

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

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 2023**



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## 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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Authority, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for 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.

#### **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**

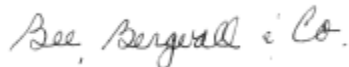
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is 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**

We previously audited the Authority's 2022 financial statements, and our report dated April 24, 2023 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, 2022, 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 22, 2024

**Warwick Township Water & Sewer Authority  
Component Unit of the Township of Warwick  
Management’s Discussion and Analysis  
December 31, 2023 and 2022**

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, 2023 and 2022.

**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 seven (7) 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, 2023 consisted of approximately 4,286 water connections and 4,402 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, 2023 and 2022**

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.

The Board of Directors commissioned Ebert Engineers to prepare design plans and specifications for a valve replacement project at the Fish Creek Plant in 2024. Authorization to bid the project was given by the Board and bids were received in February 2024. The Authority Board awarded the contract to the low bidder, Worth and Company, for a total of \$1,482,769. Construction on the project began in April 2024.

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, 2023 and 2022**

### 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 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.

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 Cooperative Agreement extended by the U.S. Navy to connect additional customers within Warwick Township in 2024.
- There was a 5% water and sewer rate increase, approved by the Authority Board for 2024.
- The Authority held an online public auction for electric supply on July 27, 2023 and accepted the 4-year rate with Constellation New Energy Corp. The agreement locked in electrical supply rates at .006677/kwh through December 2027, 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, 2023 and 2022**

- For fiscal year 2023, the Authority delivered 255.0 million gallons of water and treated 300.6 million gallons of wastewater, compared to 256.2 million gallons of water and treated 295.2 million gallons of wastewater in the previous year. The Authority purchased 281.3 million gallons of water in 2023, which represented a daily average of 770,785 gallons, while 2022 purchases totaled 301.9 million gallons, an average of 827,213 gallons per day. Unaccounted for water decreased to 9.35% in 2023 from 15.15% in 2022. The Authority continues to perform annual leak detection on the water system to maintain low water loss percentages.
- At year-end 2023, total assets at year-end were \$37.0 million and exceeded liabilities in the amount of \$35.5 million (i.e., net position). Total assets increased from 2022 by \$285,672 primarily due to increased revenues in 2023.
- Operating revenues increased by 4.18% from \$3,730,564 in 2022 to \$3,893,215 in 2023, and were under budget projections by \$145,785. Water revenues by existing customers increased from 2022 to 2023 by approximately 4.05% and sewer revenues increased by 4.09%. Non-operating revenue increased over 2022 by \$80,624 due to the increase in interest income.
- Operating expenses before depreciation for 2023 were \$2,904,719 and were \$295,991 under the budget projections. Operating expenses increased \$60,584 or 2.13%, from the previous calendar year.
- Operating income before depreciation for the year totaled \$988,496 Operating income before depreciation increased from 2022 by \$102,067 or 10.33%.

**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.

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, 2023 and 2022**

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, 2023 and 2022**

**Operations of the Water and Sewer Systems**

**Ten Largest Water Users**

<u>System User</u>	<u>Property Description</u>	<u>2023 Charges</u>
BRIDGES OF WARWICK	Senior Living	\$40,562
LIBERTY VILLAGE	Apartments	\$18,105
CAR WASH GROUP LLC	Car Wash	\$10,448
HERITAGE CREEK Bld 4	Apartments	\$10,161
WARWICK MEADOWS III CONDO	Apartments	\$9,167
BRIDGE VALLEY ELEMENTARY	School	\$8,313
WAWA	Store	\$5,422
HERITAGE CREEK Bld 2	Apartments	\$5,208
MIDDLE BUCKS VO TECH	School	\$5,067
HERITAGE CREEK Bld 5	Apartments	\$3,905

