer Authority
Component Unit of the Township of Warwick
Management's Discussion and Analysis
December 31, 2020 and 2019

Summary of Organization and Business

The Authority is a body created pursuant to an ordinance of the Board of Supervisors of Warwick Township, Bucks County, Pennsylvania under an Act of the General Assembly of the State, approved May 2, 1945, P.L. 382, as amended and supplemented, known as the Municipal Authority Act of 1945, as amended. The Secretary of the Commonwealth of Pennsylvania issued the certificate to incorporation of the Authority on May 1, 1969. The charter was amended on July 3, 1991 to extend the term of existence of the Authority to fifty (50) years from such date.

The governing body of the Authority is a Board consisting of five members appointed by the Township Board of Supervisors. It has been determined that the Authority is a component unit of Warwick Township. The terms of the members of the Board are five years and have been staggered so that the term of one member expires annually. The Authority has broad powers under the Act, including among others, the following: to acquire, hold, construct, improve, maintain and operate, own, lease, either in the capacity of lessor or lessee, sewers, sewer systems or parts thereof, sewage treatment works, including works of treating and disposing of industrial waste, water works, water supply works, water distribution systems, and all facilities necessary and incidental thereto.

The Authority employs ten (10) full time staff.

The Authority does not have taxing power; ongoing operations are funded from customer revenues. The Authority's customer connection base as of December 31, 2020 consisted of approximately 4,128 single-family residential, 7 multi-family residential and 134 commercial customer connections.

The Authority's Water and Sewer Systems

The Sewer System

The Authority currently operates two (2) separate sewage collection, conveyance and treatment systems within the Township serving two distinct watershed areas. The Fish Creek Wastewater Treatment Facility and Sewage Collection and Conveyance System (the "Fish Creek System"), located in the northern portion of the Township, discharges into Fish Creek, a small tributary of Neshaminy Creek. The Country Crossing Wastewater Treatment Facility and Sewage Collection and Conveyance System (the "Country Crossing System"), located in the southern portion of the Township, discharges into an unnamed tributary of the Little Neshaminy Creek.

Fish Creek Watershed Area

The Fish Creek System collects sanitary sewage from the northern portion of the Township and in the area surrounding the village of Jamison and transmits it to the Fish Creek Wastewater Treatment Facility (the "Fish Creek Plant"). The Fish Creek System collects sanitary sewage through approximately 300,000 lineal feet of eight (8) inch, ten (10) inch, and eighteen (18) inch polyvinyl chloride (PVC) and ductile iron pipe with precast concrete manhole structures. The Authority operates eight (8) raw sewage pumping stations where gravity flow to the Fish Creek plant is not possible. All of these pumping stations contain emergency generators or back-up diesel pumps. The Authority is currently adding flow meters to these pump stations as directed by the PA DEP.

Warwick Township Water & Sewer Authority
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Management's Discussion and Analysis
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The Fish Creek Plant was designed to treat an average flow of 0.85 million gallons per day (mgd) using a sequencing batch reactor activated sludge wastewater treatment facility most recently updated in 2018. The plant uses four concrete reactors which alternately treat batches of wastewater. Disinfection is provided by an ultraviolet light system with a capacity of 5.0 mgd. A cascade aerations outfall is provided immediately prior to discharge of the treated effluent into Fish Creek, providing increased dissolved oxygen in the effluent.

Little Neshaminy Creek Watershed Area

The Country Crossing System collects sanitary sewage primarily from the Country Crossing, Woodlands at Warwick and Heritage Creek residential developments, located in the southern portion of the Township. This system was originally constructed in 1996 and 1997 by a private developer under Authority supervision, and ownership was subsequently transferred to the Authority. The Country Crossing System collects sanitary sewage through approximately 60,000 lineal feet of eight (8) inch diameter PVC and ductile iron pipe with precast concrete manhole structures. Three (3) pumping stations are operated within the service area where gravity flow to the Country Crossing Wastewater Treatment Facility (the "Country Crossing Plant") is not possible.

The Country Crossing Plant uses a sequencing batch reactor secondary and tertiary treatment system consisting of four rectangular reinforced concrete reactors and an ultraviolet light disinfection system to treat up to 0.32 mgd of municipal wastewater. An on-site equalization basin is used to provide the treatment system with a steady flow of waste. Treated effluent from the Country Crossing Wastewater Treatment Facility is processed through a sand filter and discharged into an unnamed tributary of the Little Neshaminy Creek or to the Heritage Creek Golf Course for beneficial reuse in their irrigation system.

The Water System

The Authority purchases water in bulk from Aqua Pennsylvania Inc. and the North Wales Water Authority, and distributes it to residents of Warwick Township. The distribution system consists of ductile iron water mains ranging in size from four (4) to twelve (12) inch in diameter. The Authority maintains various booster stations and storage tanks throughout the Township. The Authority has terminated its docket with the DRBC and no longer utilizes the ground water sources within the Township.

The Authority provides reliable high-quality potable water used for drinking, fire protection and other purposes to residential and commercial customers. The Authority has a long-term agreement with Aqua PA and North Wales Water Authority to purchase 100 percent of the Townships current and future water needs at a very reasonable price. These guaranteed supply agreements insure an adequate supply of water for our customers. Rate increases from Aqua PA are generally tied to the Consumer Price Index.

