

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY  
(A COMPONENT UNIT OF THE TOWNSHIP OF WARWICK)**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 2022**



## TABLE OF CONTENTS

Independent Auditors' Report	3-5
Management's Discussion and Analysis	6-14
Financial Statements:	
Statements of Net Position	15
Statements of Revenues, Expenses, and Changes in Net Position	16
Statements of Cash Flows	17
Statements of Fiduciary Net Position – Custodial Funds	18
Statements of Changes in Fiduciary Net Position – Custodial Funds	19
Notes to Financial Statements	20-30
Supplemental Information:	
Schedule of Operating Expenses	32
Revenues and Expenses – Budget (GAAP Budgetary Basis) and Actual - 2022	33
Revenues and Expenses – Budget (GAAP Budgetary Basis) and Actual - 2021	34



936 Easton Rd., PO Box 754, Warrington, PA 18976 | 130 Almshouse Rd. Suite 201A, Richboro, PA 18954  
215-343-2727 | [www.bbco-cpa.com](http://www.bbco-cpa.com)

## Independent Auditors' Report

Board of Directors  
Warwick Township Water and Sewer Authority

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Warwick Township Water and Sewer Authority, Bucks County, Pennsylvania (Authority) (a component unit of the Township of Warwick) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Authority, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter-Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the Authority implemented the provisions of the Governmental Accounting Standards Board Statements No. 84, Fiduciary Activities, and No. 87, Leases, for the year ended December 31, 2022, which represents changes in accounting principles. Our opinion is not modified with respect to that matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying budgetary schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Report on Summarized Comparative Information**

The Authority's 2021 financial statements were audited by other auditors, whose report dated May 23, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bee, Bergvall and Company, P.C.  
Certified Public Accountants

Warrington, PA  
April 24, 2023

**Warwick Township Water & Sewer Authority  
Component Unit of the Township of Warwick  
Management’s Discussion and Analysis  
December 31, 2022 and 2021**

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, 2022 and 2021.

**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 eight (8) 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, 2022 consisted of approximately 4,277 water connections and 4,399 sewer 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.

**Warwick Township Water & Sewer Authority  
Component Unit of the Township of Warwick  
Management's Discussion and Analysis  
December 31, 2022 and 2021**

*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 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 has completed adding flow meters to these pump stations as directed by the PA DEP.

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 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, several industrial parks 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 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.



**Warwick Township Water & Sewer Authority  
Component Unit of the Township of Warwick  
Management's Discussion and Analysis  
December 31, 2022 and 2021**

**The Water System**

The Authority purchases water in bulk from Aqua Pennsylvania Inc. and the North Wales Water Authority, and distributes it to the Authority's water customers. 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 for its wells 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. NWWA rates are based on the December 7, 2011 Water Supply Agreement.

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. Rate increases from the NWWA are tied directly to the Forest Park Water Treatment Plant and are assessed at the same percentage given to the NWWA and North Penn Water Authority (NPWA). There have been no increases since the inception of the original contract.

**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. The Cooperative Agreement was recently extended by the U.S. Navy until September 30, 2023.
- There was a 5% water and sewer rate increase, approved by the Authority Board for 2023.
- The Authority extended its electrical supply agreement with Constellation New Energy Corp. in December 2019. The agreement locked in electrical supply rates through December 2023, avoiding the current turbulent energy market and current spike in rates.

**Warwick Township Water & Sewer Authority  
Component Unit of the Township of Warwick  
Management's Discussion and Analysis  
December 31, 2022 and 2021**

- For fiscal year 2022, the Authority delivered 256.2 million gallons of water and treated 295.2 million gallons of wastewater, compared to 274.3 million gallons of water and treated 278.7 million gallons of wastewater in the previous year. The Authority purchased 301.9 million gallons of water in 2022, which represented a daily average of 827,213 gallons, while 2021 purchases totaled 298.2 million gallons, an average of 816,859 gallons per day. Unaccounted for water increased to 15.15% in 2022 from 8.02% in 2021. Unaccounted for Water was up due to several large leaks that were discovered during our leak detection program.
- At year-end 2022, total assets at year-end were \$36.7 million and exceeded liabilities in the amount of \$36.1 million (i.e., net position). Total assets increased from 2021 by \$672,246 primarily due to the reduction in operating expenses in 2022.
- Operating revenues increased by .08% from \$3,727,662 in 2021 to \$3,730,564 in 2022, and were under budget projections by \$355,236. Water revenues by existing customers decreased from 2021 to 2022 by approximately .41% and sewer revenues increased by .58%. Non-operating revenue decreased over 2021 by \$169,329 due to a decrease in developer construction in 2022.
- Operating expenses before depreciation for 2022 were \$2,844,135 and were \$300,353 under the budget projections. Operating expenses increased \$60,165 or 2.16%, from the previous calendar year.
- Operating income before depreciation for the year totaled \$886,429. Operating income before depreciation decreased from 2021 by \$57,263 or 6.07%.