**Ten Largest Sewer Users**

<u>System User</u>	<u>Property Description</u>	<u>2023 Charges</u>
BRIDGES OF WARWICK	Senior Living	\$52,523
DIAMOND RIDGE	Day Camp	\$27,065
LIBERTY VILLAGE	Apartments	\$23,585
CAR WASH GROUP LLC	Car Wash	\$13,719
HERITAGE CREEK Bld 4	Apartments	\$12,067
BRIDGE VALLEY ELEMENTARY	School	\$10,966
WAWA	Store	\$7,305
HERITAGE CREEK Bld 2	Apartments	\$6,964
MIDDLE BUCKS VO TECH	School	\$6,784
OUTBACK STEAKHOUSE	Restaurant	\$6,521

**Financial Condition**

Total assets increased \$285,672 or .78% from 2022. Net position decreased \$579,586 in 2023 from 2022. Unrestricted net position increased \$20,013 or .57% in 2023. Accounts receivable at year-end was \$20,870 more than year-end 2022 or approximately 2.26%.

**Warwick Township Water & Sewer Authority  
Component Unit of the Township of Warwick  
Management's Discussion and Analysis  
December 31, 2023 and 2022**

The following table summarizes the financial position of the Authority as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current Assets	\$ 5,031,328	\$ 4,146,057
Capital and Other Assets	<u>31,992,308</u>	<u>32,591,907</u>
Total Assets	<u>37,023,636</u>	<u>36,737,964</u>
<b>Liabilities</b>		
Current Liabilities	\$ 242,906	\$ 392,852
Long Term Liabilities	<u>1,252,804</u>	<u>237,600</u>
Total Liabilities	<u>1,495,710</u>	<u>630,452</u>
<b>Net Position</b>		
Net Investment in Capital Assets	31,770,073	32,591,907
Unrestricted	<u>3,757,853</u>	<u>3,515,605</u>
Total Net Position	<u>\$ 35,527,926</u>	<u>\$ 36,107,512</u>

**Results of Operations: Comparison of 2023 and 2022**

**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 \$64,833 or 4.22% and sewer revenues increased \$92,641 or 4.26% from the previous year. Total operating revenue increased by \$162,651 from the calendar year 2022.

**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 2023 compared to \$1,067,697 in 2022. These contributions vary from year to year.

**Warwick Township Water & Sewer Authority  
Component Unit of the Township of Warwick  
Management's Discussion and Analysis  
December 31, 2023 and 2022**

**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 \$19,800 for 2023 compared to \$36,900 for 2022. Tapping fees vary from year-to-year with fluctuations in development and therefore are difficult to predict.

**Operating Expenses:** Total operating expenses of the Authority, before depreciation, increased \$60,584 from calendar year 2022 and were under budget by \$295,991. Operating income, before depreciation is \$988,496 for 2023 compared to \$886,429 for 2022.

Water operating expenses decreased 1.86%, sewer operating expenses increased .23%, administrative expenses increased 12.62% from 2023 to 2022. Depreciation expense for 2023 and 2022 was \$1,731,993 and \$1,682,076, respectively.

The following table summarizes the revenue, expenses and changes in net position of the Authority for the fiscal ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating Revenue		
Total Operating Revenue	\$ 3,893,215	\$ 3,730,564
Operating Expenses		
Water Operating Expenses	1,123,497	1,144,732
Wastewater Operating Expenses	1,072,786	1,070,369
General and Administrative Expenses	708,436	629,034
Depreciation Expense	<u>1,731,993</u>	<u>1,682,076</u>
Total Operating Expenses	4,636,712	4,526,211
Operating Income (Loss)	(743,497)	(795,647)
Non-Operating Revenue (Expenses), Net	163,911	83,287
Capital Contributions	<u>-</u>	<u>1,067,697</u>
Change in Net Position	(579,586)	355,337
Net Position, Beginning of the Year	<u>36,107,512</u>	<u>35,752,175</u>
Net Position, End of the Year	<u>\$ 35,527,926</u>	<u>\$ 36,107,512</u>

**Warwick Township Water & Sewer Authority  
Component Unit of the Township of Warwick  
Management's Discussion and Analysis  
December 31, 2023 and 2022**

**2023 Cash Flow Activity**

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

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
Total Operating Revenue	\$ 3,893,215	\$ 3,730,564	\$ 162,651
Net cash provided by activities	818,979	712,773	106,206
Net cash provided by activities as a percentage of total revenue	21.04%	19.11%	

**Capital Assets**

The Authority's net capital assets as of December 31, 2023 decreased to \$31,992,308 (net of accumulated depreciation). The decrease is \$599,599 from 2022, primarily due to the increase in Construction in Progress and the addition of a \$222,235 intangible right of use asset.