The interconnection with NWWA provides a redundant supply of water for WTWSA with approximately 100,000 gallons per day on an annual average with peak demands of up to 800,000 gallons per day.

Warwick Township Water & Sewer Authority
Component Unit of the Township of Warwick
Management's Discussion and Analysis
December 31, 2020 and 2019

Operations of the Water and Sewer Systems

Ten Largest Water Users

<u>System User</u>	<u>Property Description</u>	<u>2020 Charges</u>
Bridges at Warwick	Senior Living	\$42,175
Liberty Village	Apartments	\$21,126
Warick Meadows III Condo	Apartments	\$11,122
Revolution Ice Rink, LLC	Ice Rink	\$9,137
Heritage Creek Bld 4	Apartments	\$8,887
Car Wash Group LLC	Car Wash	\$7,414
Middle Bucks Vo Tech	School	\$7,030
Heritage Creek Bld 5	Apartments	\$6,145
WAWA	Convenience Store	\$6,110
Bridge Valley Elementary	School	\$6,029

Ten Largest Sewer Users

<u>System User</u>	<u>Property Description</u>	<u>2020 Charges</u>
Bridges at Warwick	Senior Living	\$54,730
Liberty Village	Apartments	\$27,560
Warick Meadows III Condo	Apartments	\$14,650
Diamond Ridge	Day Camp	\$12,482
Revolution Ice Rink, LLC	Ice Rink	\$12,089
Heritage Creek Bld 4	Apartments	\$11,767
Car Wash Group LLC	Car Wash	\$9,867
Middle Bucks Vo Tech	School	\$9,371
Heritage Creek Bld 5	Apartments	\$8,229
WAWA	Convenience Store	\$8,184

Financial Condition

Total assets increased \$1,098,543 or 3.06% from 2019, mainly due to the completion of the Bristol/Mearns Road Water Main Extension. Net position increased \$1,248,549 in 2020 from 2019. Unrestricted net position increased \$1,139,428 or 79.18% in 2020. Accounts receivable at year-end was \$34,594 more than year-end 2019 or approximately 3.73%.

Results of Operations

Operating Revenue: Revenues from operations are comprised of three general categories: water service, sewer service and other charges. Other charges include meter charges, meter installation charges, administrative fees and charges for miscellaneous billed services. The Authority has three core classes of water and sewer customers: single-family residential, multi-family residential and commercial. In addition to these three classes, the Board has approved the sale of water to commercial bulk water haulers.

The Authority's water revenue increased 7.46% and sewer revenues increased 5.37% from the previous year. Water revenue increased \$106,717 and sewer revenue increased \$109,704 from 2019.

Total operating revenue increased by \$217,302 from the calendar year 2019. The majority of the water and sewer sales were from residential customers, approximately 91%.

Warwick Township Water & Sewer Authority
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Management's Discussion and Analysis
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Expenses: Total operating expenses of the Authority, before depreciation, increased \$256,409 from calendar year 2019 and were over budget by \$145,590. Operating income, before depreciation is \$626,226 for 2020 compared to \$665,333 for 2019.

Water operating expenses increased 8.09%, sewer operating expenses increased 17.97%, primarily due to increases in sludge costs and administrative expenses decreased 3.24% from 2019 to 2020.

Depreciation expense for 2020 and 2019 was \$1,593,338 and \$1,588,574, respectively.

Capital Contributions: The Authority accepts additions to its collection and distribution systems from developers, commonly referred to as Developer Contributions. Prior to GASB 33 and 34 implementation, Developer Contributions were recorded as direct contributions to equity. GASB 33 and 34 define these Developer Contributions as non-operating revenues and requires reporting the amounts through the Statements of Revenues, Expenses, and Changes in Net Position.

There were no developer contributions of infrastructure for 2020. These contributions vary from year to year.

Tapping Fees: The Authority charges all new customers a water and/or sewer tapping fee on an EDU basis for their pro-rata portion of the water and sewer facilities and report the tapping fees as non-operating income when a property goes to settlement. Residential and commercial real estate developers pay the majority of these fees in blocks upon the signing of a Developer Agreement.

Tapping fee revenues were \$218,298 for 2020 compared to \$156,200 for 2019, and for 2018 were \$228,700 under the budgeted amount of \$112,802. Tapping fees vary from year-to-year with fluctuations in development and therefore are difficult to predict.

Final Comments

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 the Warwick Township Water and Sewer Authority, Finance Department, P.O. Box 315, Jamison, Pennsylvania 18929.

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
 COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
 STATEMENTS OF NET POSITION
 DECEMBER 31 2020 AND 2019**