**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 auditors' 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.

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.

**Warwick Township Water & Sewer Authority**  
**Component Unit of the Township of Warwick**  
**Management's Discussion and Analysis**  
**December 31, 2022 and 2021**

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 **fiduciary statements** provide information about the resources held in a custodial capacity for developers.

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, 2022 and 2021**

**Operations of the Water and Sewer Systems**

**Ten Largest Water Users**

<u>System User</u>	<u>Property Description</u>	<u>2022 Charges</u>
BRIDGES OF WARWICK	Senior Living	\$31,647
LIBERTY VILLAGE	Apartments	\$16,862
HERITAGE CREEK Bld 4	Apartments	\$9,134
BRIDGE VALLEY ELEMENTARY	School	\$8,403
CAR WASH GROUP LLC	Car Wash	\$8,201
WARWICK MEADOWS III CONDO	Apartments	\$6,651
TRACTOR SUPPLY	Store	\$5,703
WAWA	Store	\$5,463
HERITAGE CREEK Bld 5	Apartments	\$5,080
MIDDLE BUCKS VO TECH	School	\$4,786

**Ten Largest Sewer Users**

<u>System User</u>	<u>Property Description</u>	<u>2022 Charges</u>
BRIDGES OF WARWICK	Senior Living	\$41,055
LIBERTY VILLAGE	Apartments	\$21,989
HERITAGE CREEK Bld 4	Apartments	\$12,024
DIAMOND RIDGE	Day Camp	\$11,304
BRIDGE VALLEY ELEMENTARY	School	\$11,082
CAR WASH GROUP LLC	Car Wash	\$10,821
WARWICK MEADOWS III CONDO	Apartments	\$8,822
TRACTOR SUPPLY	Store	\$7,577
WAWA	Store	\$7,290
HERITAGE CREEK Bld 5	Apartments	\$6,805

**Financial Condition**

Total assets increased \$672,246 or 1.86% from 2021. Net position increased \$355,337 in 2022 from 2021. Unrestricted net position increased \$381,428 or 12.17% in 2022. Accounts receivable at year-end was \$31,392 more than year-end 2021 or approximately 3.5%.

**Warwick Township Water & Sewer Authority  
Component Unit of the Township of Warwick  
Management's Discussion and Analysis  
December 31, 2022 and 2021**

The following table summarizes the financial position of the Authority as of December 31, 2022 and 2021;

	<u>2022</u>	<u>2021 Restated</u>
<u>Assets</u>		
Current Assets	\$ 4,146,057	\$ 3,447,720
Capital Assets	<u>32,591,907</u>	<u>32,617,998</u>
Total Assets	<u><u>36,737,964</u></u>	<u><u>36,065,718</u></u>
<u>Current and Other Liabilities</u>		
Current Liabilities	392,852	151,543
Long Term Liabilities	<u>237,600</u>	<u>162,000</u>
Total Liabilities	<u><u>630,452</u></u>	<u><u>313,543</u></u>
<u>Net Position</u>		
Net Investment in Capital Assets	32,591,907	32,617,998
Unrestricted	<u>3,515,605</u>	<u>3,134,177</u>
Total Net Position	<u><u>\$ 36,107,512</u></u>	<u><u>\$ 35,752,175</u></u>

**Results of Operations: Comparison of 2022 and 2021**

**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 decreased 0.41% and sewer revenues increased 0.58% from the previous year. Water revenue decreased \$6,146 and sewer revenue increased \$12,619 from 2021. Total operating revenue increased by \$2,902 from the calendar year 2021.

**Capital Contributions:** The Authority accepts additions to its collection and distribution systems from developers, commonly referred to as Developer Contributions. Developer Contributions as non-operating revenues are required to be reported through the Statements of Revenues, Expenses, and Changes in Net Position. There were \$1,067,697 in developer contributions of infrastructure for 2022. 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 \$36,900 for 2022 compared to \$173,014 for 2021. Tapping fees vary from year-to-year with fluctuations in development and therefore are difficult to predict.

**Warwick Township Water & Sewer Authority  
Component Unit of the Township of Warwick  
Management's Discussion and Analysis  
December 31, 2022 and 2021**

**Operating Expenses:** Total operating expenses of the Authority, before depreciation, increased \$60,165 from calendar year 2022 and were under budget by \$300,353. Operating income, before depreciation is \$886,429 for 2022 compared to \$943,692 for 2021.

Water operating expenses increased 4.57%, sewer operating expenses increased 2.39%, administrative expenses decreased 2.30% from 2022 to 2021. Depreciation expense for 2022 and 2021 was \$1,682,076 and \$1,661,667, respectively.