The following table summarizes the Authority's investment in capital assets as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land/Easements	\$ 551,571	\$ 551,571
Construction in Progress	499,244	347,491
Plant and equipment, net of accumulated depreciation	30,719,258	31,692,845
Right of use asset, net of accumulated amortization	<u>222,235</u>	<u>-</u>
Net Capital Assets	<u>\$ 31,992,308</u>	<u>\$ 32,591,907</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 3,991,319	\$ 3,172,340
Accounts receivable	945,981	925,111
Grant receivable	10,668	10,668
Inventory	77,023	28,484
Prepaid expenses	<u>6,337</u>	<u>9,454</u>
Total Current Assets	<u>5,031,328</u>	<u>4,146,057</u>
Capital Assets		
Land	551,571	551,571
Construction in progress	499,243	347,491
Plant and equipment, net of accumulated depreciation	<u>30,719,259</u>	<u>31,692,845</u>
Net	<u>31,770,073</u>	<u>32,591,907</u>
Intangible right of use asset, net of accumulated amortization	<u>222,235</u>	<u>-</u>
Total Capital Assets, Net	<u>31,992,308</u>	<u>32,591,907</u>
 Total Assets	 <u>\$ 37,023,636</u>	 <u>\$ 36,737,964</u>
<b>LIABILITIES AND NET POSITION</b>		
Current Liabilities		
Accounts payable	\$ 105,398	\$ 359,660
Accrued payroll and payroll withholdings	14,110	13,659
Current portion of lease payable	41,031	-
Accrued compensated absences	<u>82,367</u>	<u>19,533</u>
Total Current Liabilities	<u>242,906</u>	<u>392,852</u>
Long-Term Liabilities		
Deferred income	1,071,600	237,600
Lease payable, net of current portion	<u>181,204</u>	<u>-</u>
Total Long-Term Liabilities	<u>1,252,804</u>	<u>237,600</u>
Total Liabilities	<u>1,495,710</u>	<u>630,452</u>
Net Position		
Net Investment in Capital Assets	31,770,073	32,591,907
Unrestricted	<u>3,757,853</u>	<u>3,515,605</u>
Total Net Position	<u>35,527,926</u>	<u>36,107,512</u>
 Total Liabilities and Net Position	 <u>\$ 37,023,636</u>	 <u>\$ 36,737,964</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Water revenue	\$ 1,602,471	\$ 1,537,638
Sewer revenue	2,265,798	2,173,157
Administrative fees	11,511	9,119
Construction usage and certificate fees	10,050	10,050
Meter installations	1,810	600
Miscellaneous operating revenue	<u>1,575</u>	<u>-</u>
Total Operating Revenues	<u>3,893,215</u>	<u>3,730,564</u>
Operating Expenses		
Water plant operating expenses	1,123,497	1,144,732
Wastewater plant operating expenses	1,072,786	1,070,369
General and administrative expenses	<u>708,436</u>	<u>629,034</u>
Total Operating Expenses	<u>2,904,719</u>	<u>2,844,135</u>
Net Operating Income Before Depreciation	988,496	886,429
Depreciation	<u>1,731,993</u>	<u>1,682,076</u>
Net Operating Loss	<u>(743,497)</u>	<u>(795,647)</u>
Nonoperating Revenues		
Water tapping fees	13,500	18,000
Sewer tapping fees	6,300	18,900
Interest income	116,011	16,387
Miscellaneous income	<u>28,100</u>	<u>30,000</u>
Total Nonoperating Revenues	<u>163,911</u>	<u>83,287</u>
Loss Before Capital Contributions	(579,586)	(712,360)