	2020	2019
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current Assets		
Cash and cash equivalents	\$ 2,055,834	\$ 1,083,866
Accounts receivable, customers and developers	961,928	927,334
Grant receivable	80,389	-
Notes receivable, current maturities	26,800	26,800
Inventory	41,166	91,518
Prepaid expenses	13,574	20,310
Total Current Assets	3,179,691	2,149,828
Restricted Assets		
Cash, escrow funds - developers	136,698	150,339
Total Restricted Assets	136,698	150,339
Capital Assets		
Land and construction in progress	589,301	1,074,747
Plant and equipment, net of accumulated depreciation	33,049,692	32,455,125
Total Capital Assets	33,638,993	33,529,872
Notes receivable, net of current maturities	13,400	40,200
Total Assets	36,968,782	35,870,239
Deferred Outflows of Resources		
Total Assets and Deferred Outflows of Resources	\$ 36,968,782	\$ 35,870,239
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current Liabilities		
Accounts payable, vendors and developers	\$ 186,161	\$ 197,451
Accounts payable, capital project	60,623	-
Accrued payroll and payroll withholdings	23,086	26,041
Accrued compensated absences	17,680	14,523
Total Current Liabilities	287,550	238,015
Restricted Liabilities		
Escrow deposits, developers	136,698	150,339
Long-Term Liabilities		
Deferred income	327,000	512,900
Total Long-Term Liabilities	327,000	512,900
Total Liabilities	751,248	901,254
Deferred Inflows of Resources		
Total Liabilities, Deferred Inflows of Resources and Net Position	-	-
Net Position		
Invested in capital assets, net of related debt	33,638,993	33,529,872
Unrestricted	2,578,541	1,439,113
Total Net Position	36,217,534	34,968,985
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 36,968,782	\$ 35,870,239

See notes to financial statements.

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Water revenue	\$ 1,536,540	\$ 1,429,823
Sewer revenue	2,152,916	2,043,212
Administrative fees	5,021	5,099
Construction usage and certificate fees	16,850	12,450
Meter installations	14,260	18,651
Miscellaneous operating revenues	1,125	175
Total Operating Revenues	<u>3,726,712</u>	<u>3,509,410</u>
Operating Expenses		
Water plant operating expenses	1,139,307	1,054,036
Wastewater plant operating expenses	1,274,168	1,080,040
General and administrative expenses	687,011	710,001
Total Operating Expenses	<u>3,100,486</u>	<u>2,844,077</u>
Operating Income Before Depreciation and Amortization	626,226	665,333
Depreciation and amortization	<u>1,593,338</u>	<u>1,631,277</u>
Operating Loss	<u>(967,112)</u>	<u>(965,944)</u>
Nonoperating Revenues		
Water tapping fees	92,299	95,000
Sewer tapping fees	125,999	61,200
Interest income	9,595	54,639
Grant revenue	1,987,768	-
Miscellaneous income	-	58,400
Total Nonoperating Revenues	<u>2,215,661</u>	<u>269,239</u>
Nonoperating Expenses		
Interest expense	-	105,327
Loss on bond refundings	-	165,554
Total Nonoperating Expenses	<u>-</u>	<u>270,881</u>
Net Nonoperating Revenues/(Expenses)	<u>2,215,661</u>	<u>(1,642)</u>
Change in Net Position	1,248,549	(967,586)
Net Position, Beginning	<u>34,968,985</u>	<u>35,936,571</u>
Net Position, Ending	<u>\$ 36,217,534</u>	<u>\$ 34,968,985</u>

See notes to financial statements.

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
 COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
Cash Flows From Operating Activities		
Cash received from customers and developers	\$ 3,692,118	\$ 3,509,410
Cash paid to suppliers and developers	(2,077,137)	(2,149,905)
Cash paid to employees	(990,990)	(959,636)
Net Cash and Cash Equivalents Provided by Operating Activities	623,991	399,869
Cash Flows From Capital and Related Financing Activities		
Tapping fees received	32,398	4,500
Acquisition of capital assets	(1,641,836)	(634,285)
Grant revenue received	1,907,379	-
Interest paid on Series 2012 Bonds	-	(168,831)
Principal paid on Series 2012 Bonds	-	(5,240,000)
Net Cash and Cash Equivalents Provided by (Used in) Capital and Related Financing Activities	297,941	(6,038,616)
Cash Flows From Investing Activities		
Interest income received	9,595	54,639
Payments received on notes receivable	26,800	33,973
Net Cash and Cash Equivalents Provided by Investing Activities	36,395	88,612
Net Change in Cash and Cash Equivalents	958,327	(5,550,135)
Cash and Cash Equivalents, Beginning	1,234,205	6,784,340
Cash and Cash Equivalents, Ending	\$ 2,192,532	\$ 1,234,205
Reconciliation of Operating Loss to Net Cash and Cash Equivalents Provided by Operating Activities		
Operating loss	\$ (967,112)	\$ (965,944)
Adjustments to reconcile operating loss to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	1,593,338	1,631,277
Miscellaneous income	-	58,400
Loss on bond refundings	-	165,554
(Increase) decrease in assets:		
Accounts receivable, customers and developers	(34,594)	(74,360)
Inventory	50,352	(52,544)
Prepaid expenses	6,736	6,733
Increase (decrease) in liabilities:		
Deferred outflow of resources - deferred loss on bond refundings	-	(165,554)
Accounts payable, vendors and developers	(11,290)	(187,783)
Escrow deposits, developers	(13,641)	(23,732)
Accrued payroll and payroll withholdings	(2,955)	6,000
Accrued compensated absences	3,157	1,822
Net Cash and Cash Equivalents Provided by Operating Activities	\$ 623,991	\$ 399,869

See notes to financial statements.

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Warwick Township Water and Sewer Authority (the Authority) is located in the County of Bucks, Pennsylvania, and was incorporated on May 1, 1969 under the Municipal Authorities Act of 1945. The Authority is a municipal corporation with a five-member board of directors. The Authority supplies water and sewer services to certain residents of the Township of Warwick (the Township).