The following table summarizes the revenue, expenses and changes in net position of the Authority for the fiscal ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<u>Operating Revenue</u>		
Total Operating Revenue	\$ 3,730,564	\$ 3,727,662
<u>Operating Expenses</u>		
Water Operating Expenses	1,144,732	1,094,719
Wastewater Operating Expenses	1,070,369	1,045,381
General and Administrative Expenses	629,034	643,870
Depreciation Expense	1,682,076	1,661,667
Total Operating Expenses	4,526,211	4,445,637
Operating Income (Loss)	(795,647)	(717,975)
Non-Operating Revenue (Expenses), Net	83,287	252,616
Capital Contributions	1,067,697	-
Change in Net Position	355,337	(465,359)
Net Position, Beginning of the Year	35,752,175	36,217,534
Net Position, End of the Year	\$ 36,107,512	\$ 35,752,175

**2022 Cash Flow Activity**

The following table shows the Authority's ability to generate net operating cash. Net cash flows from all activities are shown both in total dollars and as a percentage of operating revenues.

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Total Operating Revenue	\$ 3,730,564	\$ 3,727,662	\$ 2,902
Net cash provided by activities	712,773	403,733	309,040
Net cash provided by activities as a percentage of total revenue	19.11%	10.83%	

**Warwick Township Water & Sewer Authority  
Component Unit of the Township of Warwick  
Management's Discussion and Analysis  
December 31, 2022 and 2021**

**Capital Assets and Debt Obligation**

The Authority's net capital assets as of December 31, 2021 decreased to \$32,591,907 (net of accumulated depreciation). The decrease is \$26,091 from 2021, primarily due to an increase of \$20,409 in depreciation.

The following table summarizes the Authority's investment in capital assets as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land/Easements	\$ 551,571	\$ 551,571
Construction in Progress	347,491	24,964
Plant and equipment, net of accumulated depreciation	<u>31,692,845</u>	<u>32,041,463</u>
Net Capital Assets	<u>\$ 32,591,907</u>	<u>\$ 32,617,998</u>

**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  
(A Component Unit of the Township of Warwick)

Statements of Net Position

December 31, 2022 and 2021

	<u>ASSETS</u>	
	<u>2022</u>	Restated <u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 3,172,340	\$ 2,459,567
Accounts receivable	925,111	893,719
Grant receivable	10,668	9,446
Notes receivable	-	13,400
Inventory	28,484	55,398
Prepaid expenses	9,454	16,190
Total Current Assets	<u>4,146,057</u>	<u>3,447,720</u>
Capital Assets		
Land	551,571	551,571
Construction in progress	347,491	24,964
Plant and equipment, net of accumulated depreciation	31,692,845	32,041,463
Net Capital Assets	<u>32,591,907</u>	<u>32,617,998</u>
 Total Assets	 <u>\$ 36,737,964</u>	 <u>\$ 36,065,718</u>
 <u>LIABILITIES AND NET POSITION</u>		
Current Liabilities		
Accounts payable	\$ 359,660	\$ 113,683
Accrued payroll and payroll withholdings	13,659	21,138
Accrued compensated absences	19,533	16,722
Total Current Liabilities	<u>392,852</u>	<u>151,543</u>
Long-Term Liabilities		
Deferred income	237,600	162,000
Total Liabilities	<u>630,452</u>	<u>313,543</u>
Net Position		
Net Investment in Capital Assets	32,591,907	32,617,998
Unrestricted	3,515,605	3,134,177
Total Net Position	<u>36,107,512</u>	<u>35,752,175</u>
 Total Liabilities and Net Position	 <u>\$ 36,737,964</u>	 <u>\$ 36,065,718</u>

The notes to the financial statements are an integral part of this statement.



WARWICK TOWNSHIP WATER AND SEWER AUTHORITY  
(A Component Unit of the Township of Warwick)

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Water revenue	\$ 1,537,638	\$ 1,543,784
Sewer revenue	2,173,157	2,160,538
Administrative fees	9,119	4,095
Construction usage and certificate fees	10,050	14,650
Meter installations	600	4,420
Miscellaneous operating revenue	-	175
Total Operating Revenues	<u>3,730,564</u>	<u>3,727,662</u>
Operating Expenses		
Water plant operating expenses	1,144,732	1,094,719
Wastewater plant operating expenses	1,070,369	1,045,381
General and administrative expenses	<u>629,034</u>	<u>643,870</u>
Total Operating Expenses	<u>2,844,135</u>	<u>2,783,970</u>
Net Operating Income Before Depreciation	886,429	943,692
Depreciation	<u>1,682,076</u>	<u>1,661,667</u>
Net Operating Loss	<u>(795,647)</u>	<u>(717,975)</u>
Nonoperating Revenues		
Water tapping fees	18,000	81,800
Sewer tapping fees	18,900	91,214
Interest income	16,387	4,191
Grant revenue	-	75,411
Miscellaneous income	<u>30,000</u>	<u>-</u>
Total Nonoperating Revenues	<u>83,287</u>	<u>252,616</u>
Loss Before Capital Contributions	(712,360)	(465,359)
Capital Contributions	<u>1,067,697</u>	<u>-</u>
Change in Net Position	355,337	(465,359)
Net Position, Beginning	<u>35,752,175</u>	<u>36,217,534</u>
Net Position, End	<u>\$ 36,107,512</u>	<u>\$ 35,752,175</u>

The notes to the financial statements are an integral part of this statement.