Capital Contributions	<u>-</u>	<u>1,067,697</u>
Change in Net Position	(579,586)	355,337
Net Position, Beginning	<u>36,107,512</u>	<u>35,752,175</u>
Net Position, End	<u>\$ 35,527,926</u>	<u>\$ 36,107,512</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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Cash received from customers	\$ 3,872,345	\$ 3,699,172
Cash paid to suppliers	(2,142,130)	(1,686,830)
Cash paid to employees	<u>(998,989)</u>	<u>(882,346)</u>
Net Cash Provided by (Used in) Operating Activities	<u>731,226</u>	<u>1,129,996</u>
Cash Flows From Capital And Related Financing Activities:		
Capital expenditures	(910,158)	(588,288)
Tapping fees	853,800	112,500
Developer contributions	28,100	30,000
Grant revenue received	<u>-</u>	<u>(1,222)</u>
Net Cash Provided by (Used in) Capital And Related Financing Activities	<u>(28,258)</u>	<u>(447,010)</u>
Cash Flows From Investing Activities:		
Interest income received	116,011	16,387
Payments received on notes receivable	<u>-</u>	<u>13,400</u>
Net Cash Provided by (Used in) Investing Activities	<u>116,011</u>	<u>29,787</u>
Net Increase (Decrease) in Cash and Cash Equivalents	818,979	712,773
Cash and Cash Equivalents, Beginning	<u>3,172,340</u>	<u>2,459,567</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,991,319</u>	<u>\$ 3,172,340</u>
Reconciliation of Net Income (Loss) to Net Cash Provided by (Used In) Operating Activities		
Operating income (loss)	\$ (743,497)	\$ (795,647)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	1,731,993	1,682,076
(Increase) decrease in assets:		
Accounts receivable	(20,870)	(31,392)
Inventory	(48,539)	26,914
Prepaid expenses	3,117	6,736
Increase (decrease) in liabilities:		
Accounts payable	(254,263)	245,977
Accrued payroll and payroll withholdings	451	(7,479)
Accrued compensated absences	<u>62,834</u>	<u>2,811</u>
Total adjustments	<u>1,474,723</u>	<u>1,925,643</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 731,226</u>	<u>\$ 1,129,996</u>
Noncash investing, capital, and financing activities:		
Capital contributions	<u>\$ -</u>	<u>\$ 1,067,697</u>
Right of use assets	<u>\$ 222,235</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Restricted cash for developers	\$ <u>264,313</u>	\$ <u>224,234</u>
Liabilities		
Accounts payable	\$ <u>2,389</u>	\$ <u>3,261</u>
Net Position		
Restricted for developers	\$ <u>261,924</u>	\$ <u>220,973</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Additions		
Escrow receipts	\$ 209,440	\$ 195,817
Total Additions	<u>209,440</u>	<u>195,817</u>
Deductions		
Escrow disbursements	<u>168,489</u>	<u>113,701</u>
Total Disbursements	<u>168,489</u>	<u>113,701</u>
Change in net position	40,951	82,116
Net Position Restricted for Developers		
Beginning of Year	<u>220,973</u>	<u>138,857</u>
End of Year	<u>\$ 261,924</u>	<u>\$ 220,973</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, 2023 and 2022