The criteria used in determining the scope of the reporting entity for financial reporting purposes is consistent with the guidance contained in Governmental Accounting Standards Board (GASB) Statement No. 39, Determining Whether Certain Organizations are Component Units. These criteria are:

- *Selection of the governing authority:*

The members of the Authority's Board of Directors are appointed to five-year terms by the Township supervisors. While there is continuing communication with the Township, there is little linkage to elected Township officials after appointment.

- *Designation of management:*

The Authority's management and employees, who are responsible for the Authority's operations, are appointed by, and are held accountable to, the Authority's Board of Directors.

- *Ability to significantly influence operations:*

The Authority reviews and approves all budgetary actions, signs contracts as the contracting agency, hires and controls key management personnel, and exercises control over facilities, property, and policies relating to the services provided by the Authority. The Township assumes no responsibility for the Authority's day-to-day operations.

- *Accountability for fiscal matters:*

Budgetary authority and control over collection and disbursement of funds, fiscal management, and funding deficits rests with the Authority.

Based on these criteria, the Authority is a Component Unit of the Township of Warwick. The Authority's relationship with the Township is so significant that its exclusion would render the Township's financial statements misleading, even though financial accountability to the Township is absent.

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Basis of Accounting

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accounting policies are based on generally accepted accounting principles for self-supporting governmental enterprise funds, a proprietary fund-type. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

New Accounting Pronouncements

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019. This pronouncement does not impact the Authority for the year ended December 31, 2020.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after June 15, 2021. The Authority has not determined the effect of this pronouncement.

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Budgetary Data

The Authority's management prepares the Authority's operating budget with input from the Finance Committee. The Authority follows these procedures in establishing the budgetary data included in the financial statements:

- A preliminary budget is presented to the Board of Directors in an October public meeting
- The operating budget includes proposed expenditures and the means of financing them
- At the November public meeting, the Board of Directors reviews the budget
- Prior to December 31st, the Authority holds a public meeting, after which the budget is adopted through passage of a resolution
- All budget revisions require the approval of the Board of Directors
- The budget lapses at the end of each year

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.

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets separately held) with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Customer billings are computed from meter readings and billed quarterly based on the amount consumed in the previous quarter. All bills are due and payable within thirty days after the end of the service period covered. If not paid by the due date, the bills are considered delinquent.

No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. The Authority is permitted to lien the customer's property if the customer does not remit payment timely. During the year ended December 31, 2020, as a result of the COVID-19 pandemic, the Authority suspended initiating and processing liens for all customers with outstanding accounts.

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
 COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory held by the Authority consists of materials, supplies, chemicals and water meters. Inventory is stated at cost, which is determined using the first-in, first-out method.

Capital Assets

Capital assets are stated at cost or fair market value at time of contribution to the Authority. Land and construction in progress is not depreciated. When construction projects are complete, the cost is transferred to the plant and equipment accounts. Plant additions and improvements are capitalized and depreciated. Replacements, maintenance and repairs, which do not improve or extend the life of the asset are expensed currently. Depreciation is provided for on a straight-line basis. Depreciation expense for 2020 and 2019 totaled \$1,593,338 and \$1,588,574, respectively.

Depreciable lives of plant and equipment are estimated as follows:

<u>Asset</u>	<u>Years</u>
Plant and improvements	20 - 50
Collection lines	50
Machinery and equipment	10
Vehicles	5

The minimum capitalization threshold is an individual item with a cost of more than \$500 and a useful life exceeding one year.

Restricted Assets

Restricted assets include developer escrows. Developer deposits held by the Authority are to be used to pay for engineering, legal, inspection costs and administrative fees associated with the respective developers' projects. Upon receipt of the funds, the Authority records the cash and corresponding liability, and when the Authority receives invoices for expenses on behalf of the developer, it disburses the funds and reduces the liability.

Capitalization of Interest

Interest expense that relates to the cost of acquiring or constructing capital assets is capitalized. Because the Authority's debt proceeds are not restricted to specified assets, interest expense incurred in connection with construction of capital assets is not reduced by interest earned on the investment of funds borrowed for construction. No interest has been capitalized for the years ended December 31, 2020 and 2019 due to the redemption of the 2012 bonds.

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Capital Contributions

Distribution and collection lines, pumping stations, wells and storage and treatment facilities constructed and installed by developers and dedicated to the Authority are recorded as capital contributions and depreciated over their estimated useful lives upon acceptance of the dedication. There were no capital contributions during the years ended December 31, 2020 and 2019. Contributed capital is recorded as income in the year of dedication to the Authority.

Deferred Loss on Bond Refundings

Unamortized original issue discount and bond discounts on refunded bonds are deferred and amortized, using the bonds outstanding method, over the original maturity of the refunded bonds. For financial reporting purposes, these deferred refunding costs are reported as deferred outflows of resources.

Deferred Income

Developers pay the Authority for tapping fees prior to the construction of distribution and collection lines. The fees are recorded as unearned revenue when received and recognized as nonoperating revenues at settlement.

Net Position

Net position comprises the various net earnings from operating and nonoperating revenues, expenses and contributions of capital. Net position is classified in the following four components: invested in capital assets, net of related debt; restricted and unrestricted.

Net position invested in capital assets, net of related debt consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets.

Restricted net position consists of assets restricted for capital activity or for debt service.

Unrestricted net position consists of all other assets not included in the above categories.

