

**THE MUNICIPAL SEWER AUTHORITY OF THE
TOWNSHIP OF LOWER MAKEFIELD
(A Blended Component Unit of the Township of
Lower Makefield)**

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017



Certified Public Accountants and Business Consultants

**THE MUNICIPAL SEWER AUTHORITY
OF THE TOWNSHIP OF LOWER MAKEFIELD
(A Blended Component Unit of the Township of Lower Makefield)**
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YEARS ENDED DECEMBER 31, 2018 AND 2017

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Independent Auditors' 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 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 year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 evaluation the overall presentation of the financial statements.

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

To the Board of Supervisors
The Municipal Sewer Authority of
the Township of Lower Makefield
Yardley, Pennsylvania

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Sewer Authority of the Township of Lower Makefield, as of December 31, 2018, and the change in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of the Municipal Sewer Authority of the Township of Lower Makefield for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on June 29, 2018.

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 the 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.

Maillie LLP

Oaks, Pennsylvania
September 17, 2019

**THE MUNICIPAL SEWER AUTHORITY OF
THE TOWNSHIP OF LOWER MAKEFIELD
(A Blended Component Unit of the Township of Lower Makefield)**

STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CAPITAL ASSETS		
Sewer system		
Constructed	\$ 16,937,512	\$ 16,937,512
Dedicated	13,245,072	13,245,072
Capital contributions to other authorities	13,399,544	13,112,151
	<u>43,582,128</u>	<u>43,294,735</u>
Accumulated depreciation	<u>(26,012,190)</u>	<u>(24,922,637)</u>
TOTAL ASSETS	<u>\$ 17,569,938</u>	<u>\$ 18,372,098</u>
NET POSITION		
Net investment in capital assets	<u>\$ 17,569,938</u>	<u>\$ 18,372,098</u>

See accompanying notes to the basic financial statements.

**THE MUNICIPAL SEWER AUTHORITY OF
THE TOWNSHIP OF LOWER MAKEFIELD
(A Blended Component Unit of the Township of Lower Makefield)**
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Tapping Fees	\$ 111,948	\$ 123,730
EXPENSES		
Depreciation	<u>1,089,553</u>	<u>1,082,368</u>
LOSS FROM OPERATIONS	<u>(977,605)</u>	<u>(958,638)</u>
CONTRIBUTIONS AND TRANSFERS		
Transfer to the Township of Lower Makefield Sewer Fund	(111,948)	(123,730)
Capital contributions	<u>287,393</u>	<u>1,684,794</u>
TOTAL CONTRIBUTIONS AND TRANSFERS	<u>175,445</u>	<u>1,561,064</u>
CHANGES IN NET POSITION	(802,160)	602,426
NET POSITION AT BEGINNING OF YEAR	<u>18,372,098</u>	<u>17,769,672</u>
NET POSITION AT END OF YEAR	<u>\$ 17,569,938</u>	<u>\$ 18,372,098</u>

See accompanying notes to the basic financial statements.

**THE MUNICIPAL SEWER AUTHORITY OF
THE TOWNSHIP OF LOWER MAKEFIELD
(A Blended Component Unit of the Township of Lower Makefield)**
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	\$ (802,160)	\$ 602,426
Adjustments to reconcile change in net position to net cash and cash equivalents provided by operating activities		
Depreciation	<u>1,089,553</u>	<u>1,082,368</u>
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	287,393	1,684,794
CASH FLOWS FROM INVESTING ACTIVITIES		
Contributions to other authorities	<u>(287,393)</u>	<u>(1,684,794)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

**THE MUNICIPAL SEWER AUTHORITY
OF THE TOWNSHIP OF LOWER MAKEFIELD
(A Blended Component Unit of the Township of Lower Makefield)**
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 Municipalities 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 applied 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.

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 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 differ from the estimates.

Subsequent Events

Management has evaluated subsequent events through September 17, 2019, the date which the financial statements were available to be issued.

**THE MUNICIPAL SEWER AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018 and 2017:

	2018			Balance December 31, 2018
	Balance January 1, 2018	Additions	Deletions	
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	13,112,151	287,393	-	13,399,544
	<u>43,294,735</u>	<u>287,393</u>	<u>-</u>	<u>43,582,128</u>
Accumulated depreciation	(24,922,637)	(1,089,553)	-	(26,012,190)
	<u>(24,922,637)</u>	<u>(1,089,553)</u>	<u>-</u>	<u>(26,012,190)</u>
Total capital assets, net	<u>\$ 18,372,098</u>	<u>\$ (802,160)</u>	<u>\$ -</u>	<u>\$ 17,569,938</u>
	2017			Balance December 31, 2017
	Balance January 1, 2017	Additions	Deletions	
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	11,427,357	1,684,794	-	13,112,151
	<u>41,609,941</u>	<u>1,684,794</u>	<u>-</u>	<u>43,294,735</u>
Accumulated depreciation	(23,840,269)	(1,082,368)	-	(24,922,637)
	<u>(23,840,269)</u>	<u>(1,082,368)</u>	<u>-</u>	<u>(24,922,637)</u>
Total capital assets, net	<u>\$ 17,769,672</u>	<u>\$ 602,426</u>	<u>\$ -</u>	<u>\$ 18,372,098</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 joints use or expansion of the facilities. Cumulative contributions to these authorities are \$13,399,544 and \$13,112,151 as of December 31, 2018 and 2017 respectively.

NOTE E - CAPITAL CONTRIBUTIONS

During the year ended December 31, 2018 and 2017, capital contributions in the form of system improvements and expansion were \$287,393 and \$1,684,794 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-fives years, expiring in December of 2031. The payments remain at \$1 per annum.