**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, 2023 and 2022

**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.

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.

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.

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

Notes to Financial Statements

December 31, 2023 and 2022

**NOTE 1. 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. 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
Right of use asset	Life of lease

Depreciation expense for 2023 and 2022 was \$1,731,993 and \$1,682,076, respectively.

Intangible Right of Use Asset: The Authority has recorded a right of use asset as a result of a newly authorized lease extension. The right of use asset is initially measured at an amount related to the initial measurement of the related lease liability. The right of use asset is amortized on a straight-line basis over the life of the related assets. Amortization expense for 2023 and 2022 was \$0.

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 2023 and 2022 totaled \$0 and \$1,067,697.

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, 2023 and 2022

**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.

Lease Liability: The Authority has signed a lease agreement for the use of office space. The lease liability represents a contractual obligations to make lease payments. At the commencement date, the lease liability equals the present value of minimum lease payments over the lease term. The discount rate used to bring the liability to present value represents the Authority's estimated borrowing rate at the date the lease becomes effective. The lease payments included in the measurement of the lease liability are composed of fixed payments from the lease agreement over the noncancellable lease term.

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.



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

Notes to Financial Statements

December 31, 2023 and 2022

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

Revenue Recognition (continued)

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.

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, 2023 and 2022, the Authority's matching contribution was \$32,389 and \$29,204, respectively.

Compensated Absences: Unpaid vacation and sick time is recorded as an expense in the period earned and is considered payable from current financial resources. In 2022 and prior, the Authority did not compensate for unpaid sick time upon employees' termination or retirement. On March 27, 2023, the Authority changed to a PTO policy. Full-time employees shall have Paid Time Off (PTO) in lieu of the personal, floating holidays or vacation days assigned in the past. Full-time Employees may carry over up to 400 hours (50 Days) of PTO to the next calendar year. Unused PTO in-excess of the 400 hours carried over may be sold back by *December 1* each year with a limit of 100 hours "cashed in" for any calendar year. Upon separation from Authority employment, PTO for the current year will be prorated for time served plus any previous year carryover and will be payable to the regular, non-probationary, full-time employee.

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, 2022, 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.

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

Notes to Financial Statements

December 31, 2023 and 2022

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

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.

New Accounting Pronouncements: during the year ended December 31, 2023, the Authority implemented Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements. The statement had no effect on these financial statements.

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, 2023 and 2022, custodial fund cash and cash equivalents include \$264,313 and \$224,234, 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, 2023 and 2022

**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 \$4,667,579 including restricted cash escrows. Of the bank balance, \$500,000 was covered by federal depository insurance, \$2,271,056 was invested in externally pooled investments that are not subject to credit risk, and \$1,896,523 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, 2023 and 2022

**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**

	2023			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 551,571	\$ -	\$ -	\$ 551,571
Construction in progress	347,491	587,698	(435,945)	499,244
Total capital assets, not being depreciated	899,062	587,698	(435,945)	1,050,815
Capital assets, being depreciated:				
Plant facilities	61,686,476	588,800	(14,664)	62,260,612
Plant equipment	489,004	-	(76,238)	412,766
Leasehold improvements	321,627	-	-	321,627
Furniture and equipment	178,951	-	(27,171)	151,780
Vehicles	288,768	169,605	(119,735)	338,638
Total capital assets, being depreciated	62,964,826	758,405	(237,808)	63,485,423
Accumulated depreciation	(31,271,981)	(1,733,368)	239,184	(32,766,165)
Total capital assets, being depreciated, net	31,692,845	(974,963)	1,376	30,719,258
Intangible right of use assets				
Leased office space	-	222,235	-	222,235
Accumulated amortization	-	-	-	-
Total intangible right of use assets, net	-	222,235	-	222,235
All capital assets, net	\$ 32,591,907	\$ (165,030)	\$ (434,569)	\$ 31,992,308

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

Notes to Financial Statements

December 31, 2023 and 2022

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

	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	576,535	322,527	-	899,062
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	61,755,825	1,333,458	(124,457)	62,964,826
Accumulated depreciation	(29,714,362)	(1,682,076)	124,457	(31,271,981)
Total capital assets, being depreciated, net	32,041,463	(348,618)	-	31,692,845
All capital assets, net	\$ 32,617,998	\$ (26,091)	\$ -	\$ 32,591,907