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenues) until that time.

Revenue Recognition

The Authority distinguishes between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For expenses that could be paid by either restricted or unrestricted resources, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Revenues and Rate Structure

Revenues from water and sewer services are recognized on the accrual basis as earned. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay, debt service reserves and debt coverage.

Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the Authority's employees to defer a portion of their salary until future years. Compensation deferred is not available to employees until termination, retirement, death, or unforeseeable emergency. The Authority's contributions are made each pay. The Authority matches 50% of an employee's contributions, up to 10% of their compensation. For the years ended December 31, 2020 and 2019, the Authority's matching contribution was \$28,378 and \$28,414, respectively.

Compensated Absences

Unpaid vacation and sick time is recorded as an expense in the period it is earned and considered payable from current financial resources. The Authority does not compensate unpaid sick time upon employees' termination or retirement. The estimated value of vacation time owed to employees who may be paid in subsequent years or upon termination or retirement and, therefore, payable from future resources is recorded in the current year.

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
 COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 2: RESTRICTED ASSETS

At December 31, 2020 and 2019, cash and cash equivalents include \$136,698 and \$150,339, respectively, held as developer escrow funds. These funds are held by the Authority to guarantee the completion of projects by developers as required by the development agreements and to pay professional fees related to the respective projects.

NOTE 3: CREDIT RISK

Cash and Cash Equivalents

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. Balances exceeding federal depository insurance limits are exposed to custodial credit risk. However, under Pennsylvania Act 72, all amounts in excess of insurance limits are collateralized by securities held by the pledging financial institution, but not in the Authority's name. As of December 31, 2020 and 2019, \$1,616,674 and \$619,746, respectively, was exposed to custodial credit risk.

A reconciliation of amounts exposed to custodial credit risk to total cash and cash equivalents held by the Authority follows:

	2020	2019
Uninsured and collateral held by the pledging bank's trust department, but not in the Authority's name	\$ 1,616,674	\$ 619,746
Plus: Insured amounts	637,276	650,914
Carrying Amounts - Bank Balances	2,253,950	1,270,660
Plus: Petty cash	100	100
Plus: Deposit in transit	-	1,500
Less: Outstanding checks	(61,518)	(38,055)
Total Cash and Cash Equivalents Per Financial Statements	\$ 2,192,532	\$ 1,234,205

Total cash and cash equivalents include:

	2020	2019
Operating accounts - unrestricted	\$ 2,055,834	\$ 1,083,866
Restricted accounts - developer escrow accounts	136,698	150,339
	\$ 2,192,532	\$ 1,234,205

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
 COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 4: CAPITAL ASSETS

		2020				
		Balance at January 1, 2020	Additions	Deletions/ Retirements	Transfers	Balance at December 31, 2020
Capital Assets, not being depreciated						
Land and CIP:						
Land	\$	551,571	\$ -	\$ -	\$ -	\$ 551,571
Construction in progress (CIP)		523,176	37,730	-	(523,176)	37,730
Total Capital Assets, not being depreciated		\$ 1,074,747	\$ 37,730	\$ -	\$ (523,176)	\$ 589,301
Capital Assets, being depreciated						
Plant and Equipment:						
Plant facilities	\$	57,663,636	\$ 1,626,494	\$ -	\$ 523,176	\$ 59,813,306
Plant equipment		489,004	-	-	-	489,004
Leasehold improvements		321,627	-	-	-	321,627
Furniture and equipment		188,299	-	-	-	188,299
Vehicles		259,516	38,235	-	-	297,751
Total Capital Assets, being depreciated		58,922,082	1,664,729	-	523,176	61,109,987
Accumulated depreciation		(26,466,957)	(1,593,338)	-	-	(28,060,295)
Total Capital Assets, being depreciated		\$ 32,455,125	\$ 71,391	\$ -	\$ 523,176	\$ 33,049,692
		2019				
		Balance at January 1, 2019	Additions	Deletions/ Retirements	Transfers	Balance at December 31, 2019
Capital Assets, not being depreciated						
Land and CIP:						
Land	\$	551,571	\$ -	\$ -	\$ -	\$ 551,571
Construction in progress (CIP)		148,740	496,991	-	(122,555)	523,176
Total Capital Assets, not being depreciated		\$ 700,311	\$ 496,991	\$ -	\$ (122,555)	\$ 1,074,747
Capital Assets, being depreciated						
Plant and Equipment:						
Plant facilities	\$	57,452,442	\$ 211,194	\$ -	\$ -	\$ 57,663,636
Plant equipment		489,004	-	-	-	489,004
Leasehold improvements		321,627	-	-	-	321,627
Furniture and equipment		183,804	4,495	-	-	188,299
Vehicles		215,356	44,160	-	-	259,516
Total Capital Assets, being depreciated		58,662,233	259,849	-	-	58,922,082
Accumulated depreciation		(24,878,383)	(1,588,574)	-	-	(26,466,957)
Total Capital Assets, being depreciated		\$ 33,783,850	\$ (1,328,725)	\$ -	\$ -	\$ 32,455,125

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
 COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 5: NOTES RECEIVABLE

Notes receivable relate to tapping and connection fees billed to residential customers. The notes accrue interest at 6%.