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY**  
(A Component Unit of the Township of Warwick)

**Statements of Cash Flows**

**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	Restated <u>2021</u>
Cash Flows From Operating Activities:		
Cash received from customers	\$ 3,699,172	\$ 3,795,871
Cash paid to suppliers	(1,686,830)	(1,931,255)
Cash paid to employees	(882,346)	(944,947)
Net Cash Provided by (Used in) Operating Activities	<u>1,129,996</u>	<u>919,669</u>
Cash Flows From Capital And Related Financing Activities:		
Capital expenditures	(588,288)	(701,295)
Tapping fees	112,500	8,014
Developer contributions	30,000	-
Grant revenue received	(1,222)	146,354
Net Cash Provided by (Used in) Capital And Related Financing Activities	<u>(447,010)</u>	<u>(546,927)</u>
Cash Flows From Investing Activities:		
Interest income received	16,387	4,191
Payments received on notes receivable	13,400	26,800
Net Cash Provided by (Used in) Investing Activities	<u>29,787</u>	<u>30,991</u>
Net Increase (Decrease) in Cash and Cash Equivalents	712,773	403,733
Cash and Cash Equivalents, Beginning (Restated)	<u>2,459,567</u>	<u>2,055,834</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,172,340</u>	<u>\$ 2,459,567</u>
Reconciliation of Net Income (Loss) to Net Cash Provided by (Used In) Operating Activities		
Operating income (loss)	\$ (795,647)	\$ (717,975)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	1,682,076	1,661,667
(Increase) decrease in assets:		
Accounts receivable	(31,392)	68,209
Inventory	26,914	(14,232)
Prepaid expenses	6,736	(2,616)
Increase (decrease) in liabilities:		
Accounts payable	245,977	(72,478)
Accrued payroll and payroll withholdings	(7,479)	(1,948)
Accrued compensated absences	2,811	(958)
Total adjustments	<u>1,925,643</u>	<u>1,637,644</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,129,996</u>	<u>\$ 919,669</u>
Noncash investing, capital, and financing activities:		
Capital contributions	<u>\$ 1,067,697</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

WARWICK TOWNSHIP WATER AND SEWER AUTHORITY

(A Component Unit of the Township of Warwick)

Statements of Fiduciary Net Position – Custodial Funds

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	Restated <u>2021</u>
ASSETS		
Restricted cash for developers	\$ <u>224,234</u>	\$ <u>143,725</u>
LIABILITIES		
Accounts payable	\$ <u>3,261</u>	\$ <u>4,868</u>
NET POSITION		
Restricted for developers	\$ <u>220,973</u>	\$ <u>138,857</u>

The notes to the financial statements are an integral part of this statement.

WARWICK TOWNSHIP WATER AND SEWER AUTHORITY  
(A Component Unit of the Township of Warwick)

Statements of Changes in Fiduciary Net Position – Custodial Funds

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	Restated <u>2021</u>
Additions		
Escrow receipts	\$ 195,817	\$ 60,498
Deductions		
Escrow disbursements	<u>113,701</u>	<u>58,339</u>
Change in net position	82,116	2,159
Net Position Restricted for Developers		
Beginning of Year	<u>138,857</u>	<u>136,698</u>
End of Year	<u>\$ 220,973</u>	<u>\$ 138,857</u>

The notes to the financial statements are an integral part of this statement.

WARWICK TOWNSHIP WATER AND SEWER AUTHORITY  
(A Component Unit of the Township of Warwick)

Notes to Financial Statements

December 31, 2022 and 2021

**NOTE 1. Summary of Significant Accounting Policies**

Reporting Entity: The Warwick Township Water and Sewer Authority (Authority) is located in the County of Bucks, Pennsylvania, and was incorporated on May 1, 1969 under the Municipal Authorities Act of the Commonwealth of Pennsylvania. 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 (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) standards. 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 a 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 responsibilities 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.

Custodial Funds - The Authority acts in a custodial capacity with respect to monies deposited with it by developers and others.

WARWICK TOWNSHIP WATER AND SEWER AUTHORITY  
(A Component Unit of the Township of Warwick)

Notes to Financial Statements

December 31, 2022 and 2021

**NOTE 1. 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 for both the self-supporting governmental enterprise funds, a proprietary fund-type, and the fiduciary funds. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

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

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.