**NOTE 5. Lease Payable**

The Authority has entered in to a lease agreement for the use of office space. Under this agreement, the Authority pays minimum monthly payments. The lease was extended and the new term is January 1, 2024 to December 31, 2028. The minimum rental rate for the lease is \$48,000 per year. The liability has been discounted by 4% to present value. Annual lease payments are as follows:

Year Ending December 31	Principal	Interest	Total
2024	\$ 41,031	\$ 6,969	\$ 48,000
2025	42,672	5,328	48,000
2026	44,379	3,621	48,000
2027	46,153	1,847	48,000
2028	48,000	-	48,000
	\$ 222,235	\$ 17,765	\$ 240,000

Long-term liability activity for the year ending December 31, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease payable	\$ -	\$ 222,235	\$ -	\$ 222,235	\$ 41,031

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

Notes to Financial Statements

December 31, 2023 and 2022

**NOTE 6. 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.

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.

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

Notes to Financial Statements

December 31, 2023 and 2022

**NOTE 7. 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.

- Delaware Valley Property & Liability Trust - The insurance expense for the year ended December 31, 2023 was \$64,628. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2023, there were no additional assessments due or anticipated; instead, the pool declared a dividend of which the Authority's share was \$2,027.
- Delaware Valley Workers' Compensation Trust - The insurance expense for the year ended December 31, 2023 was \$11,980. The Authority paid \$1,648 as a result from a payroll audit of the 2022 coverage year. There were no additional assessments due or anticipated. An audit of the 2023 payroll will be performed in 2024. At December 31, 2023, the pool declared a dividend of which the Authority's share was \$600.
- Delaware Valley Health Trust - The insurance expense for the year ended December 31, 2023 was \$145,949. There were no additional assessments due or anticipated. At December 31, 2023, 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, 2023 and 2022