Scheduled future maturities of notes receivable at December 31, 2020 are:

Year Ending December 31	Amount
2021	\$ 26,800
2022	13,400
	\$ 40,200

NOTE 6: BONDS PAYABLE

On July 31, 2019, the Authority redeemed all outstanding Water and Sewer Revenue Bonds, Series of 2012.

On December 3, 2012, the Authority issued Water and Sewer Revenue Bonds, Series of 2012, in the principal amount of \$6,905,000. The proceeds of the Series 2012 Bonds were used (1) to provide funds for the Authority's capital improvement program, (2) to refund the Authority's Series 2007 Bonds, (3) to fund the Debt Service Reserve Fund in an amount equal to maximum annual debt service on the Series 2012 Bonds, and (4) to pay costs of issuance of the Series 2012 Bonds. The Series 2007 Bonds were defeased on December 3, 2012. The Authority recorded a deferred loss on the refunding of the Series 2007 Bonds, which was recorded as a deferred outflow of resources and amortized. As a result of the redemption of the Series 2012 Bond, on July 31, 2019 these costs in the amount of \$165,554 have been recognized as deferred loss on bond refundings. The Authority refunded the Series 2007 Bonds at no accounting loss, and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$627,068. The Authority in effect reduced its aggregate debt service payments on the Series 2007 Bonds in the amount of \$741,793.

Change in bonds payable for the year ended December 31, 2019 is:

	Balance at January 1, 2019	Increase	Decrease	Balance at December 31, 2019
Series 2012	\$ 5,240,000	\$ -	\$ (5,240,000)	\$ -

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
 COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 7: COMMITMENTS

Lease

The Authority leases office space from the Township under a lease extension that expires on December 31, 2023. The current monthly rent is \$4,000. Rent expense totaled \$48,000 for each of the years ended December 31, 2020 and 2019.

The future minimum lease payments are as follows:

Year Ending December 31	Amount
2021	\$ 48,000
2022	48,000
2023	48,000
	\$ 144,000

Construction in Progress

In August 2017, WTWSA entered into a Cooperative Agreement with the United States Navy to design, construct and operate certain facilities to extend public water connections to six property locations with private wells that are above the United States Environmental Protection Agency (EPA) Health Advisory (HA) levels of Perflourinated Compounds known as Perfluorooctane Sulfonic Acid (PFOS) and Perfluorooctanoic Acid (PFOA). The construction of the water main extension was completed and closed out in 2020. The contract award was for \$2,157,518. To date, the Authority has earned Federal funds in the amount of \$1,987,768.

The WTWSA has completed a water main extension to provide a complete loop of the water system and to aid in the interconnection of the northern and southern water system for the Authority. The project extends the line from Eddowes Road through the Moland House property to an existing connection point at York Road. Punchlist items related to final restoration and paving are currently being addressed by the contractor.

Water Service Contract

Effective November 1, 1998, the Authority signed a twenty-five (25) year contract with Aqua Pennsylvania, Inc. to provide water to its service area.

For the period November 28, 2019 through November 27, 2020, the monthly charge was \$45,721.49 for up to 600,000 gallons per day, and \$2.21 for every thousand gallons in excess of 600,000 gallons per day up to 800,000 gallons per day, and \$2.15 for every thousand gallons in excess of 800,000 gallons per day. Aqua increased its rates to \$46,092.68 for up to 600,000 gallons per day, and \$2.23 for every thousand gallons in excess of 600,000 gallons per day up to 800,000 gallons per day, and \$2.17 for every thousand gallons in excess of 800,000 gallons per day effective November 28, 2020.

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 7: COMMITMENTS (continued)

North Wales Water Authority - Water Supply Agreement

In November 2011, the Authority signed a ten (10) year agreement (with a five (5) year renewal option) with the North Wales Water Authority for the supply of water to the Authority for sale to customers. The agreement has a minimum daily consumption rate of 100,000 gallons per day and a maximum of 800,000 gallons per day. In addition, the Authority is required to purchase on an annual basis an average of 200,000 gallons per day from North Wales Water Authority. The Authority is charged \$2.50 (the base rate) per thousand gallons up to 800,000 gallons per day, and 1.5 times the base rate per thousand gallons over 800,000 gallons per day for a period of 48 months, at which point the base rate will be adjusted.

NOTE 8: CONTINGENCIES

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disaster for which the Authority carries commercial insurance to cover up to certain limits.

NOTE 9: RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily. These actions have expanded significantly and do not have a current end date. Given the uncertainty regarding the spread of this coronavirus, the related financial impact on the Authority cannot be reasonably estimated at this time.

The Authority, as part of its normal operations, will receive grants from governmental agencies. The grants received typically require the Authority to maintain documentation to support costs incurred and claimed for reimbursement. Any unspent or disqualified expenses on these awards are subject to recapture in the event of an audit from the governmental agency.

NOTE 10: SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through June 28, 2021, the date on which the financial statements were available to be issued. There were no significant subsequent events to report.

WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION
FOR YEAR ENDED DECEMBER 31, 2019

	Water	Sewer	Administrative	2020 Total Expenses	2019 Total Expenses
Operating Expenses					
Personnel Expenses:					
Payroll	\$ 186,459	\$ 193,792	\$ 367,224	\$ 747,475	\$ 720,733
Employee benefits	28,754	52,020	71,159	151,933	142,956
Payroll taxes	16,902	16,042	30,462	63,406	59,711
Pension	6,379	5,725	16,274	28,378	28,414
Total Personnel Expenses	<u>238,494</u>	<u>267,579</u>	<u>485,119</u>	<u>991,192</u>	<u>951,814</u>
Direct Expenses:					
Contract water purchases	752,534	-	-	752,534	694,853
Sludge transportation	-	426,449	-	426,449	315,492
Utilities	21,842	181,400	-	203,242	204,646
Chemicals	-	126,936	-	126,936	97,372
Meter expense	19,674	19,250	-	38,924	44,321
System repairs and maintenance	24,390	103,554	-	127,944	88,793
Plant repairs and maintenance	-	43,709	-	43,709	50,374
Testing	4,060	19,349	-	23,409	33,505
Truck expenses	8,691	12,805	-	21,496	13,746
Operating supplies	8,461	8,294	-	16,755	7,760
Monitoring and regulating	4,799	-	-	4,799	4,799
Ground maintenance	1,628	1,990	-	3,618	3,618
Road maintenance	-	1,669	-	1,669	-
Uniforms	1,745	2,990	-	4,735	3,261
PA One Call	394	336	-	730	732
Permits and licenses	20,220	2,011	-	22,231	22,107
Total Direct Expenses	<u>868,438</u>	<u>950,742</u>	<u>-</u>	<u>1,819,180</u>	<u>1,585,379</u>
Administrative Expenses:					
Insurance	19,334	38,196	6,740	64,270	59,113
Legal	2,610	-	51,062	53,672	65,102
Auditing and accounting	-	-	14,500	14,500	14,000
Payroll service	-	-	4,170	4,170	5,550
Computer support	-	-	14,149	14,149	16,036
Trust and bank fees	-	-	-	-	4,500
Office rent	-	-	48,000	48,000	48,000
Office expenses	-	-	32,654	32,654	34,147
Postage	-	-	9,735	9,735	9,758
Telephone	-	-	10,371	10,371	9,439
Meetings, seminars and conferences	-	-	228	228	1,718
Dues and memberships	-	-	7,733	7,733	8,598
Education and training	-	-	2,550	2,550	3,576
Engineering	10,431	17,651	-	28,082	27,347
Total Administrative Expenses	<u>32,375</u>	<u>55,847</u>	<u>201,892</u>	<u>290,114</u>	<u>306,884</u>
Total Operating Expenses	<u>\$ 1,139,307</u>	<u>\$ 1,274,168</u>	<u>\$ 687,011</u>	<u>\$ 3,100,486</u>	<u>\$ 2,844,077</u>

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
REVENUES AND EXPENSES
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Water revenue	\$ 1,410,000	\$ 1,536,540	\$ 126,540
Sewer revenue	2,020,000	2,152,916	132,916
Administrative fees	8,500	5,021	(3,479)
Construction usage and certificate fees	16,000	16,850	850
Meter installations	23,500	14,260	(9,240)
Miscellaneous operating revenues	1,000	1,125	125
Total Operating Revenues	<u>3,479,000</u>	<u>3,726,712</u>	<u>247,712</u>
Operating Expenses			
Water Plant Operating Expenses:			
Personnel expenses	173,830	238,494	(64,664)
Direct expenses	868,000	868,438	(438)
Administrative expenses	28,000	32,375	(4,375)
Total Water Plant Operating Expenses	<u>1,069,830</u>	<u>1,139,307</u>	<u>(69,477)</u>
Wastewater Plant Operating Expenses:			
Personnel expenses	269,607	267,579	2,028
Direct expenses	847,600	950,742	(103,142)
Administrative expenses	67,000	55,847	11,153
Total Wastewater Plant Operating Expenses	<u>1,184,207</u>	<u>1,274,168</u>	<u>(89,961)</u>
General and Administrative Expenses:			
Personnel expenses	486,859	485,119	1,740
Other	214,000	201,892	12,108
Total General and Administrative Expenses	<u>700,859</u>	<u>687,011</u>	<u>13,848</u>
Total Operating Expenses	<u>2,954,896</u>	<u>3,100,486</u>	<u>(145,590)</u>
Operating Income Before Depreciation and Amortization	524,104	626,226	102,122
Depreciation and amortization	1,465,000	1,593,338	(128,338)
Operating Loss	<u>(940,896)</u>	<u>(967,112)</u>	<u>(26,216)</u>
Nonoperating Revenues			
Water tapping fees	142,100	92,299	(49,801)
Sewer tapping fees	189,000	125,999	(63,001)
Interest income	50,000	9,595	(40,405)
Grant revenue	-	1,987,768	1,987,768
Miscellaneous income	2,500	-	(2,500)
Total Nonoperating Revenues	<u>383,600</u>	<u>2,215,661</u>	<u>1,832,061</u>
Nonoperating Expenses			
Interest expense	-	-	-
Miscellaneous expense	-	-	-
Total Nonoperating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Net Nonoperating Revenues (Expenses)	<u>383,600</u>	<u>2,215,661</u>	<u>1,832,061</u>
Income (Loss) Before Capital Contributions	<u>\$ (557,296)</u>	<u>\$ 1,248,549</u>	<u>\$ 1,805,845</u>