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.

WARWICK TOWNSHIP WATER AND SEWER AUTHORITY  
(A Component Unit of the Township of Warwick)

Notes to Financial Statements

December 31, 2022 and 2021

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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. The minimum capitalization threshold is an individual item with a cost of more than \$2,500 and a useful life exceeding one year. Depreciation is provided for on a straight-line basis. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

Depreciation expense for 2022 and 2021 totaled \$1,682,076 and \$1,661,667, respectively.

Custodial Assets: The Authority acts in a custodial capacity with respect to monies deposited with it by developers and others. These 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.

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. Contributed capital is recorded as income in the year of dedication to the Authority. Capital contributions for 2022 and 2021 totaled \$1,067,697 and \$0.

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.

WARWICK TOWNSHIP WATER AND SEWER AUTHORITY  
(A Component Unit of the Township of Warwick)

Notes to Financial Statements

December 31, 2022 and 2021

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

Net Position: Net position includes the various net earnings from operating and nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted; and unrestricted net position.

Net investment in capital assets 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; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

Unrestricted are amounts that do not meet the definitions above and are available for the Authority's operations.

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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for 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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority does not have any items that qualify for reporting in these categories.

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 operation. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.



WARWICK TOWNSHIP WATER AND SEWER AUTHORITY  
(A Component Unit of the Township of Warwick)

Notes to Financial Statements

December 31, 2022 and 2021

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

Deferred Contribution 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, 2022 and 2021, the Authority's matching contribution was \$29,204 and \$27,535, respectively.

Compensated Absences: In 2022 and prior, unpaid vacation and sick time are 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. In 2023, the Authority moved to a PTO policy for paid time off.

Comparative Information: The financial statement includes certain prior year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting policies generally accepted in the United States of America. The management discussion and analysis includes two years' worth of data instead of three. Accordingly, such prior year information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2021, from which the comparative information was derived.

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.

Subsequent Events: The Authority has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available for release. No subsequent events have been recognized or disclosed.

WARWICK TOWNSHIP WATER AND SEWER AUTHORITY  
(A Component Unit of the Township of Warwick)

Notes to Financial Statements

December 31, 2022 and 2021

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

New Accounting Pronouncements: Governmental Accounting Statement No. 84, Fiduciary Activities, has been implemented for 2022. Restricted cash held in a custodial capacity, and its related liability, have been moved from the Statement of Net Position to the Statement of Fiduciary Net Position - Custodial Funds. The beginning net position for Custodial Funds has been restated to \$136,698 for 2021. Additional information can be found in Note 2.

Governmental Accounting Statement No. 87, Leases, has been implemented for 2022. The implementation had no effect on net position.

Governmental Accounting Standards Board has issued statements that will become effective in future years. Management has not yet determined the impact of these statements on the financial statements.

**NOTE 2. Restricted Assets**

At December 31, 2022 and 2021, custodial fund cash and cash equivalents include \$224,234 and \$143,726, respectively, held for developers. 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. Cash and Cash Equivalents**

State law allows the Authority to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Authority to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository. The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loans or savings bank's assets, net of its liabilities. The Authority may also invest in shares of registered investment companies, provided that investments of the Authority are authorized investments, as noted above.

WARWICK TOWNSHIP WATER AND SEWER AUTHORITY  
(A Component Unit of the Township of Warwick)

Notes to Financial Statements

December 31, 2022 and 2021

**NOTE 3. Cash and Cash Equivalents (Continued)**

*Custodial Credit Risk - Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Balances exceeding federal depository insurance limits are exposed to custodial credit risk. However, under Commonwealth of Pennsylvania Act 72, all amounts in excess of federal depository insurance limits held by the bank are collateralized by securities held by the pledging financial institution, but not in the Authority's name. At year-end, the bank balance was \$3,493,248, including restricted cash escrows. Of the bank balance, \$500,000 was covered by federal depository insurance, \$2,160,766 was invested in externally pooled investments that are not subject to credit risk, and \$1,082,482 was in excess of insurance limits.

*Investment Pool.* The Authority has carrying deposits in external investment pools, held with PLGIT Bank. These deposits are considered cash equivalents because of their short maturity dates and are included in the carrying amount of deposits disclosed above. These deposits are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The investment in the pool is the same as the value of the pool shares and is reported at amortized cost, which approximates fair value. Pool amounts are invested directly in a portfolio of securities, which are held by a third-party custodian. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania. The Authority can withdraw funds from the external investment pool without limitation or fees upon adequate notice. The investment pool was rated AAAM by Standard & Poor's and has average maturities of less than 30 days. The Investment Pool operates in accordance with appropriate state laws and regulations.

*Interest Rate Risk.* This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described above. The Authority does not have a formal investment policy for credit risk. The government's investments in the external investment pool were rated AAAM by Standard & Poor's.

