THE MUNICIPAL SEWER AUTHORITY
OF THE
TOWNSHIP OF LOWER MAKEFIELD

A BLENDED COMPONENT UNIT OF
THE TOWNSHIP OF LOWER MAKEFIELD

Financial Statements
December 31, 2016 and 2015

THE MUNICIPAL SEWER AUTHORITY
OF THE
TOWNSHIP OF LOWER MAKEFIELD

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Financial Statements
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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
THE MUNICIPAL SEWER AUTHORITY OF THE TOWNSHIP OF LOWER MAKEFIELD
Yardley, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of **The Municipal Sewer Authority of the Township of Lower Makefield**, a Blended Component Unit of the Township of Lower Makefield, Pennsylvania as of and for the years ended December 31, 2016 and 2015, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of **The Municipal Sewer Authority of the Township of Lower Makefield**, as of December 31, 2016 and 2015, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. Our opinion on the basic financial statements is not affected by this missing information.

LOPEZ, TEODOSIO & LARKIN, LLC
Langhorne, Pennsylvania 19047

July 14, 2017

THE MUNICIPAL SEWER AUTHORITY
OF THE
TOWNSHIP OF LOWER MAKEFIELD

(BLENDED COMPONENT UNIT OF THE TOWNSHIP OF LOWER MAKEFIELD)

Statements of Net Position
December 31, 2016 and 2015

	2016	2015
ASSETS		
Capital Assets		
Sewer system		
Constructed	$ 16,937,512	$ 16,937,512
Dedicated	13,245,072	13,245,072
Capital contributions to other authorities	11,427,357	10,433,891
	41,609,941	40,616,475
Accumulated depreciation	(23,840,269)	(22,800,020)
Total assets	17,769,672	17,816,455
NET POSITION		
Invested in capital assets	17,769,672	17,816,455
Total net position	$ 17,769,672	$ 17,816,455

See accompanying notes to the financial statements.

MUNICIPAL SEWER AUTHORITY
OF THE
TOWNSHIP OF LOWER MAKEFIELD

(BLENDED COMPONENT UNIT OF THE TOWNSHIP OF LOWER MAKEFIELD)

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2016 and 2015

	2016	2015
Operating Revenues		
Tapping Fees	$ 96,472	$ 135,516
Expenses		
Depreciation	1,040,249	1,012,751
(Loss) from operations	(943,777)	(877,235)
Contributions and Transfers		
Transfer to the Township of Lower Makefield Sewer Fund	(96,472)	(135,516)
Capital contributions	993,466	1,277,278
Total Contributions and Transfers	896,994	1,141,762
Changes in net position	(46,783)	264,527
Net position - beginning of year	17,816,455	17,551,928
Net position - end of year	$ 17,769,672	$ 17,816,455

See accompanying notes to the financial statements.

MUNICIPAL SEWER AUTHORITY
OF THE
TOWNSHIP OF LOWER MAKEFIELD

(BLENDED COMPONENT UNIT OF THE TOWNSHIP OF LOWER MAKEFIELD)

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net position	$ (46,783)	$ 264,527
Adjustments to reconcile change in net position to net cash and cash equivalents provided by operating activities:		
Depreciation	1,040,249	1,012,751
Net cash and cash equivalents provided by operating activities	993,466	1,277,278
Cash flows from investing activities		
Contributions to other authorities	(993,466)	(1,277,278)
Net cash and cash equivalents (used) in investing activities	(993,466)	(1,277,278)
Net change in cash and cash equivalents	-	-
Cash and cash equivalents - beginning of year	-	-
Cash and cash equivalents - end of year	$ -	$ -

See accompanying notes to the financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Municipal Sewer Authority of the Township of Lower Makefield (the Authority) was incorporated pursuant to the Municipality Authorities Act 22 of 2001, as amended. The Authority was created to own the sanitary sewage collection system and provide the system for the Township of Lower Makefield's (the Township) use. The Authority's governing body is five board members who are appointed to five year terms by the Township of Lower Makefield's supervisor.