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
REVENUES AND EXPENSES
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Water revenue	\$ 1,430,000	\$ 1,429,823	\$ (177)
Sewer revenue	2,045,000	2,043,212	(1,788)
Administrative fees	8,500	5,099	(3,401)
Construction usage and certificate fees	12,000	12,450	450
Meter installations	23,500	18,651	(4,849)
Miscellaneous operating revenues	1,000	175	(825)
Total Operating Revenues	<u>3,520,000</u>	<u>3,509,410</u>	<u>(10,590)</u>
Operating Expenses			
Water Plant Operating Expenses:			
Personnel expenses	169,227	203,755	(34,528)
Direct expenses	877,000	817,211	59,789
Administrative expenses	24,000	33,070	(9,070)
Total Water Plant Operating Expenses	<u>1,070,227</u>	<u>1,054,036</u>	<u>16,191</u>
Wastewater Plant Operating Expenses:			
Personnel expenses	263,217	263,446	(229)
Direct expenses	899,500	768,168	131,332
Administrative expenses	65,000	48,426	16,574
Total Wastewater Plant Operating Expenses	<u>1,227,717</u>	<u>1,080,040</u>	<u>147,677</u>
General and Administrative Expenses:			
Personnel expenses	472,073	484,613	(12,540)
Other	210,000	225,388	(15,388)
Total General and Administrative Expenses	<u>682,073</u>	<u>710,001</u>	<u>(27,928)</u>
Total Operating Expenses	<u>2,980,017</u>	<u>2,844,077</u>	<u>135,940</u>
Operating Income Before Depreciation and Amortization	539,983	665,333	125,350
Depreciation and amortization	1,480,000	1,631,277	(151,277)
Operating Loss	<u>(940,017)</u>	<u>(965,944)</u>	<u>(25,927)</u>
Nonoperating Revenues			
Water tapping fees	175,700	95,000	(80,700)
Sewer tapping fees	184,800	61,200	(123,600)
Interest income	40,000	54,639	14,639
Miscellaneous income	2,500	58,400	55,900
Total Nonoperating Revenues	<u>403,000</u>	<u>269,239</u>	<u>(133,761)</u>
Nonoperating Expenses			
Interest expense	124,834	105,327	19,507
Miscellaneous expense	1,000	165,554	(164,554)
Total Nonoperating Expenses	<u>125,834</u>	<u>270,881</u>	<u>(145,047)</u>
Net Nonoperating Revenues (Expenses)	<u>277,166</u>	<u>(1,642)</u>	<u>(278,808)</u>
Loss Before Capital Contributions	<u>\$ (662,851)</u>	<u>\$ (967,586)</u>	<u>\$ (304,735)</u>

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
 COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Grantor Number	Grant Period	Award Amount	Federal Expenditures	Passed Through to Sub-recipients
U.S. Department of Defense (DOD)						
Passed through the U.S. Department of the Navy						
Basic and Applied Scientific Research	12.300	N62473-17-2-1001	08/01/2017-12/31/2020	\$ 2,157,518	\$ 1,987,768	\$ -
Total CFDA #12.300				<u>2,157,518</u>	<u>1,987,768</u>	<u>-</u>
Total U.S. Department of Defense (DOD)				<u>2,157,518</u>	<u>1,987,768</u>	<u>-</u>
 Total Expenditures of Federal Awards				<u>\$ 2,157,518</u>	<u>\$ 1,987,768</u>	<u>\$ -</u>

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) includes the federal grant activity of the Authority under the programs of the federal government for the year ended December 31, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to, and does not, present the net position, activities, changes in net position, or cash flows of the Authority.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles obtained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3: INDIRECT COST RATE

The Authority has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.



940 West Sproul Road, Suite 101, Springfield, PA 19064 | PHONE: 610.544.5900 | FAX: 610.544.7455

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Warwick Township Water and Sewer Authority
Warwick Township, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Warwick Township Water and Sewer Authority (the “Authority”), which comprise the financial statements of the business-type activities and the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority, as of and for the year ended December 31, 2020, and have issued our report thereon June 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Brinker Simpson & Company, LLC
Springfield, Pennsylvania
June 28, 2021



940 West Sproul Road, Suite 101, Springfield, PA 19064 | PHONE: 610.544.5900 | FAX: 610.544.7455

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Warwick Township Water and Sewer Authority
Warwick Township, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Authority’s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Authority’s major federal program for the year ended December 31, 2020. The Authority’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Authority’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority’s compliance.

Opinion on Each Major Federal Program

In our opinion the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Brinker Simpson & Company, LLC
Springfield, Pennsylvania
June 28, 2021

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
 COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
 SCHEDULE OF FINDINGS AND QUESTIONED COST
 YEAR ENDED DECEMBER 31, 2020**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued (unmodified, qualified, adverse, or disclaimer):

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor’s report issued on compliance for major programs (*unmodified, qualified, adverse, or disclaimer*):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

Yes No

Identification of major program:

CFDA Number

Name of Federal Program of Cluster

12.300

Basic and Applied Scientific Research

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

Yes No

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY
COMPONENT UNIT OF THE TOWNSHIP OF WARWICK
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED DECEMBER 31, 2020**

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS

None.

SECTION III– FEDERAL AWARD FINDINGS AND QUESTIONED COSTS– CURRENT YEAR

None.

SECTION IV- SCHEDULE OF PRIOR YEAR FINDINGS

There were no prior year findings as this was Warwick Township Water and Sewer Authority's first Single Audit.