*Concentration of Credit Risk.* This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The concentration of credit risk in investments of external investment pools is not required to be disclosed.

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY**  
(A Component Unit of the Township of Warwick)

Notes to Financial Statements

December 31, 2022 and 2021

**NOTE 3. Cash and Cash Equivalents (Continued)**

*Fair Value Measurements.* The Authority categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs that include quoted prices for similar assets in active markets and inputs that are observable for the asset, either directly, or indirectly, for substantially the full term of the financial instrument. Fair values of these instruments are estimated using pricing models, quoted pricing models, quoted prices of securities with similar characteristics, or discounted cash flows; Level 3 inputs are significant unobservable inputs, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. The investment pool is considered Level 2.

**NOTE 4. Capital Assets**

	2022			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 551,571	\$ -	\$ -	\$ 551,571
Construction in progress	24,964	322,527	-	347,491
Total capital assets, not being depreciated	<u>576,535</u>	<u>322,527</u>	<u>-</u>	<u>899,062</u>
Capital assets, being depreciated:				
Plant facilities	60,461,847	1,297,833	(73,204)	61,686,476
Plant equipment	489,004	-	-	489,004
Leasehold improvements	321,627	-	-	321,627
Furniture and equipment	185,596	35,625	(42,270)	178,951
Vehicles	297,751	-	(8,983)	288,768
Total capital assets, being depreciated	<u>61,755,825</u>	<u>1,333,458</u>	<u>(124,457)</u>	<u>62,964,826</u>
Accumulated depreciation	<u>(29,714,362)</u>	<u>(1,682,076)</u>	<u>124,457</u>	<u>(31,271,981)</u>
Total capital assets, being depreciated, net	<u>32,041,463</u>	<u>(348,618)</u>	<u>-</u>	<u>31,692,845</u>
All capital assets, net	<u>\$ 32,617,998</u>	<u>\$ (26,091)</u>	<u>\$ -</u>	<u>\$ 32,591,907</u>

**WARWICK TOWNSHIP WATER AND SEWER AUTHORITY**  
(A Component Unit of the Township of Warwick)

**Notes to Financial Statements**

**December 31, 2022 and 2021**

**NOTE 4. Capital Assets (Continued)**

	2021			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 551,571	\$ -	\$ -	\$ 551,571
Construction in progress	37,730	24,964	(37,730)	24,964
Total capital assets, not being depreciated	589,301	24,964	(37,730)	576,535
Capital assets, being depreciated:				
Plant facilities	59,813,306	648,541	-	60,461,847
Plant equipment	489,004	-	-	489,004
Leasehold improvements	321,627	-	-	321,627
Furniture and equipment	188,299	4,897	(7,600)	185,596
Vehicles	297,751	-	-	297,751
Total capital assets, being depreciated	61,109,987	653,438	(7,600)	61,755,825
Accumulated depreciation	(28,060,295)	(1,661,667)	7,600	(29,714,362)
Total capital assets, being depreciated, net	33,049,692	(1,008,229)	-	32,041,463
All capital assets, net	\$ 33,638,993	\$ (983,265)	\$ (37,730)	\$ 32,617,998

**NOTE 5. Commitments**

Construction in Progress:

In August 2017, the Authority 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 U.S. Navy has requested and was granted an extension to the Cooperative Agreement until September 2023.

The Authority 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. The project extends the line from Eddowes Road through the Moland House property to an existing connection point at York Road. The Authority has accepted dedication of this Project.

WARWICK TOWNSHIP WATER AND SEWER AUTHORITY  
(A Component Unit of the Township of Warwick)

Notes to Financial Statements

December 31, 2022 and 2021

**NOTE 5. Commitments (Continued)**

Aqua Pennsylvania, Inc. - Water Supply Agreement:

Effective November 1, 1998, the Authority signed a twenty-five (25) year contract with Aqua Pennsylvania, Inc. to provide water to its service area. The contract auto-renewed effective January 21, 2023 for a term of 15 years.

Aqua's current rates are \$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.

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 6. Risks and Uncertainties**

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.

The Authority participates in the following public entity risk pools. Trust underwriting and rate-setting policies are established after consultation with independent insurance consultants. Any member may withdraw from the Trust by giving 150-days written notice to the Executive Committee. Settled claims from these risks have not exceeded insurance cover for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

WARWICK TOWNSHIP WATER AND SEWER AUTHORITY

(A Component Unit of the Township of Warwick)

Notes to Financial Statements

December 31, 2022 and 2021

**NOTE 6. Risks and Uncertainties (Continued)**

- Delaware Valley Property & Liability Trust - The insurance expense for the year ended December 31, 2022 was \$51,293. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2022, there were no additional assessments due or anticipated; instead, the pool declared a dividend of which the Authority's share was \$4,030.
- Delaware Valley Workers' Compensation Trust - The insurance expense for the year ended December 31, 2022 was \$12,152. The Authority received \$3,230 as a result from a payroll audit of the 2021 coverage year. There were no additional assessments due or anticipated. An audit of the 2022 payroll will be performed in 2023. At December 31, 2022, the pool declared a dividend of which the Authority's share was \$422.
- Delaware Valley Health Trust - The insurance expense for the year ended December 31, 2022 was \$149,543. There were no additional assessments due or anticipated. At December 31, 2022, the pool did not declare a dividend.