	<u>Water</u>	<u>Sewer</u>	<u>Administrative</u>	<u>2023 Total Expenses</u>	<u>2022 Total Expenses</u>
Operating Expenses					
Personnel Expenses:					
Payroll	\$ 225,358	\$ 234,262	\$ 363,586	\$ 823,206	\$ 668,182
Employee benefits	48,392	32,261	65,297	145,950	127,961
Payroll taxes	19,809	13,817	27,103	60,729	52,331
Deferred contributions	10,738	7,158	14,493	32,389	29,204
Total Personnel Expenses	<u>304,297</u>	<u>287,498</u>	<u>470,479</u>	<u>1,062,274</u>	<u>877,678</u>
Direct Expenses:					
Contract water purchases	659,433	-	-	659,433	756,820
Sludge transportation	-	288,447	-	288,447	319,775
Utilities	21,897	172,066	-	193,963	212,318
Chemicals	-	100,998	-	100,998	104,804
Meter expense	15,059	17,499	-	32,558	13,924
System repairs and maintenance	41,921	86,304	-	128,225	110,536
Plant repairs and maintenance	-	23,217	-	23,217	62,349
Testing	4,900	17,774	-	22,674	24,308
Truck expenses	7,824	11,441	-	19,265	21,603
Operating supplies	6,479	5,861	-	12,340	15,307
Monitoring and regulating	2,495	-	-	2,495	5,272
Ground maintenance	-	-	-	-	3,619
Road maintenance	-	-	-	-	3,441
Uniforms	1,865	2,060	-	3,925	3,563
PA One Call	372	372	-	744	646
Permits and licenses	20,000	2,024	-	22,024	22,677
Total Direct Expenses	<u>782,245</u>	<u>728,063</u>	<u>-</u>	<u>1,510,308</u>	<u>1,680,962</u>
Administrative Expenses:					
Insurance	31,498	39,685	7,617	78,800	58,879
Legal	-	-	70,688	70,688	58,733
Auditing and accounting	-	-	16,500	16,500	16,500
Payroll service	-	-	4,693	4,693	3,907
Computer support	-	-	21,393	21,393	15,561
Office rent	-	-	48,000	48,000	48,000
Office expenses	-	-	41,930	41,930	24,871
Postage	-	-	10,453	10,453	10,126
Telephone	-	-	9,018	9,018	10,783
Meetings, seminars, and conferences	-	-	1,661	1,661	2,838
Dues and meetings	-	-	4,471	4,471	2,571
Education and training	-	-	1,533	1,533	5,682
Engineering	5,457	17,540	-	22,997	27,044
Total Administrative Expenses	<u>36,955</u>	<u>57,225</u>	<u>237,957</u>	<u>332,137</u>	<u>285,495</u>
Total Operating Expenses	<u>\$ 1,123,497</u>	<u>\$ 1,072,786</u>	<u>\$ 708,436</u>	<u>\$ 2,904,719</u>	<u>\$ 2,844,135</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, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Operating Revenues			
Water revenue	\$ 1,680,000	\$ 1,602,471	\$ (77,529)
Sewer revenue	2,310,000	2,265,798	(44,202)
Administrative fees	8,500	11,511	3,011
Construction usage and certificate fees	16,000	10,050	(5,950)
Meter installations	23,500	1,810	(21,690)
Miscellaneous operating revenue	<u>1,000</u>	<u>1,575</u>	<u>575</u>
Total Operating Revenues	<u>4,039,000</u>	<u>3,893,215</u>	<u>(145,785)</u>
Operating Expenses			
Water plant operating expenses			
Personnel expenses	280,000	304,297	(24,297)
Direct expenses	920,200	782,245	137,955
Administrative expenses	<u>36,164</u>	<u>36,955</u>	<u>(791)</u>
Total Operating Expenses	<u>1,236,364</u>	<u>1,123,497</u>	<u>112,867</u>
Wastewater Plant Operating Expenses			
Personnel expenses	303,000	287,498	15,502
Direct expenses	882,600	728,063	154,537
Administrative expenses	<u>57,205</u>	<u>57,225</u>	<u>(20)</u>
Total Operating Expenses	<u>1,242,805</u>	<u>1,072,786</u>	<u>170,019</u>
General and Administrative Expenses			
Personnel expenses	505,000	470,479	34,521
Other	<u>216,541</u>	<u>237,957</u>	<u>(21,416)</u>
Total General and Administrative Expenses	<u>721,541</u>	<u>708,436</u>	<u>13,105</u>
Total Operating Expenses	<u>3,200,710</u>	<u>2,904,719</u>	<u>295,991</u>
Net Operating Income (Loss) Before Depreciation	<u>838,290</u>	<u>988,496</u>	<u>150,206</u>
Depreciation	<u>1,675,000</u>	<u>1,731,993</u>	<u>(56,993)</u>
Net Operating Income (Loss)	<u>(836,710)</u>	<u>(743,497)</u>	<u>93,213</u>
Nonoperating Revenues			
Water tapping fees	441,000	13,500	(427,500)
Sewer tapping fees	617,400	6,300	(611,100)
Interest income	75,000	116,011	41,011
Miscellaneous income	<u>2,500</u>	<u>28,100</u>	<u>25,600</u>
Total Nonoperating Revenues	<u>1,135,900</u>	<u>163,911</u>	<u>(971,989)</u>
Loss Before Capital Contributions	299,190	(579,586)	(878,776)
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ 299,190</u>	<u>\$ (579,586)</u>	<u>\$ (878,776)</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)
Total Operating Revenues	<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)
Total Operating Expenses	<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
Total Operating Expenses	<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
Total General and Administrative Expenses	<u>680,370</u>	<u>629,034</u>	<u>51,336</u>
Total Operating Expenses	<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
Miscellaneous income	2,500	30,000	27,500
Total Nonoperating Revenues	<u>239,300</u>	<u>83,287</u>	<u>(156,013)</u>
Loss Before Capital Contributions	(658,688)	(712,360)	(53,672)
Capital Contributions	-	1,067,697	1,067,697
Change in Net Position	<u>\$ (658,688)</u>	<u>\$ 355,337</u>	<u>\$ 1,014,025</u>