The financial statements of the Authority have been prepared in conformity with United States generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Authority also applies Financial Accounting Standards Board (FASB) and AICPA Pronouncement statements to its governmental and business type activities and to its Proprietary Funds provided they do not conflict with or contradict GASB pronouncements.

The Authority has adopted all applicable GASB Statements No. 33 though 73, 76, and 79.

For financial reporting purposes, the Authority is a blended component unit of the Township. There are no component units included in the accompanying financial statements.

Basis of Accounting

The measurement focus is on the flow of economic resources and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred.

Property, Plant and Equipment/Contributed Capital

Property, plant and equipment are stated at cost and include the cost of system additions and improvements contributed to the Authority by the Township and other parties, primarily developers. Capital contributions are recorded upon dedication of improvements to the Authority and acceptance of such improvements by the Board of Supervisors. Depreciation is provided using the straight line method over estimated useful lives of 25 to 40 years.

Use of Estimates

The preparation of the 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 different from those estimates.

Subsequent Events

Subsequent events after the balance sheet date through the date the financial statements were available to be issued, July 14, 2017 have been evaluated in the preparation of the financial statements and management has determined that there are no subsequent events that would require disclosure or adjustment in the financial statements.

NOTE B - TAPPING FEES

Pursuant to Act 203 of 1990 of the General Assembly of the Commonwealth of Pennsylvania, the Authority has adopted a resolution charging a tapping fee against the owner of each property connecting to the sewer system.

NOTE C - CAPITAL ASSETS

A summary of the change in capital assets is as follows for the year ended December 31, 2016 and 2015:

	2016			
	Balance January 1, 2016	Additions	Disposals	Balance December 31, 2016
Capital assets being depreciated				
Sewer system				
Constructed	$ 16,937,512	$ -	$ -	$ 16,937,512
Dedicated	13,245,072	-	-	13,245,072
Capital contributions to other authorities	10,433,891	993,466	-	11,427,357
	40,616,475	993,466	-	41,609,941
Accumulated drepreciation	(22,800,020)	(1,040,249)	-	(23,840,269)
Total capital assets, net	$ 17,816,455	$ (46,783)	$ -	$ 17,769,672

	2015			
	Balance January 1, 2015	Additions	Disposals	Balance December 31, 2015
Capital assets being depreciated				
Sewer system				
Constructed	$ 16,937,512	$ -	$ -	$ 16,937,512
Dedicated	13,245,072	-	-	13,245,072
Capital contributions to other authorities	9,156,613	1,277,278	-	10,433,891
	39,339,197	1,277,278	-	40,616,475
Accumulated drepreciation	(21,787,269)	(1,012,751)	-	(22,800,020)
Total capital assets, net	$ 17,551,928	$ 264,527	$ -	$ 17,816,455

NOTE D - CONTRIBUTIONS TO OTHER AUTHORITIES

The Authority has entered into agreements with certain adjoining municipal authorities in order to guarantee treatment capacity at the Municipal Authority of the Borough of Morrisville's sewage treatment plant and to guarantee the right to connect to and transport through the Yardley Borough Sewer Authority's system. Under terms of the agreement, the Authority has made capital contributions representing its pro rata share for joint use or expansion of the facilities. Cumulative contributions to these authorities are $11,427,357 and $10,433,891 as of December 31, 2016 and 2015, respectively.

NOTE E - CAPITAL CONTRIBUTIONS

During the year ended December 31, 2016 and 2015, capital contributions in the form of system improvements and expansion were $993,466 and $1,277,278, respectively.

NOTE F - LEASE AGREEMENT

On December 1, 1991, the Authority entered into a lease agreement with the Township. The Authority leases the sewer system to the Township for operation and use for one dollar ($1) per annum. The agreement expired on March 14, 2005, and was renewed on August 2, 2006, for a term of twenty-five years, expiring in December of 2031. The payments remain at $1 per annum.