**SUPPLEMENTAL INFORMATION**



WARWICK TOWNSHIP WATER AND SEWER AUTHORITY  
(A Component Unit of the Township of Warwick)

Schedule of Operating Expenses

For the Years Ended December 31, 2022 and 2021

	<u>Water</u>	<u>Sewer</u>	<u>Administrative</u>	<u>2022 Total Expenses</u>	<u>2021 Total Expenses</u>
Operating Expenses					
Personnel Expenses:					
Payroll	\$ 181,593	\$ 168,668	\$ 317,921	\$ 668,182	\$ 698,208
Employee benefits	36,492	24,328	67,141	127,961	162,937
Payroll taxes	15,771	11,368	25,192	52,331	53,361
Deferred contributions	<u>8,376</u>	<u>5,584</u>	<u>15,244</u>	<u>29,204</u>	<u>27,535</u>
Total Personnel Expenses	<u>242,232</u>	<u>209,948</u>	<u>425,498</u>	<u>877,678</u>	<u>942,041</u>
Direct Expenses:					
Contract water purchases	756,820	-	-	756,820	743,755
Sludge transportation	-	319,775	-	319,775	395,756
Utilities	25,011	187,307	-	212,318	202,867
Chemicals	-	104,804	-	104,804	92,119
Meter expense	6,962	6,962	-	13,924	11,084
System repairs and maintenance	30,115	80,421	-	110,536	34,767
Plant repairs and maintenance	-	62,349	-	62,349	19,192
Testing	6,085	18,223	-	24,308	18,273
Truck expenses	8,742	12,861	-	21,603	16,270
Operating supplies	8,151	7,156	-	15,307	10,721
Monitoring and regulating	5,272	-	-	5,272	5,140
Ground maintenance	1,629	1,990	-	3,619	3,618
Road maintenance	-	3,441	-	3,441	-
Uniforms	1,131	2,432	-	3,563	3,255
PA One Call	323	323	-	646	872
Permits and licenses	<u>20,120</u>	<u>2,557</u>	<u>-</u>	<u>22,677</u>	<u>38,057</u>
Total Direct Expenses	<u>870,361</u>	<u>810,601</u>	<u>-</u>	<u>1,680,962</u>	<u>1,595,746</u>
Administrative Expenses:					
Insurance	24,156	30,759	3,964	58,879	59,885
Legal	-	-	58,733	58,733	34,015
Auditing and accounting	-	-	16,500	16,500	16,241
Payroll service	-	-	3,907	3,907	4,389
Computer support	-	-	15,561	15,561	13,345
Office rent	-	-	48,000	48,000	48,000
Office expenses	-	-	24,871	24,871	26,339
Postage	-	-	10,126	10,126	9,073
Telephone	-	-	10,783	10,783	9,698
Meetings, seminars, and conferences	-	-	2,838	2,838	333
Dues and meetings	-	-	2,571	2,571	4,946
Education and training	-	-	5,682	5,682	1,281
Engineering	<u>7,983</u>	<u>19,061</u>	<u>-</u>	<u>27,044</u>	<u>18,638</u>
Total Administrative Expenses	<u>32,139</u>	<u>49,820</u>	<u>203,536</u>	<u>285,495</u>	<u>246,183</u>
Total Operating Expenses	<u>\$ 1,144,732</u>	<u>\$ 1,070,369</u>	<u>\$ 629,034</u>	<u>\$ 2,844,135</u>	<u>\$ 2,783,970</u>

WARWICK TOWNSHIP WATER AND SEWER AUTHORITY  
(A Component Unit of the Township of Warwick)

Revenues and Expenses Budget (GAAP Budgetary Basis) and Actual

For the Year Ended December 31, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Water revenue	\$ 1,600,000	\$ 1,537,638	\$ (62,362)
Sewer revenue	2,200,000	2,173,157	(26,843)
Administrative fees	6,000	9,119	3,119
Construction usage and certificate fees	16,000	10,050	(5,950)
Meter installations	23,500	600	(22,900)
Miscellaneous operating revenue	1,000	-	(1,000)
<b>Total Operating Revenues</b>	<u>3,846,500</u>	<u>3,730,564</u>	<u>(115,936)</u>
<b>Operating Expenses</b>			
Water plant operating expenses			
Personnel expenses	193,843	242,232	(48,389)
Direct expenses	890,200	870,361	19,839
Administrative expenses	28,000	32,139	(4,139)
<b>Total Operating Expenses</b>	<u>1,112,043</u>	<u>1,144,732</u>	<u>(32,689)</u>
<b>Wastewater Plant Operating Expenses</b>			
Personnel expenses	327,975	209,948	118,027
Direct expenses	958,100	810,601	147,499
Administrative expenses	66,000	49,820	16,180
<b>Total Operating Expenses</b>	<u>1,352,075</u>	<u>1,070,369</u>	<u>281,706</u>
<b>General and Administrative Expenses</b>			
Personnel expenses	462,470	425,498	36,972
Other	217,900	203,536	14,364
<b>Total General and Administrative Expenses</b>	<u>680,370</u>	<u>629,034</u>	<u>51,336</u>
<b>Total Operating Expenses</b>	<u>3,144,488</u>	<u>2,844,135</u>	<u>300,353</u>
Net Operating Income (Loss) Before Depreciation	<u>702,012</u>	<u>886,429</u>	<u>184,417</u>
Depreciation	<u>1,600,000</u>	<u>1,682,076</u>	<u>(82,076)</u>
Net Operating Income (Loss)	<u>(897,988)</u>	<u>(795,647)</u>	<u>102,341</u>
<b>Nonoperating Revenues</b>			
Water tapping fees	94,500	18,000	(76,500)
Sewer tapping fees	132,300	18,900	(113,400)
Interest income	10,000	16,387	6,387
Grant revenue	-	-	-
Miscellaneous income	2,500	30,000	27,500
<b>Total Nonoperating Revenues</b>	<u>239,300</u>	<u>83,287</u>	<u>(156,013)</u>
Loss Before Capital Contributions	(658,688)	(712,360)	(53,672)
Capital Contributions	<u>-</u>	<u>1,067,697</u>	<u>1,067,697</u>
Change in Net Position	<u>\$ (658,688)</u>	<u>\$ 355,337</u>	<u>\$ 1,014,025</u>

WARWICK TOWNSHIP WATER AND SEWER AUTHORITY  
(A Component Unit of the Township of Warwick)

Revenues and Expenses Budget (GAAP Budgetary Basis) and Actual

For the Year Ended December 31, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Operating Revenues</b>			
Water revenue	\$ 1,438,200	\$ 1,543,784	\$ 105,584
Sewer revenue	2,060,400	2,160,538	100,138
Administrative fees	8,500	4,095	(4,405)
Construction usage and certificate fees	16,000	14,650	(1,350)
Meter installations	23,500	4,420	(19,080)
Miscellaneous operating revenue	<u>1,000</u>	<u>175</u>	<u>(825)</u>
Total Operating Revenues	<u>3,547,600</u>	<u>3,727,662</u>	<u>180,062</u>
<b>Operating Expenses</b>			
Water plant operating expenses			
Personnel expenses	213,000	228,554	(15,554)
Direct expenses	861,000	841,889	19,111
Administrative expenses	<u>28,000</u>	<u>24,276</u>	<u>3,724</u>
Total Operating Expenses	<u>1,102,000</u>	<u>1,094,719</u>	<u>7,281</u>
<b>Wastewater Plant Operating Expenses</b>			
Personnel expenses	356,500	241,935	114,565
Direct expenses	916,600	753,857	162,743
Administrative expenses	<u>62,000</u>	<u>49,589</u>	<u>12,411</u>
Total Operating Expenses	<u>1,335,100</u>	<u>1,045,381</u>	<u>289,719</u>
<b>General and Administrative Expenses</b>			
Personnel expenses	518,000	471,552	46,448
Other	<u>214,500</u>	<u>172,318</u>	<u>42,182</u>
Total General and Administrative Expenses	<u>732,500</u>	<u>643,870</u>	<u>88,630</u>
Total Operating Expenses	<u>3,169,600</u>	<u>2,783,970</u>	<u>385,630</u>
Net Operating Income (Loss) Before Depreciation	<u>378,000</u>	<u>943,692</u>	<u>565,692</u>
Depreciation	<u>1,500,000</u>	<u>1,661,667</u>	<u>(161,667)</u>
Net Operating Income (Loss)	<u>(1,122,000)</u>	<u>(717,975)</u>	<u>404,025</u>
<b>Nonoperating Revenues</b>			
Water tapping fees	31,500	81,800	50,300
Sewer tapping fees	37,800	91,214	53,414
Interest income	10,000	4,191	(5,809)
Grant revenue	-	75,411	75,411
Miscellaneous income	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
Total Nonoperating Revenues	<u>81,800</u>	<u>252,616</u>	<u>170,816</u>
Loss Before Capital Contributions	(1,040,200)	(465,359)	574,841
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ (1,040,200)</u>	<u>\$ (465,359)</u>	<u>\$ 574,841</u>